

450th meeting of the Accounts Commission for Scotland
Thursday 11 October 2018, 10.15am
in the offices of Audit Scotland, 102 West Port, Edinburgh

Agenda

1. **Apologies for absence.**
2. **Declarations of interest.**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 12 to 15 in private (* see note).
4. **Minutes of meeting of 13 September 2018**
5. **Minutes of meeting of Financial Audit and Assurance Committee of 27 September 2018**
6. **Minutes of meeting of Performance Audit Committee of 27 September 2018**
7. **Audit Scotland Board update:** The Commission will consider a verbal report by the Chair and Secretary to the Commission.
8. **Update report by the Secretary to the Commission:** The Commission will consider a report by the Secretary to the Commission.
9. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit providing an update on his recent activity.
10. **Briefing: Reducing child poverty:** The Commission will consider a report by the Director of Performance Audit and Best Value.
11. **Best Value Assurance Report: East Lothian Council:** The Commission will consider a report by the Controller of Audit.

*The following items are proposed to be considered in private:**
12. **Best Value Assurance Report: East Lothian Council:** The Commission will consider the actions that it wishes to take.
13. **Local government financial overview: emerging messages:** The Commission will consider a report by the Director of Performance Audit and Best Value.
14. **Potential implications of EU withdrawal for public bodies:** The Commission will consider a report by the Director of Performance Audit and Best Value.
15. **Commission business matters:** The Commission will discuss matters of interest.

* It is proposed that items 12 to 15 be considered in private because:

- Item 12 requires the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the council in question of its decision, which the Commission does before making the decision public.
- Item 13 proposes a draft audit report which the Commission is to consider in private before publishing.
- Item 14 proposes a paper containing policy matters which the Commission may wish to consider in private before publishing.
- Item 15 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

The following papers are enclosed for this meeting:

Agenda Item	Paper number
Agenda Item 4: Minutes of meeting of 13 September 2018	AC.2018.9.1
Agenda Item 5: Minutes of meeting Financial Audit and Assurance Committee of 27 September 2018.	AC.2018.9.2
Agenda Item 6: Minutes of meeting Performance Audit Committee of 27 September 2018	AC.2018.9.3
Agenda Item 7: Report by Secretary to the Commission	AC.2018.9.4
Agenda Item 8: Report by Secretary to the Commission	AC.2018.9.5
Agenda Item 10: Report by Director of Performance Audit and Best Value	AC.2018.9.6
Agenda Item 11: Report by Controller of Audit	AC.2018.9.7
Agenda Item 13: Report by Director of Performance Audit and Best Value	AC.2018.9.8
Agenda Item 14: Report by Director of Performance Audit and Best Value	AC.2018.9.9

MEETING: 11 OCTOBER 2018

MINUTES OF PREVIOUS MEETING

Minutes of the 449th meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 13 September 2018, at 10.15am

PRESENT: Graham Sharp (Chair)
Andrew Burns
Alan Campbell
Andrew Cowie
Sandy Cumming
Sophie Flemig
Sheila Gunn
Ronnie Hinds
Tim McKay
Pauline Weetman
Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
Elaine Boyd, Associate Director, Audit Quality and Appointments [Item 11]
Carol Calder, Senior Manager, PABV [Item 13]
Neil Cameron, Manager, Professional Support [Item 12]
Neil Cartlidge, Senior Manager, PABV [Item 15]
Gemma Diamond, Senior Manager, PABV [Item 14]
John Gilchrist, Manager, Audit Quality and Appointments [Item 11]
Graeme Greenhill, Senior Manager, PABV [Item 10]
Brian Howarth, Audit Director, Audit Services [Item 13]
Leigh Johnston, Senior Manager, PABV [Item 15]
Fiona Kordiak, Director, Audit Services [Items 12 and 14]
David Sim, Benefits Auditor, Audit Services [Item 14]
Rebecca Smallwood, Senior Auditor, PABV [Item 12]
Claire Sweeney, Audit Director, PABV [Items 13 and 15]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 9 August 2018
5.	Minutes of meeting of Financial Audit and Assurance Committee of 23 August
6.	Minutes of meeting of Performance Audit Committee of 23 August 2018
7.	Audit Scotland Board update
8.	Update report by the Secretary to the Accounts Commission
9.	Update report by the Controller of Audit
10.	Briefing: UK and Scottish response to the Grenfell Tower tragedy
11.	Ethical governance
12.	Professional scepticism in audit
13.	Local government financial overview 2017/18 and local government overview 2019: scope
14.	Housing benefit audit: draft annual report
15.	Performance audit: draft report: Health & social care integration
16.	Commission business matters

1. Apologies for absence

It was noted that apologies for absence had been received from Stephen Moore.

2. Declarations of interest

The following declarations of interest were made:

- Sheila Gunn, in item 8, as Vice-Chair of the Wheatley Group, in relation to references to housing matters.
- Ronnie Hinds, in item 15, as a non-executive director of the Scottish Government.

3. Decisions on taking business in private

It was agreed to take items 13 to 15 in private as the Commission is to consider them in private before publishing.

No business was notified by members for item 16 and thus the Chair advised that the item would not require discussion.

4. Minutes of meeting of 9 August 2018

The minutes of the meeting of 9 August 2018 were approved as a correct record, subject to noting advice from the Secretary that:

- In relation to item 7 (first bullet point), he had notified the Scottish Government and COSLA about the Commission's ongoing interest in the Local Governance Review.
- In relation to item 7 (penultimate bullet point), the Financial Audit and Assurance Committee had considered the consultation on the Scottish Local Government Pension Scheme structural review, the outcome of which was noted in the next item on the agenda.
- In relation to item 13 (first bullet point), in response to a query from Tim McKay, he would liaise with Mark Taylor, Audit Director, Audit Services Group and PABV, to agree the provision of the information requested by the Commission.

5. Minutes of meeting of Financial Audit and Assurance Committee of 23 August 2018

The minutes of the meeting of the Financial Audit and Assurance Committee of 23 August 2018 were approved as a correct record.

6. Minutes of meeting of Performance Audit Committee of 23 August

The minutes of the meeting of the Performance Audit Committee of 23 August 2018 were approved as a correct record, subject to including Sophie Flemig in the list of those members present.

7. Audit Scotland Board update

The Commission noted a report by the Secretary providing an update on the business of the Audit Scotland Board.

8. Update report by the Secretary to the Accounts Commission

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

During discussion, the Commission:

- Noted advice from the Secretary that the joint Commission and Auditor General performance audit on children and young people's mental health was published on 13 September 2018.
- In relation to paragraph 6, in response to a query from Pauline Weetman, agreed that access to individual press articles be provided to Commission members as a supplement to the members' weekly news summary.

Action: Secretary

- In relation to paragraph 24, noted advice from the Secretary, in response to a query from Ronnie Hinds, on the methodology involved in the disaggregation of Scottish Household Survey figures at council level.
- In relation to paragraph 37, in response to a query from Ronnie Hinds, agreed that the Improvement Service Economic Footprint Review be considered in scoping for the forthcoming performance audit on the role of local government in economic development.
- In relation to paragraph 60, in response to a query from Pauline Weetman, agreed to maintain an interest in matters around the ongoing legal case in relation to social care workers' terms and conditions.

Action: Director of PABV

Following discussion, the Commission agreed to note the report and in particular:

- In relation to paragraph 8, to note that a draft response to the Scottish Government consultation on a consumer body for Scotland will be agreed with the Chair and considered by the Commission at its next meeting.
- In relation to paragraph 19, to agree that no response be made to the Scottish Government consultation on funeral costs.

Action: Secretary

9. Update report by the Controller of Audit

The Controller of Audit provided a verbal update on his recent activity.

During discussion, the Commission:

- In relation to an update from the Controller on liaison with Scotland Excel and a query from Geraldine Wooley in this regard, agreed that matters around commissioning of council services be considered in scoping for the forthcoming performance audit on the role of local government in economic development.

Action: Director of PABV

- Noted advice from the Controller that Ronnie Nicol, Audit Director, PABV, would be retiring in coming weeks. The Chair conveyed his and the Commission's best wishes to Ronnie and thanked him for his support of the Commission, particularly in relation to the development of the approach to auditing Best Value.

Following discussion, the Commission noted the update.

10. Briefing: UK and Scottish response to the Grenfell Tower tragedy

The Commission considered a report by the Director of PABV introducing his briefing paper on UK and Scottish responses to the Grenfell Tower tragedy.

Following discussion, the Commission:

- Noted advice from the Director, in response to a query from Sophie Flemig, that community empowerment matters associated with the response would be an important area of interest to him and the Commission.
- Noted advice from the Director, in response to a query from Andrew Cowie, that the Commission's own response to the matter should be considered as part of its programme refresh activity.

Action: Secretary

- Noted advice from the Director, in response to a query from Geraldine Wooley, that he would further consider matters associated with emergency response in relation to the Commission's joint scrutiny work with its scrutiny partners.

Action: Director of PABV

11. Ethical governance

The Commission considered a report by the Secretary providing an update on the Commission's governance of ethical matters.

Following discussion, the Commission:

- Noted the role of Audit Scotland's Ethics Partner.
- Noted ongoing discussions in relation to the source of ethical advice to the Commission.
- Approved a policy statement on non-audit services by appointed auditors, thus in effect agreeing to delegate to the Associate Director, Audit Quality and Appointments (AQA) to consider for approval requests for non-audit services on the Commission's behalf, liaising with the Commission Secretary as appropriate and reporting to the Commission twice a year on how such requests have been dealt with.

Action: Associate Director, AQA

- Agreed that this approval include an amendment to the proposed policy statement to read:

AQA will make its decision on any request having regard to the FRC Ethical Standard currently in force and the wider scope of public audit as outlined in the Code of Audit Practice. AQA may also consult with Audit Scotland's Ethics Partner.

Action: Associate Director, AQA

- Agreed further in this regard that the Assistant Director, AQA consider and report back on matters associated with appointed auditors advising companies or consortia bidding for or being awarded non-profit distributing project contracts.

Action: Associate Director, AQA

- Noted the role of the Commission Standards Officer and the link with the FRC Ethical Standard, and thus the likely collaboration with the Associate Director, AQA in this regard.

12. Professional scepticism in audit

The Commission considered a report by the Secretary introducing a presentation by the Director, Audit Services on professional scepticism in audit.

During discussion, the Commission:

- Agreed that members be provided with more information on 'judgement tendencies'.

Action: Director, Audit Services

- That it further consider how to apply to its own practice the position of the Auditing Practices Board of the Financial Reporting Council on the nature of professional scepticism and its role in auditing, as set out in its paper of 2012 in this regard.

Action: Secretary

Following discussion, the Chair thanked the Director for the presentation.

13. Local government financial overview 2017/18 and local government overview 2019: scope [in private]

The Commission considered a report by the Director of PABV proposing scopes for *local government financial overview 2017/18* and *local government overview 2019 – challenges and performance*.

During discussion, the Commission:

- Agreed that the Director give further consideration to the continuing use of councils' local financial returns to the Scottish Government as an evidence base for overview work.
- Agreed that in future approaches to its overview work, consideration be given by the Commission to the timing of publication in relation to councils' budget cycles.

Actions: Director of PABV

Following discussion, the Commission:

- Approved the scope of work for the local government financial overview 2017/18.
- Approved the scope of work for *local government overview 2019 – challenges and performance*.

Actions: Director of PABV

14. Housing benefit audit: draft annual report [in private]

The Commission considered a report by the Director, Audit Services advising of the outcome of housing benefit performance audit work for 2017/18 and proposing a draft report in this regard.

Following discussion, the Commission:

- Approved the draft report on housing benefit performance audit work for 2017/18, subject to the report team incorporating revisions in conjunction with the Chair.

- Agreed that the Chair write to council chief executives promoting the report.
- Noted that the report team will bring a paper to the Commission with proposals for the future of housing benefit audit work by the end of 2018.
- Agreed further in this regard that such new work should consider:
 - wider societal consequences of housing benefit policy and approach
 - reporting on customer and service user experience
 - good practice.

Actions: Director of Audit Services

15. Performance audit: draft report - Health & social care integration: update on progress [in private]

The Commission considered a report by the Director of PABV seeking approval of the draft performance audit report *Health & social care integration: update on progress*, and of proposed arrangements for publication and promotion of the report.

Following discussion, the Commission agreed:

- To approve the draft report, subject to the audit team considering points raised in discussion in conjunction with the sponsors of the report, Sophie Flemig and Pauline Weetman.
- To approve the publication and promotion arrangements for the report, including the targeting of different messages to different audited bodies and sectors as appropriate.

Actions: Director of PABV and Secretary

16. Commission business matters

The Chair advised that this meeting would be the last formal meeting of Sandy Cumming's appointment. The Chair thanked Sandy for his commitment and hard work in his appointment of over seven years, and wished him well for the future.

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

MEETING: 27 SEPTEMBER 2018

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE
OF 27 SEPTEMBER 2018**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held in the offices of Nelson Mandela Place, Glasgow, on Thursday 27 September 2018, at 10.00am.

PRESENT: Pauline Weetman (Chair)
Andrew Burns
Graham Sharp
Geraldine Wooley (from item 5)
Sheila Gunn
Tim McKay

IN ATTENDANCE: Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
Fiona Kordiak, Director, Audit Services (Item 4)
Anne MacDonald, Senior Audit Manager, Audit Services (Item 4)
Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) (Item 6)
Fiona Daley, Consultant, Audit Quality and Appointments (Item 6)
Peter Worsdale, Audit Manager, Accounts Commission Business Support Team

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Minutes of meeting of 23 August 2018
4. Current audit issues in councils
5. Intelligence from Ombudsman (six-monthly report)
6. Audit Quality and Appointments progress update 2018/19
7. Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Ronnie Hinds.

2. Declarations of interest

The following declarations of interest were made:

- Sheila Gunn, in item 4, as a non-executive director of the Wheatley Group in relation to social housing issues.
- Pauline Weetman, in item 4, as an Edinburgh resident and local taxpayer in relation to the City of Edinburgh Council social housing item.

3. Minutes of meeting of 23 August 2018

The minutes of the meeting of 23 August 2018 were noted, having previously been approved by the Commission. Arising therefrom, the Committee noted:

- Advice from Graham Sharp in relation to item 4 (last bullet) that he had yet to write to the Local Government Pension Scheme Advisory Board to highlight the Commission's interests.

4. Current audit issues in councils

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

During discussion, the Committee agreed:

- To consider changes in senior appointments in councils and audited bodies as part of the Commission's engagement strategy.

Action: Secretary

- To request a briefing on the National Housing Trust programme to include the business model, risks, governance, financing, and examples of how the model is applied across councils.

Action: Director of PABV

- To request that wider workforce issues be included in the organisational restructuring theme (drawing for example from the annual audit).

Action: Director of PABV

- To receive more information on the rationale for Shetland Islands Council's purchase of the property company.

Action: Director of PABV

- To receive a further information on the South Lanarkshire Community based care hubs. To note that auditors will monitor the audit committee arrangements in South Lanarkshire Council and

Action: Director of PABV

5. Intelligence report (six-monthly report)

The Committee considered a paper by the Secretary to the Commission updating intelligence gathered on councils, emerging from Audit Scotland correspondence and information provided by the Scottish Public Sector Ombudsman (SPSO), Commissioner for Ethical Standards in Public Life in Scotland (CESPLS), Standards Commission for Scotland and Scottish Information Commissioner (SIC).

Following discussion, the Committee noted that future intelligence reports will include updates on complaints handling within bodies as reported by SPSO

Action: Secretary and Director of PABV

Thereafter, the Committee noted the report.

6. Audit Quality and Appointments progress update 2018/19

The Committee considered a report by the Associate Director of Audit Quality and Appointments (AQA) providing an update on current developments in relation to the audit quality framework, including outlining the timetable for reporting AQA assessment of the quality of audit work commissioned by the Accounts Commission to be delivered in 2018/19. It also provided an update on current developments aimed at strengthening the arrangements for securing audit quality, obtaining evidence and providing assurance to the Committee and the Accounts Commission.

During discussion, the Committee

- Endorsed the timetable for regular reporting to FAAC and PAC as a basis for providing ongoing assurance on audit quality.
- Noted the progress made in developing and strengthening audit quality policies and procedures.
- Endorsed the principles of a new approach to collecting and analysing client feedback, details of which would be discussed further by the Commission.
- Noted the continuing developments and discussions relating to audit quality key performance indicators.
- Noted that the Commission will be consulted further over the proposals currently being developed by AQA, in relation to:
 - Proposed process for escalating quality issues
 - Target setting on audits reviewed and Financial Reporting Council gradings
 - Audit quality standards in performance audit and Best Value auditing work.

Action: Associate Director, AQA

7. Any other business

It was agreed that a list of local government appointed auditors, and the bodies involved, be provided to Commission members for their interest.

Action: Associate Director, AQA

MEETING: 27 SEPTEMBER 2018

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 27 SEPTEMBER 2018

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of held in the offices of Nelson Mandela Place, Glasgow, on Thursday 27 September 2018, at 14.00.

PRESENT: Alan Campbell
 Andy Cowie
 Sandy Cumming
 Sophie Flemig
 Stephen Moore
 Graham Sharp (Chair)

IN ATTENDANCE: Fraser McKinlay, Director of Performance Audit and Best Value (PABV)
 Elaine Boyd, Associate Director, Audit Quality and Appointments [Item 5]
 Fiona Daley, Consultant, Audit Quality and Appointments [Item 5]
 Tricia Meldrum, Senior Manager, PABV [Item 6]
 Mark MacPherson, Senior Manager, PABV [Item 6]
 Mark Roberts, Senior Manager, PABV [Item 6]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 23 August 2018
4.	Performance Audit Programme update
5.	Audit Quality and Appointments progress update 2018/19
6.	Policy briefing: Justice, education and lifelong learning
7.	Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Ronnie Hinds.

2. Declarations of interest

Sophie Flemig declared her academic employment in relation to education issues covered in Item 6.

3. Minutes of meeting of 23 August 2018

The minutes of the meeting of were noted, having previously been approved by the Commission.

4. Programme update

The Committee considered a report by the Director of PABV providing an update on the parts of the work programme on which the Committee has an oversight and quality assurance role on behalf of the Commission.

During discussion, the Committee agreed:

- That future reports propose as appropriate changes to programming.
- That consideration be given to how the programme can retain a focus on following up on previous audit work (such as the Social Work in Scotland report) and to note the continued role for sponsors in this.

Actions: Director of PABV, Secretary to the Commission

Thereafter, the Committee noted the report.

5. Audit Quality and Appointments progress update 2018/19

The Committee considered a report by the Associate Director of Audit Quality and Appointments (AQA) providing an update on current developments in relation to the audit quality framework, including outlining the timetable for reporting AQA assessment of the quality of audit work commissioned by the Accounts Commission to be delivered in 2018/19. It also provided an update on current developments aimed at strengthening the arrangements for securing audit quality, obtaining evidence and providing assurance to the Committee and the Accounts Commission.

During discussion, the Committee:

- Endorsed the timetable for regular reporting to FAAC and PAC as a basis for providing ongoing assurance on audit quality.
- Noted the progress made in developing and strengthening audit quality policies and procedures.
- Endorsed the principles of a new approach to collecting and analysing client feedback, details of which would be discussed further by the Commission.
- Noted the continuing developments and discussions relating to audit quality key performance indicators.
- Further in regard to key performance indicators, agreed that AQA consider how KPIs should best support intended outcomes.

Action: Associate Director, AQA

- Noted that the Commission will be consulted further over the proposals currently being developed by AQA, in relation to:
 - Proposed process for escalating quality issues
 - Target setting on audits reviewed and Financial Reporting Council gradings
 - Audit quality standards in performance audit and Best Value auditing work.
- With particular regard to the quality escalation process, to note the Commission's desire for safeguards to be in place for any individual responsible for escalation decisions.

Actions: Associate Director, AQA

6. Policy briefing: Justice, education and lifelong learning

The Committee considered a report by the Director of PABV introducing the briefing for the Justice, education and lifelong learning cluster.

During discussion, the Committee agreed:

- To note auditors' ongoing role in monitoring Early Learning and Childcare funding expansion and Pupil Equity Funding.
- That the cluster group develop a working definition of 'outcomes' in relation to work in relation to looked after children.

Action: Director of PABV

Thereafter, the Committee noted the report.

7. Any other business

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

MEETING: 11 OCTOBER 2018

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

AUDIT SCOTLAND BOARD UPDATE

Purpose

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

Background

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

Current Board business

7. This report provides the Commission with the latest available minutes from meeting of the Audit Scotland Board, in this case the meeting of 22 August 2018. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 28 September 2018, but the minute of this meeting is not yet publicly available as it is yet to be ratified by the Board. This will be available after the next Board meeting on 31 October 2018 and considered by the Commission thereafter.

¹ Public Finance and Accountability (Scotland) Act 2000, Section 10(3).

² Public Finance and Accountability (Scotland) Act 2000, Section 10(2).

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

⁴ *Public Audit in Scotland*, Accounts Commission, Auditor General and Audit Scotland, May 2015.

9. The Commission has agreed however that the agenda for the most recent Board meeting be provided (even if the minute is not yet available). The agenda is attached in Appendix 2. The Chair will provide a verbal update on any relevant business for members' interest, and invites questions from members to this end.

Conclusion

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

Paul Reilly
Secretary to the Commission
3 October 2018

Minutes



Wednesday 22 August 2018, 10.15am

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

Present:

I Leitch (Chair)
C Gardner
G Sharp
H Logan
R Griggs

Apologies:

None

In attendance:

D McGiffen, Chief Operating Officer
M Walker, Assistant Director, Corporate Performance and Risk
A Devlin, Corporate Governance Manager (item 12)
J Webber, Senior Executive Assistant

1. Welcome and apologies

The Chair welcomed members and attendees to the meeting of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Monday 20 August 2018.

2. Declarations of interest

Russel Griggs advised of his interest with Mines Association Scotland, a Charity which receives funding from East Ayrshire Council. The Chair noted Russel's interest.

3. Decision on items to be taken in private

The members noted there were no items to be taken in private.

4. Chair's report

Ian Leitch provided a verbal update on regular meetings with Diane McGiffen and Caroline Gardner on general business matters and of meetings with Parliamentary officials on various issues.

The Chair advised he will be discussing the continued development of the Audit Quality assurance framework in the coming weeks.

The members welcomed the update.

5. Accountable Officer's report

Caroline Gardner advised the Board of Parliamentary engagement which included the meeting with the Scottish Commission for Public Audit (SCPA) on Wednesday 20 June, the report of which is at Item 11 of the agenda, together with sessions at the Public Audit and Post Legislative Scrutiny (PAPLS) Committee on the Colleges Overview report, Forth Replacement Crossing and the National Fraud Initiative.

Caroline highlighted forthcoming reporting on performance audits including Children and Young People's mental health and potential Section 22 reports.

Caroline advised of the developing work on new financial powers, social security and EU withdrawal.

Caroline advised of her attendance at PAPLS business planning meeting on 6 September 2018, and at the Education Committee.

Caroline advised she had written to the Scottish Government on the audit and accountability framework.

The Board noted the recruitment campaign currently underway to secure a new Audit Director, the appointment of Gilliam Woolman as the Chair of LASAAC and Caroline's role as professional adviser to the House of Commons panel recruiting the new Controller and Auditor General.

The Board noted the update and welcomed the intention to bring further updates on the New financial powers, constitutional changes and EU withdrawal.

6. Accounts Commission Chair's report

Graham Sharp invited the Board to note that the Accounts Commission meeting on 9 August had considered useful briefings on housing and rural issues.

Graham advised the Best Value Assurance Report on Glasgow City Council would be published on Thursday 23 August 2018.

The Board noted the Accounts Commission meeting in September would consider the Local Government Overview following the Best Value Assurance Report on West Dunbartonshire Council in June and the follow up report.

Graham invited the Board to note forthcoming meetings with East Ayrshire, West Dunbartonshire and Fife councils to discuss the outcomes from best value reports and engagement events scheduled in September and October with councils.

Graham provided an update on the new members of the Accounts Commission. Andrew Burns, and Andy Cowie who attended their first meeting in August. He also advised of a further two members joining later in the year bringing a valuable and diverse range of experience to the Accounts Commission.

Graham advised that the Strategic Scrutiny Group met on Tuesday 21 August 2018 and considered shared risk assessments of local government.

Graham invited the Board to note that the Accounts Commission will hold its mid-year Strategy session on 12 September 2018 at which it will consider how the Commission and its members engage and promote its work.

The Board welcomed the update.

7. Review of minutes

Board meeting, 6 June 2018

The Board considered the minutes of the meeting of 6 June 2018, which had been previously circulated, and agreed these were an accurate record of the meeting, subject to a minor correction at item 6.

8. Review of actions tracker

The Board noted the updates provided by the action tracker.

Heather Logan sought clarification on ASB70 and Diane McGiffen advised that the title of the action should be revised to Audit Quality and it consolidated discussions in both the Audit Committee and Board about the impact of FRC reports on audit quality. The September report would provide a briefing on the wide range of Audit Quality risks and Audit Scotland's response.

Diane also advised of the discussion with Audit Partners at its meeting on Monday 20 August on Audit Quality.

9. Q1 Corporate performance report

Martin Walker, Assistant Director, Corporate Performance and Risk introduced the Q1 Corporate performance report, which had been previously circulated.

Martin invited the Board to note that strong performance continued, highlighting the outputs published. Martin advised the Board that the Performance and Risk Management Group had reviewed and changed the assessment in relation to people performance from amber to green (Page 5) before inviting any comments or questions.

Heather noted that there was some duplication between the performance report (item 9) and the Becoming World Class Update Report (item 10) and questioned whether these should be combined. Martin confirmed that there was some duplication and advised that Management Team valued the overview of the strategic improvement programme.

Heather asked about impact reports and the value they offer. Caroline advised that impact reports are significant and Fraser McKinlay, Director of Performance Audit and Best Value is considering the balance of reporting in impact reports and the focus we want them to have.

Heather sought more information on Audit Scotland's membership with Quality Scotland and efficiency reviews. Diane advised that Quality Scotland provide training on a variety of improvement techniques including EFQM and lean reviews and advised Business Support Services are conducting lean reviews on a range of operational support processes building on the more strategic efficiency reviews of previous years on accommodation, audit procurement and how people use their time.

Under Making a Difference, Heather asked about the number of downloads and asked whether Audit Scotland had considered the use of pop up surveys to gauge interest and seek feedback. Martin advised that he would discuss this option with the Communications team.

Heather asked how the value of e-hubs is assessed. Martin advised that positive feedback had been received through social media on the benefit of online resources. In addition, Diane advised that offering e-hubs provides a way of disseminating outputs and resources produced during the audit process. Martin advised that the e-hubs also gives longevity to our work as people access previous reports on related issues.

Heather noted the data on pages 19 to 21 and advised she would value seeing the expenditure on consultancy in future quarterly reports.

Graham Sharp noted the fluctuations in the average cost per audit day and the changes between the Audit Services Group (ASG) and the Performance Audit and Best Value Group (PABV). Martin Walker advised that this reflected the seniority and skills mix of colleagues applied to performance audits based on the subject area. Graham asked for further information in due course.

Russel Griggs asked how we review the value added to audited bodies of the audit work in addition to the data in the performance reports. Diane advised that auditors gather feedback on an ongoing basis from audited bodies and that we undertake stakeholder surveys as part of the Audit Quality Framework. Further development work is underway in this area.

Russel noted the small increase in sickness and the data on staff turnover. Diane advised the Health Safety and Wellbeing Committee has been actively reviewing sick absence, the approach to case management and that the HR team work closely with the relevant managers on individual cases.

The Board reflected on the amount of parliamentary engagement, welcomed the Forth Crossing report and noted the continuing impact of best value audits.

The Chair noted there were fewer audit days recorded in the year to date and asked whether this would result in an underspend across the year as a whole. Diane advised members that Management Team had considered a very early budget projection on Tuesday 21 August and Audit Scotland is not at this stage forecasting a significant underspend.

The Chair sought clarification on the resilience of our systems and how we are considering the issues around the move from iShare to Office 365 and SharePoint online. Martin advised that a report on digital security is scheduled to go to the Audit Committee on 19 September 2018 and on the resilience of our IT systems, and the Q2 Becoming World Class report would provide further information on the migration to the new systems.

Following discussion, the Board welcomed the report.

Action ASB77 Martin Walker to discuss with the Communications team the use of pop up surveys to gauge interest and seek feedback from stakeholders. (September 2018)

Action ASB78 Martin Walker to include expenditure data on consultancy in future quarterly reporting. (November 2018)

Action ASB79 Martin Walker and Stuart Dennis to discuss with Graham Sharp what further information on the average cost per audit day for Performance Audit and Best Value group would be helpful. (September 2018)

10. Q1 Becoming world class improvement programme report

Martin Walker introduced the report Q1 Becoming world class improvement programme, a copy of which had been previously circulated.

Martin invited the Board to note the performance reported during the first quarter of 2018/19 and welcomed any questions.

Russel Griggs noted the potential resource implications of EU withdrawal and what preparations were being made. Caroline Gardner advised that Management Team had held a summit discussion on Tuesday 21 August with the team who are monitoring new financial powers, social security and EU withdrawal and key managers. During that discussion, Management Team had considered the impact of a deal or no deal withdrawal including the potential impact on audit responsibilities (the EAFA audit), funding streams and the complexities of the devolved powers from Westminster to Scotland, together with the risks for resourcing and what that might mean for Audit Scotland.

Heather referred to her earlier observations on the potential duplication of the report. The members recognised the value of both reports and Caroline advised the team will reflect on the discussion ahead of the next reporting cycle.

Following discussion, the Board welcomed the report.

11. Scottish Commission for Public Audit: Report on Audit Scotland's 2017/18 Annual report and accounts

Diane McGiffen, Chief Operating Officer, introduced the Scottish Commission for Public Audit's report on Audit Scotland's 2017/18 Annual report and accounts, which had been previously circulated.

The Board discussed the report and looked forward to continuing engagement with the SCPA.

Following discussion, the Board welcomed the report.

12. Annual review of Codes of Conduct

Alex Devlin, Corporate Governance Manager, joined the meeting.

Alex Devlin, Corporate Governance Manager, introduced the annual review of Codes of Conduct, which had been previously circulated.

Alex invited the Board to consider and approve the amended Codes of Conduct.

The Board reflected on the new provisions and welcomed the review in advance of the SCPA's recruitment of a new member to the Audit Scotland Board.

The members noted the importance of the registers of interest being comprehensive and the declaration of interest at meetings in terms of the real and perceived independence and neutrality of the Board. The members also discussed the formality of the process in declaring interests.

Heather noted there was no provision that members required to step down from any roles which they had with any audited body. In addition, Heather asked that the wording be amended which related to anyone arrested or charged with a criminal activity.

Alex Devlin agreed to circulate revised wording taking on board the issues raised in discussion.

Following discussion, the Board agreed to approve the Members Code of Conduct subject to amendments by correspondence.

Action ASB80 Alex Devlin to circulate the revised wording to members for information. (August 2018)

Alex Devlin, Corporate Governance Manager, left the meeting.

13. Proposed Board and Committee meeting schedule 2019

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the proposed Board and Committee schedule 2019, which had been previously circulated.

The Board welcomed the proposed schedule of meetings and indicative work programme for 2019.

Following discussion, the Board agreed the schedule.

14. Any other business

The Chair advised that Professor Russel Grigg's term of office concluded at the end of September 2018 and that this may be his last Board meeting. The Chair wished to record his and the Board's appreciation of his services to the Board and its Committees. He thanked Russel for his Chairing of the Human Resources and Remuneration Committee and his contribution over the course of his tenure on the Board.

15. Review of meeting

The members agreed that business had been well considered and dealt with timeously and the Chair thanked everyone for their contribution.

16. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting was scheduled for 10.15am on Wednesday 26 September 2018 in the offices of Audit Scotland, 102 West Port, Edinburgh.

Post meeting note: The next meeting of the Audit Scotland Board has changed to Friday 28 September 2018.

Agenda

Friday 28 September 2018, 11.30am

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

1. Welcome and apologies
 2. Declarations of interest
 3. Decision on items to be taken in private For approval
-

Standing items

4. Chair's report – verbal update
 5. Accountable Officer's report – verbal update
 6. Accounts Commission Chair's report – verbal update
 7. Review of minutes:
 - Board meeting, 22 August 2018 For approval
 8. Review of action tracker For information
-

Business performance

9. Q1 Financial performance report For information
-

Governance

10. Annual review of information governance policies For approval
 - Freedom of Information policy
 - Records Management Policy
 11. Any other business
 12. Review of meeting
 13. Date of next meeting: 31 October 2018
-

Items to be taken in private

14. Audit quality and reputational risk For information

[Item to be taken in private to support the effective conduct of business – information intended for future publication]
15. 2018/19 Spring budget revision For approval

[Item to be taken in private to support the effective conduct of business – information intended for future publication]

16. 2019/20 Budget

For approval

[Item to be taken in private to support the effective conduct of business – information intended for future publication]

Items to be taken in private continued

17. Audit Scotland Draft British Sign Language plan 2018-24

For approval

[Item to be taken in private to support the effective conduct of business – information intended for future publication]

MEETING: 11 OCTOBER 2018

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

UPDATE REPORT

Introduction

1. The purpose of this report is to provide a regular update to the Commission on significant recent activity relating to local government, as well as issues of relevance or interest across the wider public sector.
2. The regular Controller of Audit report to the Commission which updates the Commission on his activity complements this report. The Commission's Financial Audit and Assurance Committee also receives a more detailed update on issues relating to local government. This report also complements the weekly briefing provided by Audit Scotland's Communication Team made available on the extranet site, which provides more detailed news coverage in certain areas.
3. The information featured is also available on the Accounts Commission member portal. Hyperlinks are provided in the electronic version of this report for ease of reference.

Commission business

Publications

4. On 13 September, the Accounts Commission and Auditor General published their report on [Children and young people's mental health](#). The report found that there has been a large increase in the numbers of young people being referred to mental health services, and that an increase in waiting times are a sign that the system is under significant pressure. The report also found that service users face a range of barriers to accessing services, and that poor financial and performance data makes it difficult to identify how much is being spent on services and the impact that these services are having on users. The report concluded that a step change is required in the way services respond to the needs of children and young people.
5. Audit Scotland collects [media coverage](#) on all the reports published by the Accounts Commission. Audit Scotland also provides a weekly summary of the [key media stories regarding local government](#). Both are available through Audit Scotland SharePoint, on the Accounts Commission Members' Extranet.
6. The download statistics of the reports published over the last 12 months (as at 1 October) are set out in the **Appendix**.

Other business

7. The Minister for Local Government, Housing and Planning has reappointed Tim McKay and Stephen Moore as members of the Commission for a further period of four years from 1 October 2018. (They had been appointed previously on 1 October 2014.) The Minister has also approved an extension of Ronnie Hinds' appointment as Deputy

Chair of the Commission until 30 June 2019. (He had also been appointed previously from 1 October 2014.)

8. At its meeting on 9 August, the Commission considered the Scottish Government [consultation on a consumer body for Scotland](#). The purpose of this consultation is to gather views from stakeholders on the proposed powers and functions of a new consumer body, called Consumer Scotland. Having considered the terms of the consultation in conjunction with the Director of PABV, I propose that there is not enough of substance in the consultation for the Commission to respond. The Auditor General will also not be responding. A watching brief on the matter will however be maintained.
9. On 29 August, the Chair and Deputy Chair met David Martin, Chair, Local Government Benchmarking Framework project board and Emily Lynch, Programme Manager, Improvement Service, to discuss the progress of the project and other matters of mutual interest and t. A letter sent subsequently by the Chair to David Martin has been circulated to members.
10. In the week commencing 3 September, the Accounts Commission began a series of meetings with key people from councils across Scotland, with the aim of discussing with councils the work of the Commission. The first two meetings were held in Edinburgh on 6 September, a meeting was held on 10 September in Inverness, and a further meeting was held in Glasgow on 1 October. The final two meetings will take place in Glasgow on 29 October.
11. On 11 September, Commission members Graham Sharp, Alan Campbell and Pauline Weetman, along with Paul Reilly, Secretary and David McConnell, Audit Director, Audit Scotland (appointed auditor) met with Glasgow City Council to discuss the [Best Value Assurance Report of the Council](#) which was published on 23 August. The Council was represented by councillors Ruairi Kelly (SNP), member, City Administration Committee, Frank McAveetie, leader, Labour group, David Meikle, leader, Conservative group, and Martha Wardrop, leader, Scottish Green group; and officers Annemarie O'Donnell, Chief Executive, Martin Booth, Executive Director of Finance, Anne Connolly, Strategic Adviser to the Chief Executive, and Laura Heggie, Compliance Manager.
12. On 13 September, Glasgow City Council formally considered the Accounts Commission's Glasgow City Council Best Value Assurance report and the Chief Executive's action plan based on the report recommendations. The council noted the report and approved the action plan.
13. On 21 September, [Chair of the Accounts Commission Graham Sharp gave an interview for the magazine Public Finance](#). In it, he talked about the 'increasing fragility' of Scottish council finances, stating that he would not rule out the possibility that a Scottish council being forced by a budget shortfall to reduce services to the legal minimum. The article also mentioned how annual audits have put a greater emphasis on performance and improvement in the last 18 months, with the aim to create a culture of continuous assessment around performance.
14. On 8 October, the Annual Planning Conference for Audit Scotland and audit firms took place in Audit Scotland's offices in West Port, Edinburgh. All audit providers were present at the conference. The event launches the annual planning guidance for the current audit year. The guidance is available to members on the members' extranet. The Commission Chair and Auditor General both spoke to launch the conference.

Auditor General for Scotland

15. On 20 September, the Auditor General published her report [Superfast broadband for Scotland: further progress update](#). The report found that the Scottish Government achieved its initial target to provide fibre broadband access to 95 per cent of premises. However, it also found that the Scottish Government's more recent initiative of 'Reaching 100 per cent' – which says every home and business will have access to superfast broadband (speeds of 30 Mb/s or more) by the end of 2021 - will be more difficult to realise. The report also found that Community Broadband Scotland (CBS) did not deliver on its anticipated benefits. CBS was set up to back local initiatives, but only 13 of the 63 it helped finance have been successful. Community groups report that this has undermined their confidence in the Scottish Government and Highlands and Islands Enterprise to support rural broadband.
16. On 27 September, the Auditor General published her report [The 2017/18 audit of the Scottish Government Consolidated Accounts](#). The report concluded that the Scottish Government needs to be more transparent about the annual reporting of its accounts, including loans to private companies. The report also notes the progress the government has made in improving its financial reporting by publishing its first medium-term financial strategy and Fiscal Framework Outturn Report, but says that more improvements are needed to aid transparency.

Audit Scotland

17. On 31 August, Audit Scotland published its [Equality Impact Assessment: Work programme 2018/19 – 2019/20 report](#). This report assesses Audit Scotland's development to ensure that diversity and equality issues are taken to account within the organisation's work programme.
18. On 18 September, Senior Manager Jillian Matthew attended a Participatory Budgeting event in Belfast, and presented on the Scottish perspective along with colleagues from the Scottish Government and COSLA. Many of the attendees were interested to hear how far along Scotland is in terms of Community Empowerment and Participatory Budgeting, and of the support available to public bodies and other organisations. In Northern Ireland, planning and budgets are predominantly centrally controlled, and district councils have limited decision-making powers. Legislation has recently been put in place for Community Planning and there is no legislation around Community Empowerment. The approach in Northern Ireland is from the bottom up, with support from social enterprise and voluntary organisations. The Comptroller and Auditor General for Northern Ireland was at the event and was supportive of developments in the region.
19. On 27 September, Audit Scotland launched a digital e-hub. The hub has been created to pull together different resources from past auditing of digital work from within Audit Scotland and from external agencies. It also sets out future plans for auditing digital and includes other tools, such as exhibits that visualise complex data and processes in an accessible and informative way.
20. Professor Alan Alexander OBE has been appointed to the Audit Scotland Board, effective from 4 October. He replaces the outgoing Professor Russel Briggs. Professor Alexander is a former member of the Commission and a distinguished academic who has lectured at universities in North America, Reading and latterly Strathclyde. He is an author and a leading authority on the development of local government in the UK. In his career he has served as a councillor, is a former chair of Scottish Water and general secretary of the Royal Society of Edinburgh.

Issues affecting local government

Scottish Government

21. On 31 August, the Scottish Government and COSLA launched a refreshed joint strategy, '[Age, Home and Community – the Next Phase](#)', that promotes independent living at home for older people. The strategy updates the 2011 'Age, Home and Community' strategy, and sets out new actions such as greater collaboration with the other UK nations to share best practice in housing, ensuring connections between health, social care and housing are recognised in local housing strategies, and developing an 'older people's framework' to tackle barriers to independent living for older people and promote older people's rights.
22. On 1 September, Social Security Scotland published a [Framework Document](#) which sets out the detailed accountability and governance framework for the Agency, and the context for the Agency's relationship with Scottish Ministers and core Scottish Government directorates. The framework references that the Agency is subject to external scrutiny by the Auditor General for Scotland.
23. On 5 September, the Scottish Government launched a [consultation into the Scottish National Investment Bank](#). The Bank will serve businesses who wish to innovate and grow but find the traditional routes to finance challenging. The consultation will focus on the Bank's objectives, purpose and governance, as well as its relationship with Ministers and stakeholders. The Scottish Government has committed to providing £2 billion over ten years to capitalise the bank.
24. On 6 September, the Scottish Government published a discussion paper, [Housing Beyond 2021](#). The paper seeks to inform the Government's vision of what homes and communities should look like in 2040. Ministers have stated that they intend to engage extensively with a range of stakeholders in order to define the shape of the 2040 vision. This period of engagement will last until 30 November 2018, and there will be a second round in 2019. We do not propose responding to the first round of this engagement period.
25. On 10 September, the Scottish Government and COSLA jointly published a [National Strategy for School Libraries in Scotland 2018-2023](#). The strategy includes 20 action points to support the improvement of literacy and numeracy, boost attainment across the curriculum, and enable opportunities for family learning.
26. On 12 September, the Children and Young People's Mental Health Taskforce, chaired by Dame Denise Coia, published a [preliminary view and initial recommendations for improvements in provision for children and young people's mental health in Scotland](#), which calls for a stronger focus on prevention and more community-based care. The creation of the Children and Young People's Mental Health Taskforce was jointly announced by the Scottish Government and COSLA earlier in the year.
27. On 12 September, the Scottish Government [published data](#) showing that [the number of hospital beds being blocked by patients has dropped in the last year](#). However, one in 13 beds remain occupied by someone who doesn't need to be there, and the Health Secretary Jeane Freeman said that the figures showed that Scotland needs to 'increase the pace' of health and social care integration.
28. On 19 September, the Scottish Government released the latest economic growth statistics, which showed that the [Scottish economy grew by 0.5 per cent during the second quarter of 2018](#). This is higher than the rate of growth for the UK as a whole during this period, which was 0.4 per cent. During the first half of 2018 Scotland's GDP

grew by 0.8 per cent, which is higher than the 0.7 per cent predicted by the Scottish Fiscal Commission.

29. On 25 September, Scotland's Chief Statistician published [Recorded Crime in Scotland, 2017-18](#). The statistics show the second lowest level of recorded crime since 1974.
30. On 4 October, provision s.17 of the Islands (Scotland) Act 2018 came into force. This provision requires that when publishing in any form, a document that includes a map of Scotland, the Scottish Ministers, a local authority and any other Scottish public authority with mixed functions or no reserved functions must comply with the Shetland mapping requirement. The requirement means that when producing a map of Scotland, the Shetland Islands must be displayed in a way that accurately and proportionately represents their geographical location in relation to the rest of Scotland i.e. not in a box or placed off the east coast of Scotland. If for any reason this cannot be done, then there is a duty to provide the reasoning behind the inability to comply.

Scottish Parliament

General

31. On 11 September, the Scottish Parliament Information Centre (SPICe) published its [Labour market update: September 2018 overview](#) and [Labour Market Update: September 2018](#). They found that the number of employed people had decreased by 0.1 per cent to 75.1 per cent over the last quarter, while the number of unemployed had decreased by 0.2 per cent to 4.1 per cent. The youth employment rate (16-24) saw one of its biggest decreases since comparable records began in 2002.
32. On 28 September, SPICe published a briefing on [European Union funding in Scotland](#). The briefing explains that Scotland's public sector makes an annual net notional contribution to the European Union budget of £455 million, which represents about 0.6 per cent of total public-sector expenditure for Scotland in 2017-18. It also sets out the types of funds received from the European Union's budget, which split into broadly two types: pre-allocated, and competitive. Competitive funds are awarded directly by the European Commission to organisations and include significant research, innovation and education exchange programmes. Pre-allocated funds include sources such as the Common Agricultural Policy (CAP), Structural Funds, and the Common Fisheries Policy.

Parliamentary Committee News

Local Government and Communities Committee

33. On 5 September, the Committee took evidence from stakeholders including the Minister for Local Government, Housing and Planning Kevin Stewart on [Buildings regulations and fire safety in Scotland, and on the Registered Social Landlords \(Repayment Charges\) \(Scotland\) Regulations 2018 \[draft\]](#). Kevin Stewart recommended that the Committee approve the regulations], and this motion was agreed.
34. On 7 September, the Committee published its [Report on the Registered Social Landlords \(Repayment Charges\) \(Scotland\) Regulations 2018](#).
35. On 12 September, the Committee [took evidence on the Regulation of Social Housing \(Influence of Local Authorities\) \(Scotland\) Regulations 2018 \[draft\]](#). The Minister for Local Government, Housing and Planning Kevin Stewart recommended that the Committee approve the draft, and this motion was agreed.

36. On 13 September, the Committee published its [Report on the Regulation of Social Housing \(Influence of Local Authorities\) \(Scotland\) Regulations 2018](#).
37. On 12, 19, and 26 September, the Committee considered the Planning (Scotland) Bill and agreed to several amendments.
38. On 12 September, [the Committee chose MSP James Dornan as its Convener](#).
39. On 19 September, the Committee considered the [negative instrument The Letting Agent \(Scotland\) Amendment Regulations 2018](#), and agreed to make no recommendation in relation to the instrument.

Public Audit and Post Legislative Scrutiny Committee

40. On 13 September, the Committee took evidence from the Auditor General for Scotland Caroline Gardner, Audit Scotland Senior Manager Mark MacPherson, and Audit Manager Mark McCabe, on the Auditor General for Scotland's report entitled [Scotland's colleges 2018](#).
41. On 20 September, the Committee took evidence on the Auditor General for Scotland's report entitled [The 2016/17 audit of New College Lanarkshire](#) from Eileen Imlah, Branch Secretary, New College Lanarkshire, and Leah Franchetti, Area Officer, EIS-FELA. The Committee also took evidence on the report in private from Auditor General for Scotland Caroline Gardner, and Audit Scotland Senior Manager Mark MacPherson.
42. On 20 September, the Committee took evidence on Audit Scotland's report entitled [The National Fraud Initiative in Scotland 2016/17](#) from Fiona Kordiak, Director, Audit Services, Angela Canning, Audit Director, and Anne Cairns, Manager – Benefits (Technical), Audit Scotland. The Committee agreed to write to the Scottish Government in respect of the National Fraud Initiative in Scotland.

Finance and Constitution Committee

43. On 5 September, the Committee [took evidence on the Trade Bill \(UK Parliament legislation\)](#). On 6 and 12 September, the Committee [took evidence on the European Union \(Withdrawal\) Act 2018 \(UK Parliament Legislation\)](#). On 12 September, the Commission [took evidence on the Scottish Fiscal Commission – Forecast Evaluation Report](#), and took evidence on Contingent liability, and agreed the proposed contingent liability. On 27 September, the Committee [took evidence on the operation of Scotland's fiscal framework](#).
44. On 26 September, the Committee took evidence in a roundtable format from stakeholders including Caroline Gardner, Auditor General for Scotland on [Pre-budget scrutiny 2019-2020](#).

Other committees

45. On 14 September, the Culture, Tourism Europe and External Affairs Committee launched [a call for evidence as part of the Committee's on-going scrutiny of the Article 50 withdrawal of the European Union](#), looking at what impact these negotiations are having on Scotland's individuals, businesses and organisations. The deadline for written submissions is 12 October 2018. The Committee is aware that we are publishing a key issues paper on European Withdrawal on 11 October, and thus it is proposed that we do not respond to this call.

Public policy news

46. On 5 September, the Scottish Fiscal Commission published its [Forecast Evaluation Report: September 2018](#). The report shows that income tax liabilities for 2016/17 sit at £10.7 billion, which is £550 million short of the £11.3 billion prediction it made in May.
47. On 6 September, think-tank The David Hume Institute published '[Wealth of the Nation – Scotland's Productivity Challenge](#)', which argues that Scotland's productivity performance is underperforming compared with many advanced economies. The report found that Scotland's productivity challenge has a range of aspects, including low employment growth in the most productive industries; low levels of business investment and Research and Development funding; and a lower level of export compared to the European Union average. The report also found relatively low levels of management quality, a high concentration of small, lower-productivity firms, and declining Scottish education survey scores.
48. On 25 September, the Scottish Environment Protection Agency published data showing that in 2017, for the first time, [rates of household recycling in Scotland exceeded landfill](#). The household waste recycling rate was 45.6 per cent, an increase of 0.6 per cent from the 2016 rate.

COSLA, Improvement Service etc

49. In September, the Improvement Service announced the launch of the [Partners in Planning website](#). The website aims to provide people working in the planning system with a single point of access to the skills and knowledge that enable behaviour change.

By-election results

50. There have been no by-elections since my last report.

Other Scottish local government news

51. On 6 September a survey carried out by the Educational Institute of Scotland (EIS) reported that [eight local authorities are continuing with their own standardised assessments despite the introduction of new Scottish Government tests](#). This means that pupils are being tested twice a year, which increases teacher workload and adds pressure on pupils.
52. On 7 September Strathclyde Pension Fund, which manages retirement savings for thousands of staff at Glasgow City Council and surrounding authorities, announced that it is attempting to [attract high-tech American companies into Glasgow with a £20 million investment from the pension fund for council staff](#). The fund's managers say the decision will create jobs in the region and provide a good return on investment.
53. On 7 September, a [new £28 million school campus in Dumfries was closed on safety grounds following the second safety risk in two weeks](#). Dumfries and Galloway Council has said that it has 'lost confidence' in assurances it had been given by Contractors Graham Construction over the North West Community Campus, and that it would not reopen the school until it had independent assurance about the safety of the entire building.
54. On 11 September, the OECD published its report [Education at a Glance 2018](#). The report showed that primary and secondary teachers in Scotland work the longest hours of any in the developed world, while actual salaries for teachers and school heads are roughly aligned with the average.

55. On 26 September, Edinburgh City Council announced it will [launch a consultation on its plans to charge a tourist tax – known as a Transient Visitor Levy - of £2 per room per night](#). The council says that the tax would raise an additional £11 million a year, which would be spent on growing tourism and managing its impact.
56. On 4 October, the GMB and Unison have submitted a statutory notice for industrial action confirming 48 hours of strike action on 23 and 24 October after accusing Glasgow City Council of failing to engage in “meaningful negotiations” in their ongoing dispute over equal pay.

Scrutiny, inspection, regulatory and related bodies

Scottish Public Sector Ombudsman (SPSO)

57. [The SPSO's Newsletter - September](#) outlines investigation reports, recent SPSO news and highlights emerging issues. More information on the SPSO's work, including detailed investigations and decision reports, is available on the [Our findings](#) webpage. The Commission's Financial Audit and Assurance Committee will consider more detailed intelligence from the SPSO on a six-monthly basis (next at its September meeting).

Commissioner for Ethical Standards in Public Life in Scotland

58. The Commissioner has made no decisions on complaints about councillors or members of devolved bodies since my last report.

Standards Commission for Scotland

59. On 21 September, the Commission held a hearing on [Councillor Luciano Rebecchi of Inverclyde Council](#) to determine whether he contravened the Councillor's Code of Conduct by failing to declare an interest in a planning matter. The Commission decided to formally censure Councillor Rebecchi. On 19 November, the Commission will hold a hearing of Councillor Richard Moore of Angus Council to determine whether he has contravened the Councillor's Code of Conduct.

Healthcare Improvement Scotland

60. On 20 September, HIS published its report on the [Death Certification Review Service: Annual Report 2017-2018](#). It found that errors made by doctors in the information they complete when someone dies have reduced by more than a third since its Death Certification Review Service was established in 2015.

Her Majesty's Chief Inspector of Constabulary Scotland (HMICS)

61. On 28 August, the Scottish Police Authority announced the appointment [of Hugh Grovner as the Authority's new Chief Executive](#). Grovner joined the Authority on 1 October for a period of induction, and will take over the responsibilities of Chief Executive and Accountable Officer from Kenneth Hogg, Interim Chief Officer, on 5 November 2018.

Scottish Housing Regulator

62. On 31 August, the Scottish Housing Regulator published its [National Report on the Scottish Social Housing Charter – Headline Findings 2017-2018](#). The report found that Scottish social landlords are performing well across the majority of the Charter

standards and outcomes. Tenant satisfaction remains high, with nine out of ten social housing tenants satisfied with their landlord's overall service.

UK Parliament

General

63. On 26 September, the House of Commons Library published [Scotland: Public spending and revenue](#). The report includes an estimate of the tax raised in Scotland, and reports that Scotland accounted for 9.3 per cent of UK public spending and around eight per cent of UK revenues in 2017/18.
64. On 12 September, the House of Commons Library published a briefing paper on [Household recycling in the UK](#). It looks at UK trends in recycling broken down to a regional level, and shows that Scotland recycles less household waste compared to the other UK regions, although the gap has narrowed between 2010 and 2016. The paper also looks at the applicable legislation at the European Union and UK level, and includes information on common barriers to recycling and local authority approaches to overcoming these barriers.

Housing, Communities and Local Government Committee

65. On 10 September the Committee held its first oral evidence session for its [inquiry into the future of high streets and town centres](#). The high streets and town centres in 2030 inquiry is examining the future role of high streets and town centres, how they might respond to the challenges posed by demographic and technological changes and local government's role in supporting this.

Scottish Affairs Committee

66. On 10 September, the Committee visited Glasgow to hold an evidence session as part of their inquiry [Scotland and Brexit: Trade and Foreign Investment](#). The session examined the impact of competing Brexit scenarios on trade, in particular the effects of the implementation if the Chequers Plan or a 'no deal' scenario.
67. On 13 September, the Committee launched an inquiry examining the [effectiveness of existing mechanisms for intergovernmental relations, particularly in relation to the overlap of reserved and devolved powers, and the European Union withdrawal negotiation process and replacement of European Union common frameworks](#). The deadline for written evidence is 23 November 2018.

Other UK Audit Bodies

National Audit Office

68. On 6 September, the NAO published its report on [Tackling problem debt](#). The report found that the Government had a lack of data and understanding about the scale of debt owed to the government, utility providers, landlords and housing associations, which is thought to total around £18 billion. It found that no efforts had been made to quantify the cost of problem debt and its effects on public services.

Northern Ireland Audit Office

69. On 4 September, the NIAO published its [Local Government Auditor's Report 2018](#). It found that during 2016-17, councils spent £878 million providing services to the public, which represents an average of £450 per person in Northern Ireland. The report also

found that councils' spend on agency staff had increased by 19.1 per cent between 2015-16 and 2016-17, and that sickness absence rates had increased by almost 7.3 per cent during the same period.

Other general – UK

70. On 5 September, the Food Foundation published a study which showed that [3.7 million children in the UK live in households which are unable to afford a healthy diet](#). It also found levels of childhood obesity to be higher in deprived areas, reporting that 26 per cent of year six children (primary seven equivalent in Scotland) in the most deprived areas of England are obese, compared to 11 per cent in England's richest communities.
71. On 5 September, a survey carried out by the National Association of Head Teachers in English schools found that only [2 per cent of respondents receive enough top-up funding to meet the requirements of children with special educational needs and disabilities](#). The survey also found that resourcing the required support for these children had got harder in the last two years.
72. On 10 September, the Fawcett Society published a report on English councils that shows that [97 per cent of councils are male dominated](#), and that just 18 per cent of council leaders are women. 38 per cent of seats that were up for election in 2018 went to women, which is three per cent higher than the last elections in 2014. The report suggested several recommendations to help increase women's representation in councils, including introducing maternity policies for councillors; providing support for childcare and adult care costs; allowing councillors to remotely access meetings; and introducing codes of conduct against sexism, with an effective Standards Committee to enforce it. In response to this report, the Local Government Association announced that it is preparing to [launch a campaign to recruit more women as councillors](#).
73. On 11 September, the [Boundary Commission for Scotland's final recommendations have been published](#). It examined UK Parliament constituencies in Scotland as part of a wider review intended to reduce the number of MPs from 650 to 600. The number of constituencies in Scotland will be cut by six, from 59 to 53. The changes mean that the Highlands will be represented by just two constituencies.
74. On 11 September, Public Health England released its report [Health profile for England: 2018](#). The report showed that life expectancy had risen to 79.6 years for men and 83.2 for women, however those living in the richest areas had 19 more years of good health compared to those in the poorest areas. The report also found that women's health in the UK ranks 18th out of the 20 European member states, while UK men rank 10th.
75. On 11 September, the New Policy Institute published [A Quiet Crisis: Changes in local government spending on disadvantage](#). The report looked at services provided by English local authorities to provide support to people facing disadvantage, and found that 97 per cent of total cuts in spending on disadvantage have fallen on the 20 per cent most deprived councils, despite the also having higher numbers of people in need. The report also found that the least deprived areas have been able to maintain or increase spending on services for people facing disadvantage in the last five years.
76. On 13 September, the Local Government and Social Care Ombudsman published [guidance for planners](#), in an effort to reduce the 2,000 complaints and enquiries it receives each year about English councils' planning functions. The Ombudsman commonly finds issues with councils failing to explain properly the reasons for decisions or overlooking material considerations.

77. On 17 September, the Communities Secretary James Brokenshire announced that the Government will be making [nearly £2 billion available to help unlock development and overcome barriers to building new homes in England](#). The funds are expected to release enough land to deliver 300,000 new homes a year by the mid-2020s.
78. On 20 September, the County Councils' Network announced that [almost £1 billion in new savings will have to be announced in English county authority budgets in February unless the Government intervenes](#). This includes £685 million in savings and £233 million in frontline service cuts yet to be identified.
79. On 21 September, a freedom of information request by Ivalua, a company that develops procurement software, found [that English councils are concentrating more than half their total spend with their top five suppliers](#). This puts councils at risk if one of their main suppliers goes out of business.
80. On 24 September, the Special Interest Group of Municipal Authorities called on the UK Government to [discard plans to allocate £153 million to some of England's wealthiest authorities](#) in the current year's Local Government Finance Settlement through the negative revenue support grant, which is the mechanism by which councils have their funding tariffs adjusted upwards, or top-up funding adjusted downwards.
81. On 25 September, the Office for National Statistics published data showing that [life expectancy in the UK has stopped improving for the first time since 1982](#), when figures began. In Scotland, life expectancy for men and women declined by more than a month.

Conclusion

82. The Commission is invited to consider and note this report, in particular agree:
 - Not to respond to the Scottish Government consultation on a consumer body for Scotland, but to retain a watching brief in this regard (paragraph 8).
 - Not to respond to the Scottish Government discussion paper on Housing and Communities (paragraph 24).
 - Not to the respond to the call for evidence from the Culture, Tourism Europe and External Affairs Committee launched in its scrutiny of the Article 50 withdrawal of the European Union (paragraph 45).

Paul Reilly
Secretary to the Accounts Commission
5 October 2018

APPENDIX:**ACCOUNTS COMMISSION REPORTS IN PAST 12 MONTHS - DOWNLOADS**

Report	Date	Report downloads	Podcast downloads
Children and young people's mental health	13 September 2018	1228 (+1228)	103 (+103)
Community Planning – an update – Impact report	24 August 2018	208 (+134)	n/a
Glasgow City Council Best Value Assurance Report	23 August 2018	657 (+312)	35 (+35)
West Dunbartonshire Council Best Value Assurance Report	28 June 2018	622 (+143)	<30 (+<30)
Maintaining Scotland's roads: a follow-up report – Impact report	27 June 2018	329 (+84)	n/a
Accounts Commission annual report 2017/18	7 June 2018	423 (+40)	n/a
Accounts Commission engagement strategy and plan 2018/19	7 June 2018	254 (+57)	n/a
Accounts Commission Strategy and annual action plan 20018-23	7 June 2018	318 (+72)	n/a
Accounts Commission engagement plan 2017/18 progress	7 June 2018	47 (+<30)	n/a
Best Value Assurance Report: East Ayrshire Council	29 May 2018	1030 (+211)	84 (+35)
Best Value Assurance Report: Fife Council	24 May 2018	1402 (+199)	<48 (+<30)
Councils' use of ALEOs	17 May 2018	1295 (+172)	<30 (+<30)
Local government in Scotland: Challenges and performance 2018	5 April 2018	3842 (+472)	95 (+<30)
Local government in Scotland: Challenges and performance 2018 - Supplement	5 April 2018	638 (+76)	n/a
National Scrutiny Plan 2018/19	4 April 2018	638 (+76)	*
Statutory report on Edinburgh schools (Edinburgh City Council)	3 April 2018	1026 (+45)	137 (+<30)
Statutory report on significant fraud in Dundee City Council	22 Mar 2018	1306 (+110)	119 (+<30)
Early learning and childcare	15 Feb 2018	4069 (+456)	172 (+32)
Early learning and childcare - supplement	15 Feb 2018	605 (+204)	n/a
Falkirk Council Best Value follow-up audit 2017	1 Feb 2018	1831 (+135)	149 (+<30)
Best Value Assurance Report: Clackmannanshire Council	25 Jan 2018	2003 (+97)	<30 (+<30)
Best Value Assurance Report: Orkney Islands Council	14 Dec 2017	1227 (+74)	*

Report	Date	Report downloads	Podcast downloads
Local government in Scotland: Financial overview 2017	28 Nov 2017	3762 (+232)	38 (+<30)
Local government in Scotland: Financial overview 2017 – Supplement 1	28 Nov 2017	*	n/a
Local government in Scotland: Financial overview 2017 – Supplement 2	28 Nov 2017	388 (+64)	n/a
Local government in Scotland: Financial overview 2017 – Supplement 3	28 Nov 2017	198 (+37)	n/a
Local government in Scotland: Financial overview 2017 – Supplement 4	28 Nov 2017	76 (+<30)	n/a
Best Value Assurance Report: West Lothian Council	23 Nov 2017	1311 (60)	94 (+<30)
Best Value follow-up audit: East Dunbartonshire Council	16 Nov 2017	707 (+32)	79 (+<30)
Best Value Assurance Report: East Renfrewshire Council	07 Nov 2017	1585 (+66)	158 (+<30)
Equal pay in Scottish councils	7 Sep 2017	3016 (+310)	327 (+<30)
Best Value Assurance Report: Renfrewshire Council	31 Aug 2017	3323 (+266)	*

Key:

- (x) Increase in numbers since last month
- * This figure is below 30
- n/a Not applicable.

MEETING: 11 OCTOBER 2018**REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE****BRIEFING: CHILD POVERTY**

Purpose

1. This paper introduces the attached briefing paper on child poverty.

Background

2. The Commission's rolling work programme, produced jointly with the Auditor General, includes a commitment to prepare a briefing paper on child poverty.
3. Currently, around one in four children in Scotland lives in poverty. The Child Poverty (Scotland) Act 2017 places a duty on Scottish Ministers to reduce four income-related measures of child poverty by 2030/31, with interim targets being set for 2023/24. A joint Accounts Commission / Auditor General audit is planned in 2022/23, looking at the progress made in achieving these targets.
4. The paper looks at:
 - What is child poverty?
 - How widespread is child poverty and what impact does it have on children and wider society?
 - What are public bodies in Scotland doing to reduce child poverty?
 - What is the impact of UK policy on levels of child poverty?

Key messages

5. The key messages identified in the briefing paper are:
 - in 2016/17, 23 per cent (230,000 children) of children in Scotland were living in poverty; a level that's been rising since 2011/12. Growing up in poverty can damage children's well-being and their future life chances.
 - reducing the level of child poverty in Scotland to achieve the targets set for 2030/31 is recognised by all stakeholders as being extremely ambitious.
 - the Scottish Government does not have full control over all the levers that affect the levels of child poverty. Given the projected rise in child poverty over the next few years stems mainly from UK social security reforms, it is clear the targets will not be met by actions in Scotland alone.
 - there is a clear commitment by the Scottish Government to do what is in its powers to reduce child poverty and this has political support from all parties.

- detailed preparations have been undertaken to support the Scottish Government and local bodies in meeting their statutory duties around planning and reporting but more work needs to be done, especially in relation to monitoring.
- the statutory Poverty and Inequality Commission, to be established in 2019, is to have a 'strong scrutiny role in monitoring progress towards tackling poverty and inequality and it will openly hold Scottish Ministers to account on their progress.' It is not yet known what approach the Poverty and Inequality Commission will take to monitoring progress but we plan to have early discussions with its members about its role and how we can best work together.

Conclusion

6. The Commission is invited to:

- note the briefing paper
- consider the implications for the scope of the proposed performance audit in 2022/23.

Fraser McKinlay
Director of Performance Audit and Best Value
1 October 2018

Child Poverty briefing paper



Prepared for the Accounts Commission and Auditor General for Scotland
11 October 2018

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Purpose

1. This paper provides information on child poverty in Scotland and what public bodies in Scotland are doing, or are planning to do, to reduce it. Around one in four children in Scotland lives in poverty.¹ The Child Poverty (Scotland) Act 2017 places a duty on Scottish Ministers to reduce four income-related measures of child poverty by 2030/31, with interim targets being set for 2023/24. We are planning a joint Accounts Commission/AGS audit in 2022/23, looking at the progress made in achieving these targets.²
2. More specifically, this briefing paper covers:
 - What is child poverty?
 - How widespread is child poverty and what impact does it have on children and wider society?
 - What are public bodies in Scotland doing to reduce child poverty?
 - What is the impact of UK policy on levels of child poverty?

What is child poverty?

3. A child is said to be living in poverty when they are living in a family with an income below 60 per cent of the UK's average after adjusting for family size. A couple with two children living in poverty has less than £413 per week after housing costs to pay for food, bills, childcare, transport, household items, clothes and other expenses like school trips or children's activities.³ Below is a definition of poverty developed by the Joseph Rowntree Foundation.

Poverty affects millions of people in the UK. Poverty means not being able to heat your home, pay your rent, or buy the essentials for your children. It means waking up every day facing insecurity, uncertainty, and impossible decisions about money. It means facing marginalisation – and even discrimination – because of your financial circumstances. The constant stress it causes can lead to problems that deprive people of the chance to play a full part in society.⁴

¹ [Poverty and Income Inequality in Scotland: 2015/16](#), Scottish Government, March 2017.

² [Work programme, 2018/19 to 2022/23](#), Audit Scotland, October 2018.

³ <http://www.cpag.org.uk/scotland/child-poverty-facts-and-figures>

⁴ Joseph Rowntree Foundation - <https://www.jrf.org.uk/our-work/what-is-poverty>

Four measures of child poverty

4. The Scottish Government uses four definitions of child poverty ([Exhibit 1](#)). They set out to capture different types of poverty that exist:
- relative poverty - poverty relative to the rest of society
 - absolute poverty - changes in poverty relative to a point in time
 - combined low income and material deprivation - whether low income households can afford basic necessities
 - persistent poverty - households in relative poverty for three years out of four. This is thought to be more damaging than brief periods spent with a low income, with the impacts affecting an individual throughout their lifetime.⁵

The Child Poverty (Scotland) Act 2017 (the Act) sets out a final target and an interim target for each of these. The Act places a duty on Scottish Ministers to ensure the final targets are met by 2030/31. Interim targets have been set for 2023/24.⁶ Current levels of child poverty and the statistics used to measure these are discussed in paragraph 14 and paragraphs 33-35.

Exhibit 1

Scotland's child poverty targets

The targets in the Child Poverty (Scotland) Act 2017 cover four aspects of poverty reflecting the complexity of poverty. There is a statutory requirement for the interim targets to be met by 2023/24 and the final targets to be met by 2030/31.

Child Poverty (Scotland) Act 2017 - targets		
Poverty measures	2023/24 interim target	2030/31 target
Relative poverty - whether the incomes of the poorest are increasing in line with middle income households.	Fewer than 18 per cent of children living in families in relative poverty.	Fewer than ten per cent of children living in families in relative poverty. This means fewer than one in ten children living in households on low incomes (incomes less than 60 per cent of the current UK median income), compared to the average UK household.
Absolute poverty - whether income for the lowest income households is keeping pace with inflation.	Fewer than 14 per cent of children living in families in absolute poverty.	Fewer than five per cent of children living in families in absolute poverty. This means fewer than one in 20 children living in low income households (incomes less than 60 per cent of inflation adjusted 2010/11 median income) where living standards are not increasing.

⁵ [Persistent Poverty in Scotland: 2010-16, Scottish Government, March 2018](#). Persistent poverty and children's cognitive development: Evidence from the UK Millennium Cohort Study, Centre for Longitudinal Studies, June 2012

⁶ [Every child, every chance: The Tackling Child Poverty Delivery Plan 2018-22](#), Scottish Government, March 2018.

Child Poverty (Scotland) Act 2017 - targets

<p>Combined low income and material deprivation - a measure of whether low income households can afford basic goods and activities that are seen as necessities in society.</p>	<p>Fewer than eight per cent of children living in families in combined low income and material deprivation.</p>	<p>Fewer than five per cent of children living in families living in combined low income and material deprivation. This means fewer than one in 20 children living in low income households (less than 70 per cent of the current median) who cannot afford basic essential goods and services.</p>
<p>Persistent poverty - households in relative poverty for three years out of four. It identifies people who have been living in poverty for a significant period of time.</p>	<p>Fewer than eight per cent of children living in families in persistent poverty.</p>	<p>Fewer than five per cent of children living in families in persistent poverty.</p>

Source: *Child Poverty (Scotland) Act 2017*

The impact and prevalence of child poverty

5. The Children and Young Person's Commissioner considers growing up in poverty as the biggest human rights issue facing children in Scotland, having a negative impact on their health, education, family relationships and aspirations - both in childhood and adult life.⁷ The United Nations Convention on the Rights of the Child includes 42 different rights for children including:
- Article 26: Every child has the right to benefit from social security. Governments must provide social security, including financial support and other benefits to families in need of assistance.
 - Article 27: Every child has the right to a standard of living that is good enough to meet their physical and social needs and support their development. Governments must help families who cannot afford to provide this.⁸

A Children's Rights and Welfare Impact Assessment was compiled as an annex to the Scottish Government's child poverty delivery plan in March 2018 (paragraphs 19 and 20).⁹

6. The Children's Society reports that growing up in poverty can damage children's well-being and their future life chances. Children living in poverty are more likely to:
- have poor physical health
 - experience mental health problems
 - have low sense of well-being

⁷ <https://www.cypcs.org.uk/policy/child-poverty>

⁸ [A summary of the UN Convention on the Rights of the Child, UNICEF, 2015.](#)

⁹ [Every child, every chance: Tackling child poverty delivery plan - 2018-22, Annex 4 - Children's Rights and Welfare Impact Assessment, Scottish Government, March 2018.](#)

- underachieve at school
- have employment difficulties in adult life
- experience social deprivation
- feel unsafe
- experience stigma and bullying at school.¹⁰

7. The Scottish Parliament's Education and Skills Committee held an inquiry recently on the negative impact of poverty on children. The Committee looked at the attainment and achievement of school children experiencing poverty.¹¹ Additional pressures for families experiencing poverty, raised by stakeholders, can affect the attainment and achievement of their children (Exhibit 2).

Exhibit 2

Additional pressures that can affect the attainment and achievement of school children experiencing poverty

Families with children experiencing poverty can face additional pressures from education including additional expenses required for children to participate fully in school.

Challenge	Detail
The cost of the school day. This can limit participation in school and limit access to the full range of educational activities.	Costs include school uniform, school trips, book fairs, non-uniform days. There are also expectations that all families have access to a computer and printer.
Access to extra-curricular activities and wider achievement activities (eg Duke of Edinburgh) which can in turn impact on attainment.	Curriculum for Excellence places a greater emphasis on wider achievement. However, many of these types of activities are more likely to come with some kind of cost compared to more traditional education (eg residential trips or going to see a play).
The structure of the school year , in particular the impact of the long summer break.	Families can experience cost pressures over the holiday period, difficulties in sourcing and providing childcare and emotional pressures as children expect to have the same holiday experiences as their peers.
The stress of poverty and how that can impact on the ability of families to engage with education.	The stress of living in challenging financial circumstances and the lack of financial resources can limit the opportunity for parents to engage with their children's education. This includes supporting learning at home and involvement in parent councils.

Source: [SPICE briefing ES/S5/18/11/1 \(p18\)](#), Scottish Parliament, 9 May 2018.

[The Cost of the School Holidays, Child Poverty Action Group in Scotland, December 2015.](#)

¹⁰ <https://www.childrensociety.org.uk/what-we-do/our-work/ending-child-poverty/what-is-child-poverty>

¹¹ <http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/107857.aspx>

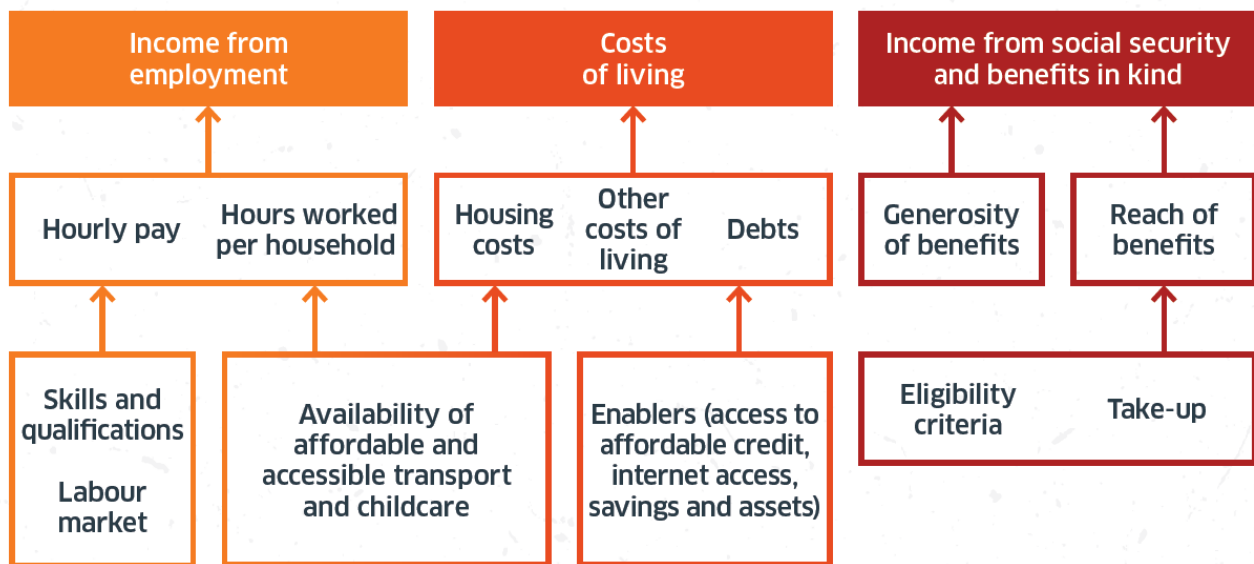
What causes child poverty?

8. The Scottish Government identified three 'drivers' of child poverty and the factors that influence them, through analytical work and consultation ([Exhibit 3](#)):
- income from employment
 - costs of living
 - income from social security.

Exhibit 3

The drivers of child poverty

The reasons why families with children are in poverty are related to income from employment, costs of living and income from social security. Benefits in kind include school clothing grants and free school meals.



Source: p113 Every child, every chance: The Tackling Child Poverty Delivery Plan - 2018-22, Scottish Government, March 2018.

9. **Income from employment** depends on a number of factors including skills and qualifications, the number and type of jobs available, hourly pay and hours worked per household. Being in employment remains the most sustainable route out of poverty, but it is not a guarantee against poverty. More than six in ten children in poverty currently live in households where at least one adult is in paid employment. This is known as in-work poverty. This figure has been steadily increasing over the last two decades.¹² Most children living in 'in-work poverty' households belong to families who are only 'partly working', where the jobs done are part-time only, or where one adult is not working at all, or where at least one adult is self-employed.¹³

¹² Latest 2016/17 Poverty and Income Inequality in Scotland figures, CH 18, table showing: children in relative poverty in households with at least one adult in employment (in-work poverty) (after housing costs are deducted) 1998/99 to 2016/17, www.gov.scot/Publications/2018/03/3017/downloads (See Associated tables)

¹³ [Addressing in-work poverty, Joseph Rowntree Foundation, November 2008.](#)

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10. **Costs of living** refers to the prices of goods and services considered essential to day-to-day life. Price increases have a particular impact on low income households as they tend to spend a higher proportion of income on goods and services. A lack of access to affordable and flexible childcare and transport can limit opportunities for paid employment. Enabling products are goods and services that improve access and reduce costs in other markets. For example, a bank account increases credit options and allows payment by direct debit and standing order and access to the internet can help people to find lower-cost products and services. Internet access and digital literacy also increase people's chances of accessing jobs and social security.
 11. Social security payments have a direct impact on poverty by providing or supplementing household income. **Income from social security** depends on the characteristics of each household and the benefits it is eligible for, whether all benefits are claimed, the rate at which benefits are withdrawn when a person in a household enters employment or increases hours and earnings, and whether each person has met specified behavioural conditions around certain benefits, eg actively looking for a job.¹⁴
 12. The Scottish Government intends to deliver 11 benefits by 2021 using its new social security powers. This will equate to around 15 per cent of social security spending in Scotland.¹⁵ This limits the extent to which the Scottish Government and public bodies in Scotland can influence child poverty using this driver, as 85 per cent of social security payments are determined by UK policy.
 13. The Scottish Government commissioned economic consultants to project levels of child poverty up to 2030/31 taking into account tax and benefit changes already announced by the UK and Scottish Governments.¹⁶ They found the reduction in income from social security, resulting from planned UK-wide changes to the social security system - mainly the benefit freeze and the two-child limit on tax credits (paragraph 53) - was the main driver for a substantial projected increase in child poverty over the next five years. They estimated relative child poverty in Scotland would increase to 38 per cent by 2030/31, meaning nearly four in every ten children living in poverty. The consultants consider the tax and social security reforms recently announced by the Scottish Government are not enough to fundamentally change the overall increase projected in levels of child poverty in Scotland.

Trends in child poverty levels

14. The latest statistics available suggest levels of relative child poverty in Scotland have been rising since 2011/12. In 1999/2000, 32 per cent of child were living in poverty, dropping to 19 per cent in 2011/12. In 2016/17, 23 per cent (230,000 children) were living in poverty ([Exhibit 4, page 8](#)). Using the three-year average, relative child poverty levels have risen

¹⁴ p63, [Every child, every chance, The Tackling Child Poverty Delivery Plan 2018-22, Annex 2, Scottish Government, March 2018.](#)

¹⁵ *Every child, every chance, The Tackling Child Poverty Delivery Plan 2018-22*, Scottish Government, March 2018.

¹⁶ *Forecasting child poverty in Scotland*, A report for the Scottish Government by Howard Reed, Landman Economics and Graham Stark, Virtual Worlds Research, Scottish Government, April 2018.

steadily from 21 per cent in 2011-14 to 24 per cent in 2014-17. There is less of a clear trend in absolute poverty while low income and material deprivation has remained steady.^{17 18}

Local data

15. Currently, there is limited information on levels of child poverty at a local level. The national statistics are based on a sample that is not large enough to provide reliable data at a local level. No local targets, equivalent to the national targets, have been set for local areas to reduce child poverty. However, new experimental statistics, 'Children in families with limited resources across Scotland 2014-2016', based on data from the Scottish Household Survey, were published by the Scottish Government in November 2017. These provide estimates of the proportion of children in combined low income and material deprivation by council area and household characteristics. For 2014-16, the key findings are:
- Children in Glasgow are more likely to live in families with limited resources compared with Scotland as a whole. Children in Aberdeenshire, East Lothian, East Renfrewshire, Shetland Islands and Moray are less likely to live in families with limited resources.
 - Children who live in households with a single parent, adults with a disability, at most one adult in employment, or three or more siblings, are more likely to have limited resources compared to Scotland as a whole.
 - Children are more likely to live in families with limited resources if they live in a rented property, or in the most deprived areas, compared with Scotland as a whole. Children are less likely to live in families with limited resources if they live in an accessible rural area, or if they live in the least deprived areas.¹⁹
16. The End Child Poverty Coalition, a coalition of charities, faith groups and unions, also provides data broken down to constituency, council and ward level.²⁰ However, this data, based on information from HMRC, has a number of limitations. It overcounts out-of-work poverty and undercounts in-work poverty.²¹

Exhibit 4

Scotland's child poverty rates, 1998/99 to 2016/17, and targets¹

A key measure of child poverty in Scotland, relative poverty, is increasing, making the Scottish Government's targets more challenging. There is less of a clear trend in levels of absolute poverty and combined low income and material deprivation has remained relatively static over the last five

¹⁷ 2016/17 Poverty and Income Inequality in Scotland figures, CH 15: relative poverty in Scottish households with children (AHC) 1994/5 to 2016/17, www.gov.scot/Publications/2018/03/3017/downloads (Assctd tables)

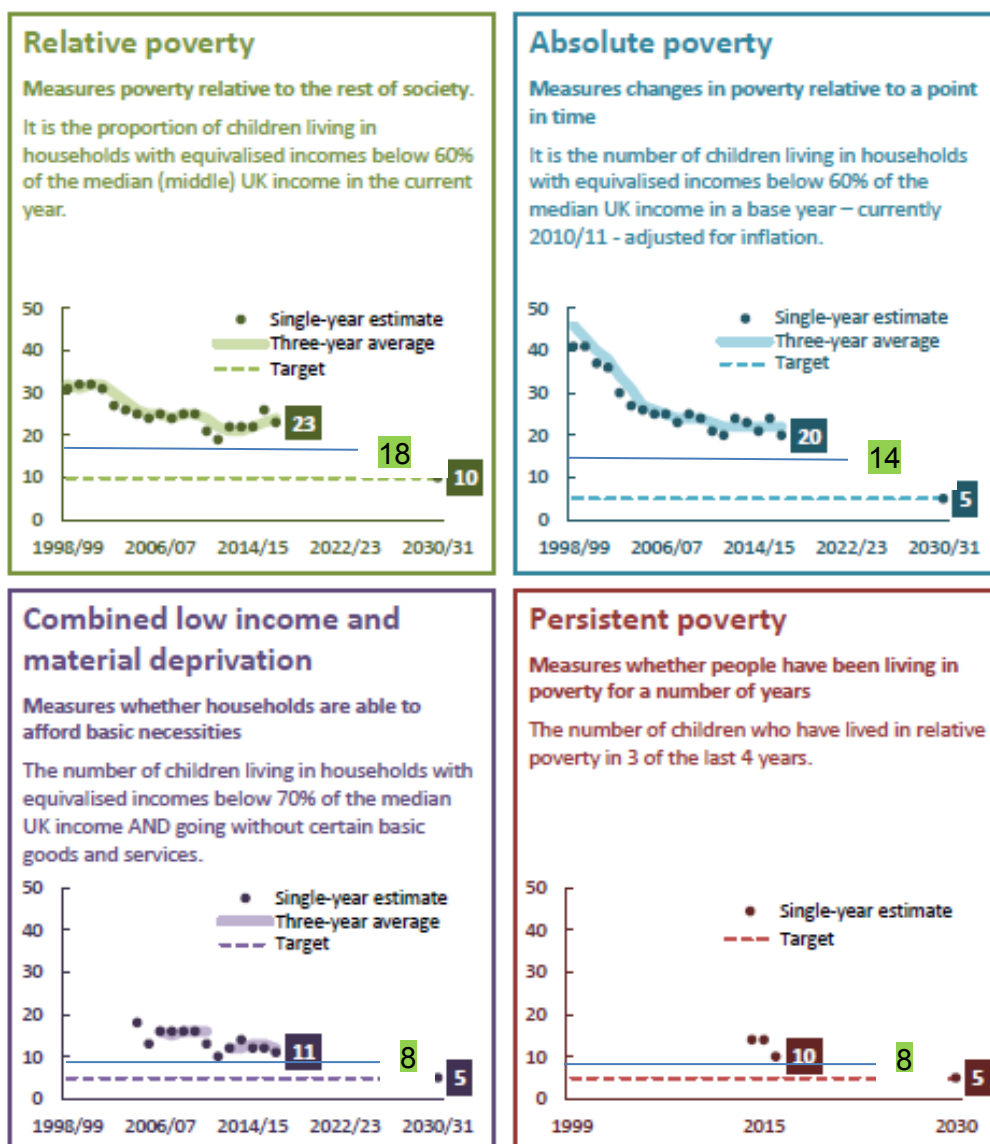
¹⁸ Child poverty statistics are taken from the Family Resources Survey. This survey collects detailed information about household income and has a large Scottish sample (around 2,700 households in 2016/17) making it the best source of information on household income and poverty in Scotland. As the statistics are based on survey data, the figures are subject to a degree of error. Given this, particular care should be taken when interpreting single year changes.

¹⁹ [Children in families with limited resources across Scotland 2014-2016](#), Scottish Government, November 2017.

²⁰ <http://www.endchildpoverty.org.uk/poverty-in-your-area-2018/>

²¹ [Local indicators of child poverty – developing a new technique for estimation, Note by Donald Hirsch and Laura Valadez, Centre for Research in Social Policy, Loughborough University, July 2014.](#)

years. Estimates of persistent poverty have fallen since the last period although these statistics are still under development.



Legend: ——— interim target to be met by 2023/24
 - - - - - final target to be met by 2030/31

Note: Trends over time are best shown using three-year averages of the estimates. Single-year estimates can be used to understand the situation at a certain point in time.

Source: *Child poverty update*, Scottish Government, March 2018.

The cost of child poverty

- As well as being harmful to children and families, child poverty has a wider cost for society. A 2013 study estimated that child poverty in the UK was costing the country at least £29 billion a year. This includes the cost of policy interventions, long-term losses to the economy, lower educational attainment and poorer mental and physical health.²²

²² Estimate of the Cost of Child Poverty in 2013, Donald Hirsch, Centre for Research and Social Policy, Loughborough University, [www.cpag.org.uk/sites/default/files/Cost%20of%20child%20poverty%20resear...\(2013\).pdf](http://www.cpag.org.uk/sites/default/files/Cost%20of%20child%20poverty%20resear...(2013).pdf)

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18. In Scotland, the cost of bringing relative poverty down to ten per cent has been estimated at £3.8 billion per year while reducing it to five per cent is estimated to cost £10.2 billion per year.²³ This is the amount of increased household income poorer families would need to bring child poverty rates down. This could come from any source - increased earnings, increased social security payments or other household income.

What are public bodies in Scotland doing to reduce child poverty?

19. The Child Poverty (Scotland) Act 2017 requires Scottish Ministers to set out their proposed actions to tackle child poverty and to report against these actions. Councils and NHS boards are also to jointly report on their activity to address child poverty at a local level. Scottish Ministers must publish 'child poverty delivery plans' for:

- 2018 – 2022
- 2022 – 2026 and
- 2026 – 2031.

Scottish Ministers must also report progress annually (starting in 2019) and produce a final report in 2030/31, showing child poverty levels in relation to the four targets.

20. The Scottish Government published its first delivery plan to reduce child poverty, *Every child, every chance: The Tackling Child Poverty Delivery Plan 2018-22*, in March 2018.²⁴ The 150-page-long delivery plan was informed by the Poverty and Inequality Commission, a group of eight independent members with expertise from policy, practice, research and experience of poverty.²⁵
21. Actions in the delivery plan are organised into five categories, the first three of which have been identified as drivers of child poverty ([Exhibit 3](#), page 5):
- **income from work and earnings** (paragraph 9)
 - **costs of living** (paragraph 10)
 - **income from social security** (paragraph 11).
22. The other two categories are:
- **quality of life** - to improve children's quality of life and help families manage the impacts of poverty.
 - **partnership working** - recognising the role the wider public, private and third sectors can play in tackling child poverty.

Child poverty and inequality

23. Overlap between child poverty and inequality was identified in the Scottish Government's analysis of evidence when it developed the delivery plan. It found strong links between child

²³ [How much would it cost to reduce child poverty in Scotland? The financial scale of child poverty in Scotland](#), IPPR, February 2018.

²⁴ [Every child every chance: The Tackling Child Poverty Delivery Plan, 2018-22](#), Scottish Government, March 2018.

²⁵ <https://povertyinequality.scot/about/who-we-are/>

poverty and age, gender, ethnicity and disability. As a result the delivery plan considers 'priority families', statistically proven to be at high risk of poverty. It looks at the expected impact on these families of the various interventions described ([Exhibit 5](#)).

24. In the majority of cases, all priority families are likely to benefit. For example, the delivery plan includes an intervention tackling low pay in the public sector that will benefit all priority families. It includes commentary that the lowest paid workers are more likely to be female and younger. Therefore, lone parents, who are predominantly female, and mothers aged under 25 should benefit in particular.

Exhibit 5

The percentage of children in relative poverty in priority families

Children in priority families are more likely to be in poverty.

Priority family	Percentage of children in relative poverty
Young mothers (aged <25)	44%
Minority ethnic families	37%
Lone parents	36%
Families with a child under one	32%
Families with a disabled adult or child	30%
Larger families (with three or more children)	30%

Source: *Every child, every chance: The Tackling Child Poverty Delivery Plan, 2018-22*, Scottish Government, March 2018.

What measures make a difference to child poverty?

26. In the delivery plan, the Scottish Government cites many measures introduced over the last ten years that have helped families living on low incomes, including:
- delivering more affordable homes
 - the Scottish Welfare Fund providing crisis and community care grants
 - full relief from the bedroom tax through the housing discretionary allowance
 - the Scottish Attainment Challenge, a national commitment to close the poverty-related attainment gap
 - increases to the provision of early learning and childcare
 - providing free school meals for all P1-P3 children and all children in low income households
 - a new baby box of essential goods for every newborn child.

27. The top four measures listed are those specifically targeted at low income households while the bottom three are for all families. Research shows that extending funded early learning and childcare to younger children from potentially less advantaged backgrounds is likely to improve their outcomes. But our early learning and childcare report found that uptake of funded hours for these children is lower than anticipated and we recommended that councils better target eligible families. Research was less clear on the benefits of increasing the number of hours of funded early learning and childcare for all two, three and four-year olds.²⁶
28. The Scottish Government recognises that much more needs to be done to address child poverty. The delivery plan includes over 50 actions or programmes of work that are intended to have an impact on child poverty between 2018 and 2022. [Exhibit 6](#) sets out examples of these, arranged by category of action.

Exhibit 6

Examples of actions the Scottish Government has set out to address child poverty in its 2018-22 delivery plan

Category of action	Aiming to:	Examples of actions
Income from work and earnings	Provide sustainable employment offering parents decent rates of pay, good training and support, opportunities to progress, a flexible work environment and enough hours in work to provide income that, as a minimum, meets basic family needs.	£12 million to be invested 2019-22 on intensive key worker support for parental employment - helping parents who face barriers returning to work, focusing on priority families.
Costs of living	Help families on low incomes with day-to-day costs and to maximise their income.	Expanding early learning and childcare Working with schools to reduce the costs of the school day . Introducing a Financial Health Check Guarantee for low income families - providing personalised advice to help with the poverty premium and benefit uptake.
Income from social security	Deliver the 11 benefits devolved to Scotland safely and securely.	Key action is to introduce a new income supplement within the lifetime of the delivery plan. The aim of this is to deliver regular, additional financial help to low income families.

²⁶ [Early learning and childcare](#), Audit Scotland, February 2018.

Category of action	Aiming to:	Examples of actions
Quality of life	Include actions that impact on the quality of life for children in poverty now to improve long-term outcomes even if these do not immediately affect the targets.	£2 million to extend the Children's Neighbourhoods Scotland Programme - develops services to reduce poverty. Investing £1.2 million focused on young mothers and fathers in further education.
Partnership working	work with a wide range of key partners to help low income families	Setting up a new £7.5 million innovation fund with The Hunter Foundation to trial new and innovative approaches to prevention and redesigning services.

Source: *Every child, every chance: The Tackling Child Poverty Delivery Plan 2018-22*, Scottish Government, March 2018.

How will the actions in the delivery plan be funded?

29. The original financial memorandum accompanying the Child Poverty (Scotland) Bill only included costs for producing the delivery plans, national annual reports and local annual reports. This was estimated at £227,000 to 2030/31.²⁷ At the time, it was noted that an indicative overall cost for meeting the targets was not available because of the range of Scottish Government policies and programmes expected to contribute towards this.
30. The actions in the delivery plan are funded predominantly through existing funding rather than from additional investment. When the 2018-22 delivery plan was published in March 2018, the Scottish Government announced it was to be "backed by a range of investment, including a £50 million Tackling Child Poverty Fund".²⁸ Of the £50 million, £12 million is being spent on intensive support for low income parents to help them get into work, £5 million is being spend on an innovation fund piloting innovative approaches to prevention and around £25 million is being set aside for use in 2020 and 2021 to roll out the pilot programmes that prove successful.²⁹
31. The delivery plan sets out information on the allocated funding for many of the actions. For example:
 - £96 million over the next five years for Fair Start Scotland, a service designed to help people into sustained employment.
 - £243 million in 2018/19 to support the expansion of early learning and childcare.

²⁷ [Child Poverty \(Scotland\) Bill \(SP Bill 6\) Financial Memorandum, Scottish Parliament, February 2017.](#)

²⁸ [Tackling child poverty delivery plan, Scottish Government news release, 29 March 2018.](#)

²⁹ p16, *Every child, every chance: The Tackling Child Poverty Delivery Plan - 2018-22*, Scottish Government, March 2018.

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- £17 million annual investment estimated in the Best Start Grant from 2019 - providing low-income families with a payment on the birth of their children, when they start nursery and when they start school.

32. However, there are a number of areas where costs are not yet known. These include:

- a new income supplement for low income families
- lifting 25,000 more people onto the Living Wage
- tackling low pay in the public sector
- improving after school and holiday childcare.

Monitoring framework and available statistics

33. The Scottish Government is aware of current limitations in relation to statistics on child poverty particularly at a local level. It has done preparatory work in advance of local and national reports being published to ensure that best use is made of data currently available. New experimental data sets are also being developed and a post is to be filled within the Scottish Government to support local areas with data.

34. The main poverty statistics for Scotland, Poverty and Income Inequality in Scotland, are only available at Scotland level. It is not possible to produce reliable estimates at council level from this source because of the size of sample used. The persistent poverty figures are derived from a sample survey which again limits the analysis possible at smaller geographical areas. New experimental statistics, based on the Scottish Household Survey, provide estimates of the proportion of children in combined low income and material deprivation by council area and household characteristics.

35. The Scottish Government has developed 'the Child Poverty Measurement Framework' to explain what is happening in relation to the various drivers of child poverty over time. This is set out in the delivery plan. The framework includes statistical indicators for each of the three drivers of poverty:

- **Income from employment** - eg. parental employment, parents with low or no qualifications, school leaver attainment gap, satisfaction with local public transport.
- **Costs of living** - eg housing affordability, childcare affordability, food insecurity, internet access
- **Income from social security and benefits in kind** - eg take-up of free school meals, level of devolved social security payment entitlement, level of reserved social security payment entitlement.

36. The majority of these statistics are only available at a national level. However, potential sources of local data are also listed in guidance produced for local areas to help them produce their local child poverty action reports (paragraph 42).³⁰

³⁰ [Developing a local child poverty action report: Guidance, Scottish Government, June 2018.](#)

Monitoring and evaluation

37. The delivery plan sets out the Scottish Government's commitment to ensuring that each action in the plan is properly monitored and evaluated so it can learn from what works. However, it is clear there is still much to be done to fully develop the monitoring framework for reducing child poverty. The Scottish Government has set out its intention to:
- scope out and develop tools to help analyse the full range of policies, with the intention of being able to produce quantitative estimates of the impact of future interventions on the poverty targets
 - ensure that robust monitoring and evaluation processes are in place for all policies in the delivery plan to ascertain the monetary impact on household incomes
 - understand the interdependencies with other factors, and how impact varies between different household types
 - know which policies do not have the full intended effects and why
 - build a modelling tool that uses learning to understand the likely quantitative impact of poverty reduction policies in the future.³¹
38. The Scottish Government is currently drafting a 'Tackling child poverty evaluation strategy' to set out how it intends to monitor and evaluate action taken by public bodies to meet the child poverty targets. A draft of the strategy includes:
- the intention to set up a governance group for the evaluation of policies in the delivery plan.
 - the selection of between five and ten 'top policies' to be evaluated, decided by the governance group.
 - evaluation questions, eg is the policy being delivered in the way that was intended in relation to child poverty?
 - a monitoring and evaluation timeline.

The role of the Poverty and Inequality Commission

39. The Poverty and Inequality Commission was established by Scottish Ministers, initially until 30 June 2019. Resulting from an amendment to the Child Poverty (Scotland) Bill, from July 2019 a statutory Poverty and Inequality Commission will be established through the Child Poverty (Scotland) Act 2017. The Commission's main role is to provide independent advice to Scottish Ministers on reducing poverty and inequality in Scotland and to scrutinise the progress that is being made. More specifically the role of the Commission includes:
- having a strong scrutiny role in monitoring progress towards tackling poverty and inequality and it will openly hold Scottish Ministers to account on their progress.
 - having scope to develop its own work programme and to advise on policy development in particular areas where there is political consensus to do so.

³¹ p142, Every child, every chance: The Tackling Child Poverty Delivery Plan 2018-22, Scottish Government, March 2018.

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- working with the Ministerial team, asking Ministers to give evidence where necessary, and reaching across Scottish Government departments to inform policy thinking.
 - working collegiately with other independent institutions, seeking to enhance, rather than replicate, the work that is undertaken.³²
40. A supplementary financial memorandum was produced after Stage 2 of the Bill, setting out the range of costs for setting up and running the Poverty and Inequality Commission. The provisions in the Bill relating to the Commission were wide. As a result, costs are estimated as ranging from £5-10 million between 2018/19 and 2030/31.³³
41. It is not yet known what approach the statutory Poverty and Inequality Commission will take to monitoring progress as the commissioners will not be in post until July 2019, just after the national progress report and local action reports are due to be published. We will have early discussions with the Commission about its role and how we can best work together.

Local child poverty action reports

42. Councils and relevant NHS boards are required in law to prepare joint, local child poverty action reports and submit these to the Scottish Government each year, starting in 2019. The reports are expected to be submitted by the end of June and are to include details of activity in the area during the year to meet the child poverty targets as well as any proposals for future actions. Structures are already likely to be in place in areas that have focused on poverty in the past, e.g. the Fairer Fife Commission and Glasgow's Poverty Leadership Panel.³⁴ These groups tend to focus on all aspects of poverty rather than just child poverty. They are made up of senior officials from key local bodies who take a strategic look at the scale, scope and nature of poverty in their area and who comment on the effectiveness of activity currently undertaken.
43. Although councils and NHS boards are the only bodies specifically mentioned in this part of the Act, the Policy Memorandum that accompanied the Child Poverty (Scotland) Bill suggested that "the Community Planning Partnership process could provide a helpful vehicle for co-ordinating this work".³⁵
44. Relatively detailed guidance was prepared in June 2018 for local bodies to help them prepare their local child poverty action reports.³⁶ This included a five-step approach to producing the reports as well as further information on the background to the Act, details on legal requirements and advice on how to assess child poverty. Also included was information on what the local reports must contain, possible actions under each of the three drivers and a template setting out how to record actions. However, the method of scrutinising and feeding back to local areas on the local reports is yet to be decided.

³² Poverty and Inequality Commission, <https://povertyinequality.scot/about/>

³³ [Child Poverty \(Scotland\) Bill \(SP Bill 6A\) Financial Memorandum, Scottish Parliament, September 2017.](#)

³⁴ [Fairer Fife Commission, Glasgow's Poverty Leadership Panel](#)

³⁵ [Child Poverty \(Scotland\) Bill \(SP Bill 6\) Policy Memorandum, Scottish Parliament, February 2017.](#)

³⁶ [Developing a local child poverty action report: Guidance, Scottish Government, June 2018.](#)

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45. In the guidance, the Scottish Government has set out what support has been put in place for local areas:
- A new role of **national coordinator** for local child poverty action reports has been created to support councils and NHS boards with the development of reports, monitoring progress and sharing best practice. Funded from the Tackling Child Poverty Fund and based at the Improvement Service, the national coordinator took up post in July 2018.
 - From 2018-19, the Scottish Government is providing £20,000 funding per year for three years for the **Scottish Poverty Inequality and Research Unit (SPIRU)**. SPIRU is based at Glasgow Caledonian University and is expected to engage with all councils and NHS boards to support them to develop and understand actions that impact on child poverty and to share best practice.
 - The Scottish Government will expand support **for encouraging those with experience of poverty in decision-making**. This will involve supporting local areas to set up their own community bodies including people with experience of living in poverty.
 - There are plans for the Poverty Alliance, a Scottish anti-poverty network, to develop the **'Get Heard Scotland' initiative**. This aims to gather feedback and views on efforts to address child poverty that could be useful for the development of reports and plans.
46. The financial memorandum to the Child Poverty (Scotland) Bill estimated the cost to each council of compiling and producing the local report as £4,750 and for each NHS board, £2,640. This is equivalent to a month's salary at team leader level for each body and totals £190,000 across Scotland. An indicative overall cost for meeting the targets is not available (paragraph 29).³⁷
47. The Child Poverty Action Group in Scotland, a third sector organisation, held an event in June 2018 on the new local duties. To fulfil their obligations meaningfully under the Child Poverty (Scotland) Act 2017, local partners said there was a need for councils and NHS boards:
- to build effective structures to facilitate collaborative working with relevant community planning partners. Many local partners would welcome the development of regional child poverty structures at NHS board level.
 - to raise awareness and promote buy-in of the need to address child poverty amongst senior staff and local leaders as well as raising general awareness amongst frontline staff.
 - to influence local employment practices as employers and contractors and the practice of local business leaders.
 - to implement effective methods of community engagement.³⁸
48. It is clear that the Scottish Government has undertaken much preparatory work to help local bodies fulfil their roles, including ensuring a national coordinator is in post a year before councils and NHS boards are due to report. But there still appears to be a lot of detail to work

³⁷ [Child Poverty \(Scotland\) Bill \(SP Bill 6\) Policy Memorandum, Scottish Parliament, February 2017.](#)

³⁸ [CPAG Policy Seminar for Local Child Poverty Leads on the development of Local Child Poverty Action Reports](#), Child Poverty Action Group, 25 June 2018.

through, especially around the role of the Poverty and Inequality Commission in monitoring progress, how local areas will know they have made a difference to child poverty because of data limitations and what happens to the local reports once completed.

49. It is not yet clear what resources local bodies will choose to allocate to their child poverty duties and reporting arrangements. The month of team leader time costed in the financial memorandum to the Child Poverty (Scotland) Bill seems unrealistic to successfully progress a challenging agenda with such ambitious targets.

What is the impact of UK policy on levels of child poverty?

50. Levels of child poverty in Scotland are likely to be, and have been, influenced by policies of the UK government - policies by definition that are not within the control of public bodies in Scotland.
51. Three main areas of influence are:
- UK-wide changes to social security
 - UK reductions to public spending
 - withdrawal from the European Union.

UK-wide changes to social security

52. As stated in paragraph 13, it has been forecast that UK-wide changes to social security are likely to increase levels of child poverty. In March 2018, the Accounts Commission considered a paper on the changing social security landscape. This provided an overview of changes to the social security system at the UK level and of the powers being devolved to Scotland.
53. Most working age benefits, including child benefit, are frozen in cash terms between 2015 and 2020, whilst new claimants of the child element in tax credits and Universal Credit are now limited to the first two children in a family. In addition, the family element of child tax credits and Universal Credit will only be available to families with a child born before April 2017. Work allowances in Universal Credit - the amount a claimant can earn before their benefits start to be withdrawn - were cut in 2016.³⁹
54. Exhibit 7 (page 19) sets out the projected impact on household income of UK social security reforms and three Scottish tax and social security reforms (revised income tax rates, the Best Start Grant and the increase in carer's allowance payments). This modelling was done by economic consultants on behalf of the Equality and Human Rights Commission and analyses the impact of these reforms on ten income levels. These range from 1 (poorest) to 10 (richest). As can be seen, as a result of these changes, those with lower levels of income are forecast to be substantially worse off than those on higher levels of income.

³⁹ Report on the Child Poverty Strategy for Scotland 2014-2017, Poverty and Inequality Commission (prepared by Urban Studies, University of Glasgow), February 2018.

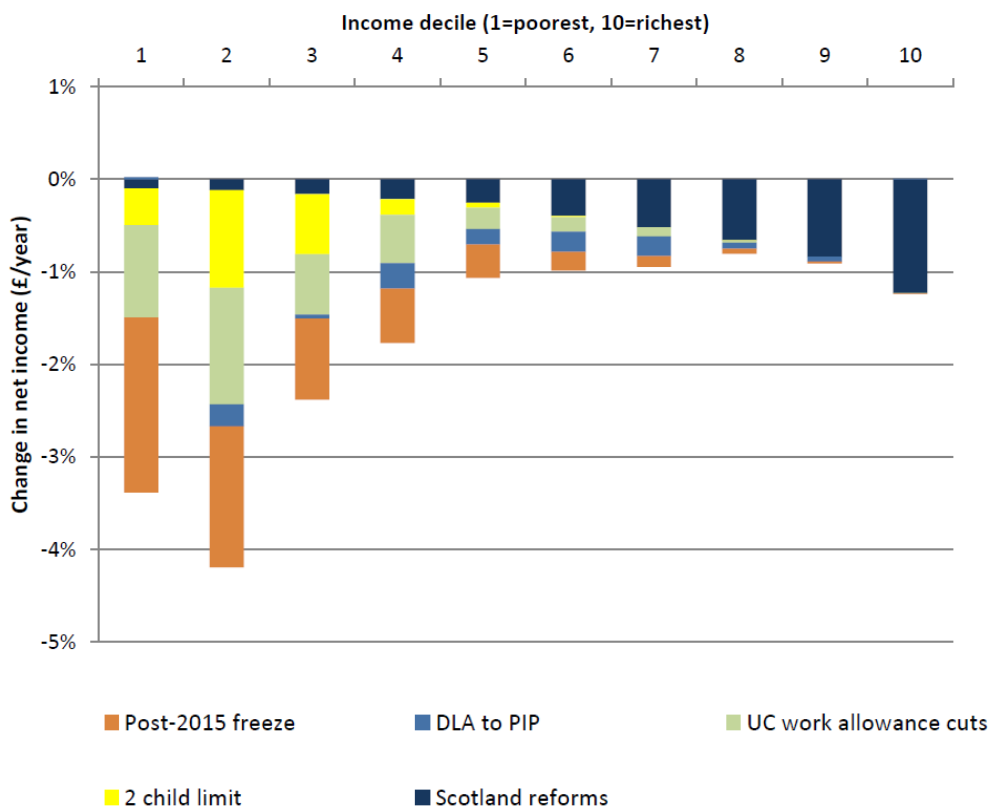
Reductions in public spending

55. Public bodies in Scotland have been operating in the context of substantial reductions in UK public spending for some time. We have reported many times in our reports on the challenges facing public bodies including increasing costs, growing demand, and the continuing pressures on public finances. Developing new ways of working is now an essential part of what public bodies have to do as they respond to these challenges.^{40 41}
56. Tackling child poverty will require effective leadership and dynamic people at all levels to implement newly-designed services. Public bodies will need to make difficult choices to free up enough money to invest in these services.

Exhibit 7

Percentage impact of specific policy reforms by household income decile, 2021–22 tax year: Scotland

Lower-income households could have up to four per cent less income in 2020/21, primarily as a result UK social security reforms.



⁴⁰ [NHS in Scotland 2017, Audit Scotland, October 2017.](#)

⁴¹ [Local government in Scotland: Challenges and performance 2018, Audit Scotland, April 2018.](#)

Source: Landman Economics tax-transfer model analysis using FRS pooled dataset 2012–13 to 2015–16 cited in *The cumulative impact of tax and welfare reforms*, Equality and Human Rights Commission, March 2018.

UK withdrawal from the European Union

57. There are risks that leaving the European Union will lead to higher household costs that could in turn lead to a rise in child poverty. In May 2018, a House of Lords sub-committee report stated it was "inconceivable" there would be no impact on EU produce, which makes up 30 per cent of the UK's food imports, of EU withdrawal. Also, any reductions in EU workers could lead to an increase in recruitment or higher wages for domestic workers but these costs may be passed on to customers or some businesses may cease to be viable.⁴²
58. A recent briefing from the Joseph Rowntree Foundation found:
- as the UK-EU trading relationship becomes incrementally more distant, there are increasingly strong risks of price rises, falls in real wages, lower employment and lower tax revenues.
 - the impact of Brexit on poverty depends on how people on the lowest incomes are affected relative to those who are better off. Overall, the effects of Brexit on prices, wages and employment are expected to be felt across the whole income distribution, rather than impacting disproportionately on those at the bottom. But this depends on future governments protecting low-income families from the effects of rising inflation by uprating benefits and tax credits to cover rising costs.⁴³

Conclusion

59. Reducing the level of child poverty in Scotland to achieve the targets set for 2030/31 is recognised by all stakeholders as being extremely ambitious. The Scottish Government does not have full control over all the levers that affect the levels of child poverty. Given the projected rise in child poverty over the next few years stems mainly from UK social security reforms, it is clear the targets will not be met by actions in Scotland alone. However, there is a clear commitment by the Scottish Government to do what is in its powers to reduce child poverty and this has political support from all parties. Those working in this area welcome the impetus that this political will has made to the agenda.
60. Detailed preparations have been undertaken to support the Scottish Government and local bodies in meeting their statutory duties around planning and reporting but more work needs to be done, especially in relation to monitoring.
61. As we plan for the audit in 2022/23, we will continue to work closely with Audit Scotland's social security team and we will work with our new youth advisory panel to help shape the scope of the audit. We will meet stakeholders regularly and will monitor developments in areas including:

⁴² [House of Lords European Union Committee, EU Energy and Environment Sub-Committee, Brexit: food prices and availability, HL Paper 129, May 2018.](#)

⁴³ [How could Brexit affect poverty in the UK? Joseph Rowntree Foundation, September 2018.](#)

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- annual updates to national poverty data
 - annual update reports from the Scottish Government and local areas
 - the monitoring and evaluation framework
 - the impact of UK policy on levels of child poverty and
 - the developing role of the Poverty and Inequality Commission.

MEETING: 11 OCTOBER 2018

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

BEST VALUE ASSURANCE REPORT: EAST LoTHIAN COUNCIL

Purpose

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

Background

2. A key objective of the approach to auditing Best Value is to allow the Commission to provide more regular assurance to the public about how councils are performing in relation to their Best Value statutory duties. It is intended that this will be achieved by the Controller of Audit submitting a Best Value Assurance Report (BVAR) on each council at least once during the five-year audit appointment and also by Best Value being reported in annual audit reports.
3. The attached BVAR (Appendix 1) is on East Lothian Council. It is the eleventh BVAR to be presented to the Commission.
4. While this is the first BVAR on East Lothian Council, it reports on the progress made by the council since previous Best Value reports. The Controller of Audit reported to the Accounts Commission in October 2007. The [Commission's findings](#) were published in October 2007 and are set out in Appendix 2.

The Controller of Audit report

5. The BVAR is made by the Controller of Audit to the Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
6. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
 - the accounts of local authorities audited under the Act;
 - any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and
 - the performance by a local authority of their statutory duties in relation to best value and community planning.
7. A copy of the report is being sent to the council, which is obliged to supply a copy to each elected member of the council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the council it is effectively in the public domain.
8. The report concludes with a series of recommendations proposed by the Controller of Audit which are to be part of the Commission's considerations.

Procedure

9. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
 - direct the Controller of Audit to carry out further investigations
 - hold a hearing
 - state its findings.
10. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.
11. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence and judgements presented in the report. This is done in the public part of the Commission meeting.
12. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform the council of its decision, which the Commission does before making the decision public.

Conclusion

10. The Commission is invited to:
 - a) consider the Controller of Audit's BVAR on East Lothian Council; and
 - b) decide in private how it wishes to proceed.

Paul Reilly
Secretary to the Commission
3 October 2018

APPENDIX 1: BEST VALUE ASSURANCE REPORT: EAST LoTHIAN COUNCIL

See separate paper

APPENDIX 2: AUDIT OF BEST VALUE AND COMMUNITY PLANNING: EAST LoTHIAN COUNCIL, OCTOBER 2007 - FINDINGS

1. The Commission accepts this report on the performance of East Lothian Council's statutory duty to secure Best Value and to initiate and facilitate the community planning process. The Commission recognises that the report gives a broad picture of the council's performance based on the work of Audit Scotland and the findings of other scrutiny bodies such as Inspectorates and that it does not attempt a comprehensive review of all service delivery. We acknowledge the co-operation and assistance given to the audit process by members and officers of the council.
2. East Lothian Council has many inherent advantages due to the context in which it operates. The council's area enjoys:
 - an unemployment rate below the Scottish average
 - low levels of deprivation
 - life expectancy better than the Scottish average
 - relatively low levels of crime
 - good transport links
 - an attractive environment.
3. It is therefore of particular concern that the council has made such limited progress in establishing Best Value. While there are examples of successful service delivery, council services perform just below the Scottish average. Relationships between political and managerial leaders have been unduly close, resulting in informal decisionmaking and a lack of openness and transparency. The council has no financial strategy and does not have a systematic approach to the management of assets. Leadership of the council has lacked vision and coherence and has not promoted continuous improvement. Elected member leadership capacity has been limited and they have not been well supported to develop this capacity. This is combined with a lack of strategic focus and leadership by the Corporate Management Team.
4. We recognise that the council has experienced significant changes in political leadership following the elections in May 2007 and that there are plans for a review of senior management with the departure of the chief executive. The council has a singular opportunity to introduce a programme of change and development in order to achieve Best Value for its local population. Council staff are committed and there are examples of good improvement work within services. We are concerned, however, about the capacity of the council to address the major issues which it faces and we urge it to consider what appropriate avenues are available for external assistance, including learning from best practice in the local government community.
 - The issues which the council should address immediately include:
 - Open and transparent decisionmaking, with members and officers adhering to their roles and responsibilities.
 - More robust and effective scrutiny arrangements.
 - Effective support and training for members.
 - A stable senior management structure with the capacity to take forward the improvement agenda.
 - Medium to longer term strategies for effective management of resources, including financial planning and asset management.

- An effective framework for strategic planning.
 - An integrated framework for continuous improvement.
5. We look forward to receiving an Improvement Plan from the council which addresses the issues raised in the Controller of Audit's report and these findings.

East Lothian Council

Best Value Assurance Report



Prepared for the Accounts Commission by the Controller of Audit

October 2018

The Accounts Commission

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

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

Our work includes:

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

You can find out more about the work of the Accounts Commission on our website:

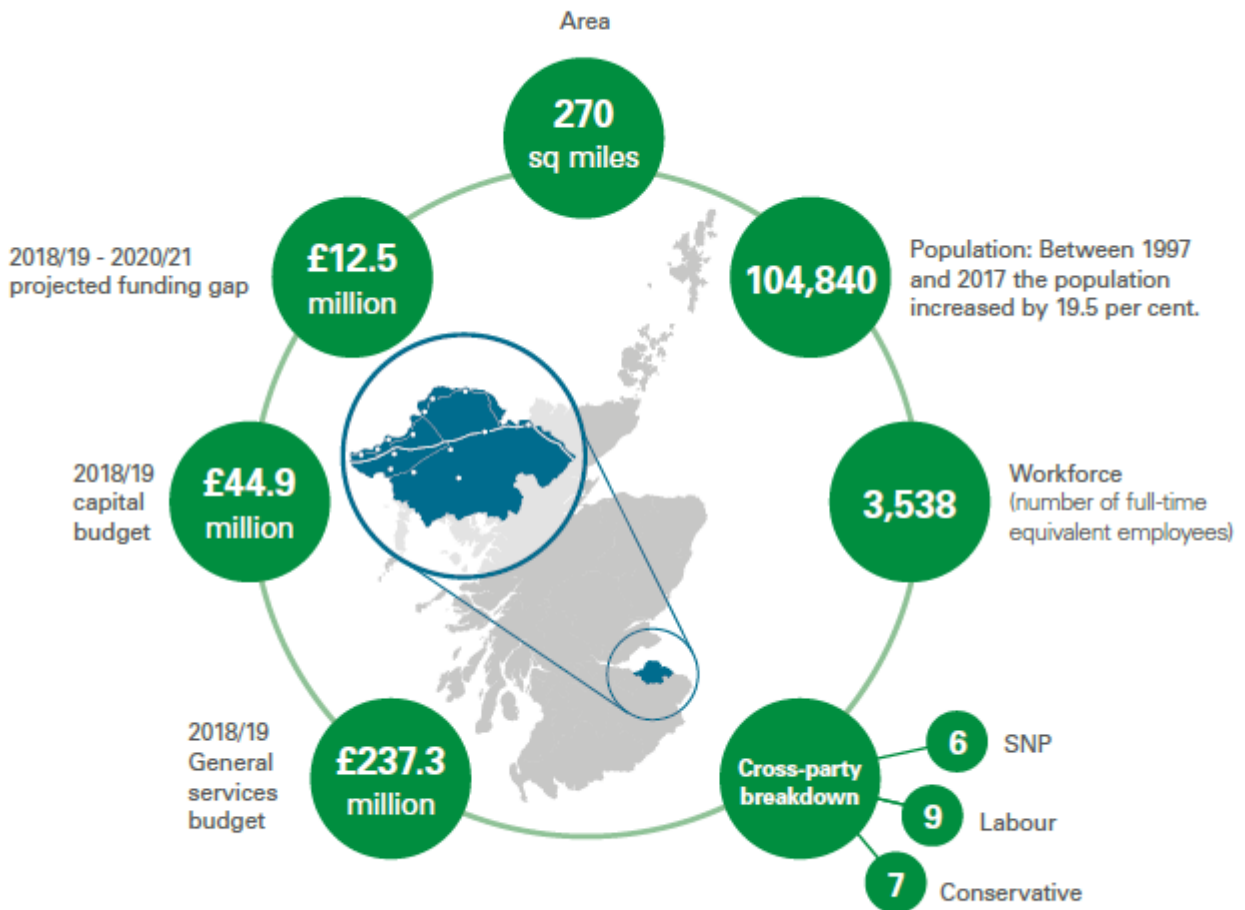
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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Key facts



Audit approach

1. The statutory duty of Best Value was introduced in the Local Government Scotland Act 2003. The audit of Best Value is a continuous process that forms part of the annual audit of every council and findings are reported through the Annual Audit Report. The Controller of Audit also presents a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. This is the first assurance report on East Lothian Council (the council). We summarise our findings from our previous 2007 Best Value report on the council and progress made against those recommendations in [Exhibit 16](#).

2. This report seeks to provide the Accounts Commission (the Commission) with assurance on the council's statutory duty to deliver Best Value with a focus on the Commission's strategic audit priorities. We are looking for councils to demonstrate Best Value by showing continuous improvement in how they deliver services. The pace and depth of improvement are key to how well councils meet their priorities in the future. The depth of improvement considers the extent to which councils are improving throughout the range of services they provide.

3. Our audit approach is proportionate and risk based. This means it reflects the context, risks and performance of the individual council. [Exhibit 1](#) shows the key areas of focus for this audit. We have evaluated what improvements the council has made since our 2007 report, but we have not documented every change in the intervening years. A shared risk assessment process was established in 2008. Since then, scrutiny partners have assessed the risks associated with East Lothian Council and not identified a need for any additional audit or scrutiny work.

4. We conducted some initial work to identify risks and council initiatives to build into the scope of our audit. This included:

- reviewing previous audit and inspection reports and intelligence
- reviewing key council documents
- meeting with senior officers
- reflecting on our wider public sector knowledge and experience.

Exhibit 1

Key areas of focus for our audit



Leadership, governance and scrutiny including:

- the council's vision and priorities (including City Deal)
- the roles and responsibilities of members and officers



Outcomes and performance

- Overall assessment of outcomes, performance and public reporting, focusing on education performance



Improvement plans

- self-evaluation
- change and transformation plans and programmes



Partnership working

– Community Planning Partnership - including community empowerment

Source: 2017/18 Best Value scoping letter 30 January 2018

5. The detailed audit work for this report was undertaken from March to June 2018 and included:

- interviewing elected members, senior officers and scrutiny partners
- observing a range of council and committee meetings
- interviewing senior officers of some partner bodies, for example Police Scotland, the Scottish Fire and Rescue Service, City Deal partner Queen Margaret University and STRiVE, (a local organisation that represents third sector organisations, such as charities and voluntary groups)
- observing community partnership meetings, for example, the East Lothian Partnership Forum and Governance Group and the Dunbar and Haddington Local Area Partnership
- reviewing documents such as the local development plan, council plan, numerous strategies and other information supporting the council's work.

6. We will continue to audit Best Value at the council over the course of our audit appointment. This will include a follow-up on the findings from this report and more detailed audit work on other Best Value characteristics, as appropriate.

7. We gratefully acknowledge the cooperation and assistance provided to the audit team by all elected members and officers we contacted during our audit.

Key messages

- 1.** East Lothian Council has significantly improved since our last Best Value Report in 2007. The council has improved its governance arrangements, leadership and scrutiny, and demonstrates a focus on continuous improvement. Decision-making processes are more clear and open. Pace of improvement has increased in recent years and the council's performance compares favourably to other councils in most service areas. Improving performance in education has been a focus since 2013/14. More recent momentum needs to be maintained so improvements result in better outcomes for all children in East Lothian.
- 2.** East Lothian's population is growing. This has implications for how the council plans and delivers services and is reflected in the council's ambitious vision of inclusive economic growth and sustainable communities. The council has planned for this growth through its Local Development Plan. The vision is well supported by councillors, council employees, partners and local communities. Improved governance arrangements provide an appropriate and effective framework for decision-making and scrutiny. The council has a well-established improvement framework, and is taking forward improvement activity through its Transformation Programme. The council is committed to delivering the opportunities presented by population growth, but it will be challenging to deliver this change alongside increasing demands on services and financial pressures.
- 3.** Financial management is effective with a budget-setting process focused on the council's priorities. The council has a good track record of delivering services within its overall budget. A five-year financial strategy was approved in December 2017. The council has developed proposals to address its projected funding gap of £12.5 million for the next three years and presented a three-year balanced budget in February 2018. It is developing additional savings proposals for the remaining two years of the five-year strategy. The council has established a Transformation Programme to embrace new technologies and to help address the forecast funding gap. The council recognises that implementing the Transformation Programme will be challenging.
- 4.** The council approved an updated corporate workforce plan for 2018-22 in June 2018 and prepared a more detailed action plan in August 2018. The council recognises it still has a lot of work to do to implement the actions and ensure it has the right people with the right skills to deliver its services into the future.
- 5.** The council has strong links with its partners but needs to ensure it can demonstrate the impact they are having in achieving economic growth and reducing inequalities. The council and its partners are developing a set of key indicators to measure economic growth and inequalities. The council engages effectively with communities and has started to make an impact through its Local Area Partnerships.
- 6.** The council could better demonstrate its progress in delivering its priorities by linking its individual performance reports and explaining more clearly whether performance is on track against target. The council is reforming its continuous improvement framework and key

performance indicators to monitor progress against the Council Plan more effectively.

Part 1

Does the council have clear strategic direction?



The council has a clear vision which is based on a good understanding of local communities and partners and is understood by employees. The council's arrangements provide an appropriate and effective framework for members to make and scrutinise decisions.

East Lothian's population is growing. This has implications for how the council plans and delivers services.

The council has an ambitious vision of inclusive economic growth that is linked to council objectives and strategic goals, and is understood throughout the organisation.

Leadership of the council has significantly improved since our 2007 Best Value report. The council's decision-making processes are clearer and more open.

The council should ensure that it is managing its financial relationship with arm's-length organisations (ALEOs) in line with its vision and objectives and the best practice that we set out in our national report in on ALEOs in 2017/18.

It is a period of sustained population growth in East Lothian which has implications for public service plans and delivery.

8. East Lothian covers 262 square miles of south-east Scotland, including 43 miles of coastline, from Edinburgh to the Scottish Borders. The council's electoral wards are centred around the six principal towns of Musselburgh, which is the largest town, Dunbar, Tranent, North Berwick, Prestonpans and Haddington. The council's headquarters are in Haddington. East Lothian has a population of around 104,000. The population is concentrated around those six towns, with many other smaller settlements and rural communities.

9. The Scottish Index of Multiple Deprivation (SMID) confirms that income deprivation in East Lothian (9.8 per cent) is below the Scottish average (12.3 per cent). East Lothian has a growing population, experiencing the highest percentage change compared to all Scottish councils.¹ Between 1997 and 2017 the population increased by 19.5 per cent. Over the same period, Scotland's population rose by 6.7 per cent. Population projections show that East Lothian's population will grow by a further 18 per cent between 2014 and 2039. East Lothian is one of the few Scottish councils where significant growth is expected among children and young people. The 0-16 year age group is projected to grow by almost a third and the over 75 year age group by almost 100 per cent. This projected population growth represents a significant challenge for the council – and one to be shared with partners – in how to deliver health, social care and education services in the future.

¹ National Records of Scotland <https://www.nrscotland.gov.uk/files//statistics/council-area-data-sheets/east-lothian-council-profile.html>

Exhibit 2

East Lothian is one of the few authorities where all population bands are expected to grow by 2026. The number of young people is projected to increase by three times the Scottish average.

Age group	2016	2026	% change	% change (Scotland)
All people	104,090	112,938	8.6	3.2
0 to 15	18,989	20,052	5.6	1.7
16 to 64	65,924	71,527	8.5	3.2
65 and over	19,177	21,363	11.4	4.8

Source: National Records of Scotland

10. The council operates from three main sites, has six high schools and 35 primary schools. It runs three care homes, 12 libraries, several depots for roads and amenity services, and there is an arm's length organisation in place to manage the numerous sports centres. The council has many community centres that are run by management committees formed of local people. The council is also a social landlord and provides council housing to about 8,600 tenants.

11. In line with a growing population there has been significant growth in the number of homes in East Lothian. Since our last Best Value report in 2007, the number of homes in East Lothian has increased by 9.4 per cent from 42,949 to 47,407. The 2008 local development plan envisaged 4,800 new homes and the current one estimates a housing requirement of 10,500 new homes over the next ten years. A large-scale development is planned at Blindwells as a new town. The 2018 (proposed) Local Development Plan identifies two priority areas: major infrastructure (such as roads and utilities) and education.

The council has a clear and ambitious vision of inclusive economic growth.

The Vision: "East Lothian should be even more prosperous, safe and sustainable, with a dynamic and thriving economy that enables our people and communities to flourish"

12. East Lothian Council produced a new Council Plan after the May 2017 election. This continues a vision similar to that first expressed in 2006, in the East Lothian 2020 Vision, but with a greater focus on economic development. The 2017 Council Plan is more succinct and provides clear direction for officers and councillors.

13. The Council Plan sets out four themes and objectives to achieve its vision. In order to meet these objectives the Council Plan sets out nine strategic goals which will make the biggest impact in delivering these key themes and objectives:

- Growing our Economy – to increase sustainable and inclusive economic growth as the basis for a more prosperous East Lothian.
 - Reduce unemployment.
 - Improve the employability of East Lothian's workforce.

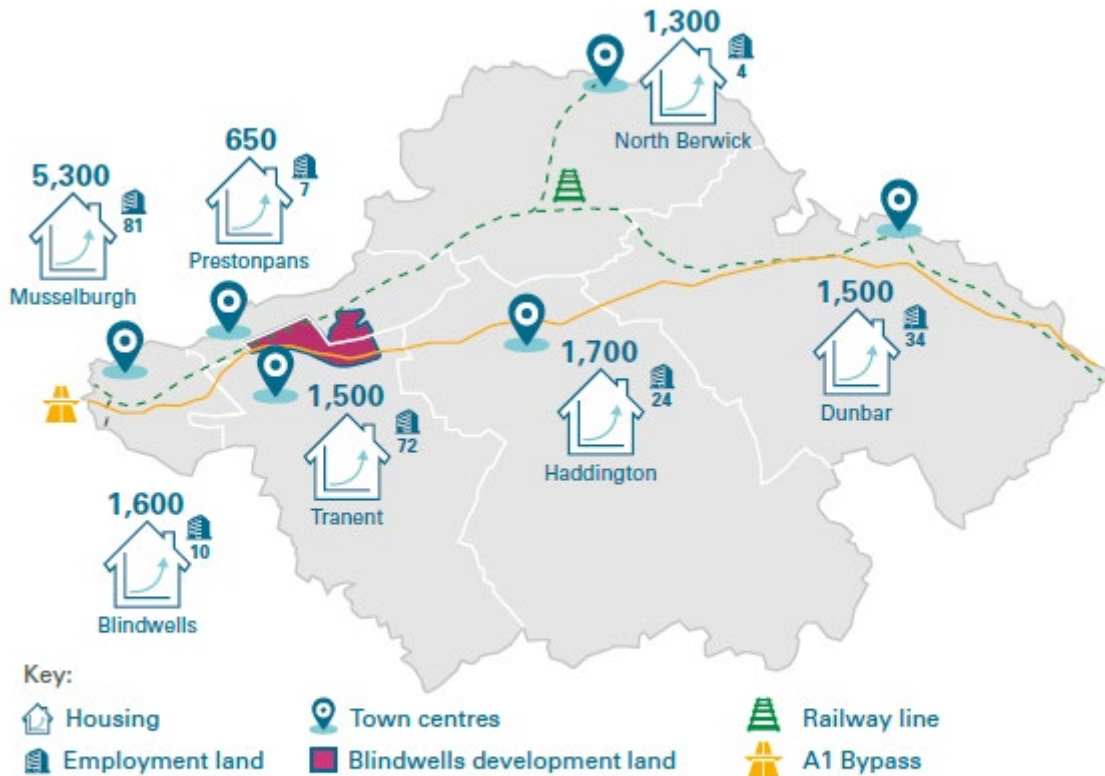
- Growing our People – to give our children the best start in life and protect vulnerable and older people.
 - Reduce the attainment gap.
 - Raise the attainment and achievement of our children and young people.
 - Improve the life chances of the most vulnerable people in our society
- Growing our Communities – to give people a real say in the decisions that matter most and provide communities with the housing, transport links, community facilities and environment that will allow them to flourish.
 - Extend community engagement and decision-making.
 - Increase community and individual resilience
- Growing our Capacity – to deliver excellent services as effectively and efficiently as possible within our limited resources.
 - Deliver transformational change.
 - Harness the opportunities technology offers in the provision of services.

14. The Community Empowerment (Scotland) Act 2015 requires community partnerships to produce a Local Outcomes Improvement Plan (LOIP) for each area. In 2017, the council and its partners prioritised the importance of a dynamic and thriving economy when it published the East Lothian Plan 2017-27, the LOIP. It includes the partnership's revised statement of intent that states: 'We will work in partnership to achieve an even more prosperous, safe and sustainable East Lothian, with a dynamic and thriving economy that enables our people and communities to flourish'. This statement of intent aligns to the council's vision.

15. The Local Development Plan (LDP) for East Lothian is an important strategic document for the council. The plan details the planning strategy and policies to guide future development in the area. It sets out where developments such as housing, business and retail are likely to be supported and where certain types of development should not occur. The LDP clearly links to the Council Plan themes of Growing Our Economy and Growing our Communities. [Exhibit 3](#) shows the development clusters and the proposed areas for economic opportunities and the anticipated house build from 2016 onwards.

Exhibit 3

Map shows the anticipated growth in cluster areas and land available for economic development. It also shows the train links from North Berwick and Dunbar and the A1 road link.



Note. Housing figures are rounded to nearest 50 units and employment land rounded to nearest hectare.

Source: Audit Scotland

Source: East Lothian Local Development Plan 2016

16. The council acknowledges that to accommodate further new development, significant investment is required to overcome transport and education infrastructure constraints in East Lothian. Therefore, East Lothian Council has adopted a vision of growth based on a cluster approach around the main towns of Musselburgh, Prestonpans, Tranent, Haddington, Dunbar and North Berwick. This includes a new secondary school and four new primary schools. There is also a new mixed use settlement at Blindwells. Phase one will see the building of 1,600 homes, a local town centre and ten hectares of employment land. In future, the council has a vision to expand the new settlement further east to a size of around 6,000 homes with more employment land and a sub-regional town centre.

17. The council and partners have ambitious plans for a thriving economy. The council and Queen Margaret University have developed plans for a food and drink Innovation Hub as part of the Edinburgh and South-East Region City Deal. These are agreements between the UK Government, Scottish Government and city regions to give local areas powers and freedoms to help the local economy to grow, create jobs and invest in local projects ([Exhibit 4](#) gives more detail).

18. The council bought the site of the former Cockenzie power station in March 2018. A masterplan for the site, produced with community involvement to shape the ideas, has resulted in a mixed-use plan. This includes an employment zone, multi-purpose open space, an area for a potential energy quarter and an improved harbour.

Exhibit 4

Joint working to develop the Innovation Hub proposal through City Deal

East Lothian Council worked closely with Queen Margaret University, a partner in the East Lothian Partnership, to develop an ambitious proposal for City Deal funding. The partnership has already created an on-campus Business Innovation Zone (BIZ). This includes the council's Business Gateway and it is the first time a Business Gateway has been based in a Scottish university.

The partners propose creating an innovation hub at the university campus in Musselburgh. The Edinburgh and South-East Scotland City Deal was signed in August 2018. The City Region Deal is intended to accelerate growth, drive productivity and reduce inequalities and deprivation through significant government investment. The partnership has identified the food and drink sector as a key area of innovation and growth. The university worked closely with the council to produce a masterplan for the proposed development. The council's Local Development Plan reflects the masterplan, which will provide research and development facilities for small and medium enterprises in the food and drink sector. The innovation hub will be part of a larger development at Queen Margaret University and complemented by upgrades to infrastructure, leisure facilities and new housing in the area. A proposed co-located commercial development will create new local amenities including retail, coffee shops, health and fitness, hotel and residential accommodation.

The masterplan complements the objectives and strategic goals in the East Lothian Council Plan 2017-22 and is intended to drive sustainable economic development to the benefit of communities in East Lothian.

Source: Audit Scotland

The council and its partners recognise they need to measure the effectiveness of the actions they take to reduce inequalities and support economic growth.

19. The council clearly understands local needs and issues, and has used this to develop the vision. The vision is well rounded and aims to improve quality of life, wellbeing, and ensuring growth is sustainable into the future. The council is implementing various large-scale housing, economic and commercial projects. The aim of these is to ensure the area has a dynamic economy that is less dependent on Edinburgh, and this is well reflected in Council Plan objectives.

20. In March 2017, the East Lothian Partnership carried out a residents' survey. Over 1,500 people responded, and 90 per cent agreed that the council's objectives were important or very important. In spring 2017, the East Lothian Citizens' Panel Survey found 97 percent of the 795 respondents agreed that it was important or very important to reduce poverty and child poverty in East Lothian.

21. The Musselburgh Total Place Pilot and the East Lothian Poverty Commission are two initiatives taken forward by the council that were designed to help understand and reduce inequalities in local communities ([Exhibit 5](#) and [Exhibit 6](#) outline these initiatives).

22. The different organisations involved in setting up the Musselburgh Total Place Project all agreed they learned a lot from working on this project, particularly around collaborative leadership and partnership working. But, so far, these important lessons have not been transferred into the council's day-to-day operations.

23. The council could improve the way it reports its performance in tackling the overarching inequality objective. The East Lothian Partnership governance group discussed an update report on the East Lothian poverty action plan (see [Exhibit 6](#)) at its meeting in June 2018. It reported that actions had been delivered but did not quantify or demonstrate how those had improved the lives of families experiencing inequality. It is important the council and its partners measure and monitor how effective actions are in reducing inequalities. The council and its partners are currently developing performance measures.

Exhibit 5

The Musselburgh Total Place Pilot

The East Lothian Partnership established the Musselburgh Total Place Pilot in January 2014. The aim of the initiative was to investigate how better outcomes could be achieved for the most vulnerable families living in the Musselburgh area. The pilot engaged with families to get their perspective on how services impacted on them. It also worked with local practitioners to gather their insights of working with vulnerable families. This research led to partners having a better understanding of the complexity of circumstances and factors which combine to increase the vulnerability of families and affect their ability to succeed. The factors include poverty, social isolation, health problems, trauma, low educational attainment and repeated engagement with statutory services.

The pilot also worked with the Pioneering Collaborative Leadership (PCL), an external initiative of the Scottish Leaders Forum, to develop the partnership's approach to collaborative leadership and partnership working. The PCL initiative strengthened how partners came together to decide on staffing arrangements and joint resources to deliver services to families.

As part of the pilot, partners identified the resources they invest in families who are in receipt of services from multiple partner agencies but who, in their view, continue to experience negative outcomes. In 2016, the ELP proposed partners establish a specific multidisciplinary team to work with families in Musselburgh who were experiencing these factors. However, partners were not able to free up staff to become part of this team. In 2018, the ELP is working to establish the implementation stage of this initiative.

Source: Audit Scotland

Exhibit 6

Challenging perceptions. Overcoming poverty.

The East Lothian Poverty Commission was established in 2016 following council approval and reported in 2017. It was made up of six commissioners with a range of knowledge and expertise, supported by officers from the council. Five key findings were reported which illustrated the extent of poverty in the council area in 2016:

- homelessness
- households claiming crisis grants
- the percentage of children living in poverty (30 per cent)
- the number of households living in fuel poverty (15,000)
- the number of food parcels being distributed.

The report concluded with recommendations for the council and its partners, which formed the basis for an action plan to tackle inequality and break the cycle of poverty in East Lothian. Many of the actions in the plan relate to the introduction of a policy, or long-term strategy. The action plan is being monitored by the East Lothian Partnership which received updates on progress in September 2017 and January 2018. In June 2018, a further update was provided to the East Lothian Partnership Governance Group. The report indicated that 20 actions resulting from the 46 recommendations made by the commission had been completed. However there was no indication of the impact that these actions had had on poverty within East Lothian. The East Lothian Partnership must ensure it measures the impact of its work.

Source: Audit Scotland

Councillors and employees clearly understand how the council's vision links to its objectives and strategic goals.

24. The council has invested time and energy to help ensure employees understand the vision. In 2016, the council set up its One Council programme, delivering workshops to increase staff awareness of the council's vision, objectives and strategic goals. The programme lasted for nine months and was attended by over 1,000 staff. The results from the council's 2017 Employee Engagement Survey indicates that staff are aware of how their jobs link to the council's objectives. The survey was carried out in February 2017 and achieved a 58 per cent response rate. Ninety-one per cent of respondents agreed with the statement: 'I know how my job/individual objectives contribute to the council's objectives'.

25. The Council Plan brings together cross-party manifesto commitments, which are reflected in the corporate plan's four themes. The council communicates the vision to employees and elected members in different ways. Quality Scotland² found these methods, and the council's commitment to involve staff in improving communication channels, a strength of the council.

The council's governance arrangements have significantly improved since the 2007 Best Value report.

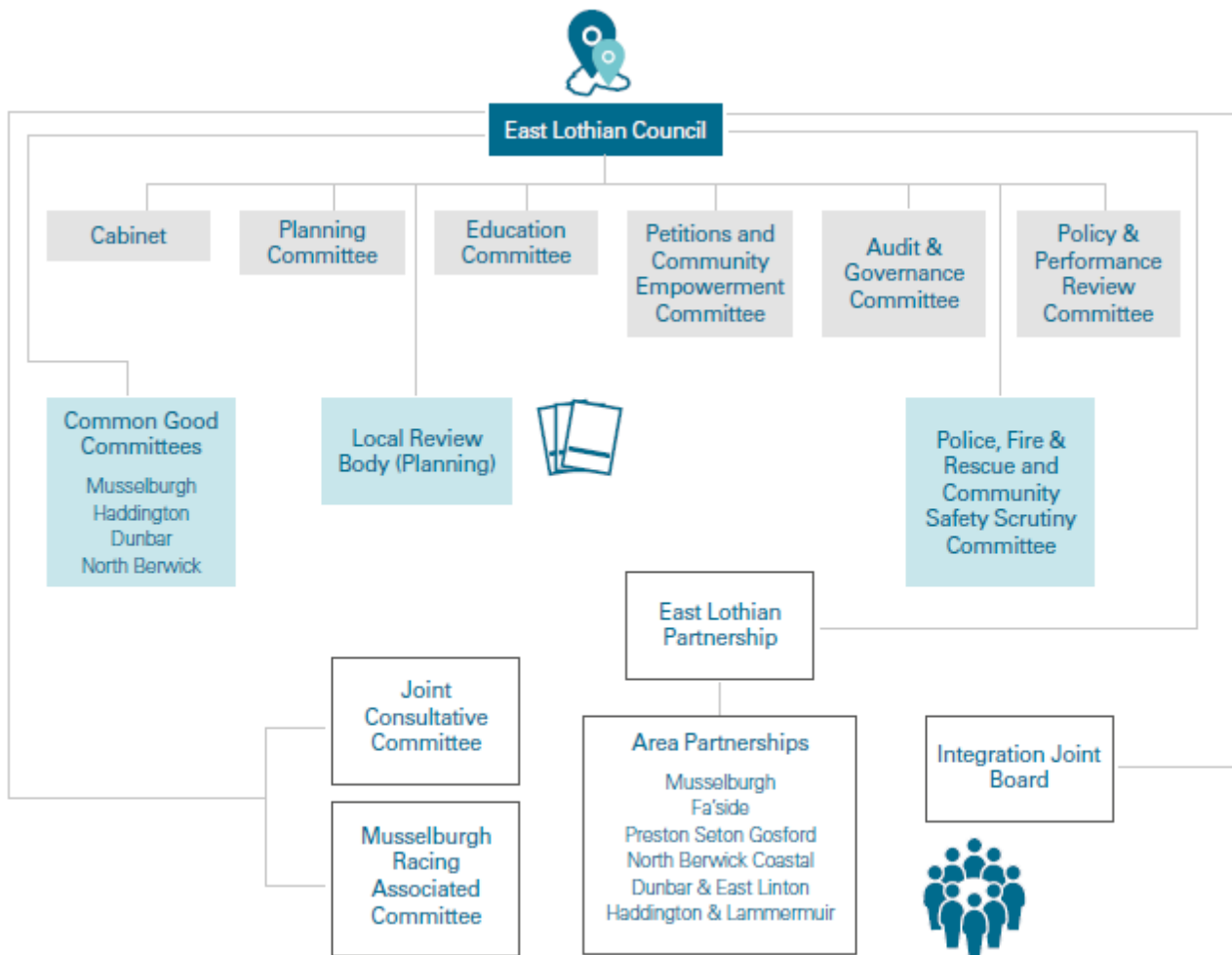
26. In 2007, we reported that there was an informal approach to conducting business and many meetings were held in private. Council business is now conducted in public and in a formal manner. Agendas, minutes and reports are available on the council's website. By exception, some items are held in private and the reasons for this are documented. Working relationships between officers and councillors are professional and constructive.

27. East Lothian operates: a full council, a cabinet made up of six members of the administration to whom a range of business and functions have been delegated; five committees; and a range of subcommittees as illustrated in [Exhibit 7](#).

² Quality Scotland report on award of Committed to Excellence report

Exhibit 7

East Lothian Council's committee structure



Source: East Lothian Council

28. The two key scrutiny committees are the Audit and Governance Committee and Policy and Performance Review Committee. Matters requiring a policy decision, changes to policy or budget allocations/agreements are taken to the full council or cabinet meetings as appropriate. The scheme of delegation sets out the matters that are delegated to officers. Matters which are delegated to officers are reported via the Member's Library and these can be subject to scrutiny at council meetings. All documents in the Member's Library are publicly available on the council website with the exception of those marked private. Reasons for a document being private are clearly marked. This governance arrangement is supported by clear procedural documentation.

29. The council was run by coalition administrations in the decade before the May 2017 local government elections. Since the May 2017 election, the council has been run by a minority administration and, to date, decision-making has been effective for the minority administration. The council has been able to make key decisions as there is sufficient cross-party agreement. Examples include approving the 2017-22 Council Plan, the 2018-23 Financial Strategy and the 2018/19 Council Budget. However, the minority administration found it difficult to get opposition support to approve recent key policies such as the Transport Strategy. Other Audit Scotland reports have highlighted the benefits of cross-party forums. The council should consider if it could benefit from this type of arrangement as it faces more difficult decisions in the years ahead.

Corporate management has improved.

30. The Council Management Team (CMT) is the core leadership group, comprising the chief executive, two deputy chief executives and eight heads of service. Three of these are in the health and social care partnership. The CMT meets every two weeks and works collegiately, with a focus on improvement activity across the council. Senior officers discuss risks, priorities and challenges so they are all aware of key issues across the council. The CMT produces action notes after each meeting so everyone is aware of what actions they are responsible for and the team can track progress. Service manager team (SMT) meetings are held every two months. These meetings have also fostered good working relationships across council departments.

31. East Lothian's current chief executive was appointed in 2011 and since then has introduced a number of improvements in leadership, including:

- more focused CMT meetings
- the council's improvement framework
- revising community planning decision-making arrangements.

32. The Joint Group, a working group made up of senior administration members and officers, meets in private and works as a sounding board to discuss potentially difficult issues or policy at an early stage. It clarified its purpose and remit in 2012 and action points are now recorded. Issues that have been discussed at the joint group have later been discussed at council committee, such as the Transport Strategy.

33. The council has shown a commitment to improving corporate management by being evaluated through Quality Scotland's excellence framework. Part 5 of our report has more details. The Quality Scotland evaluation in 2017 found leadership visibility had improved as a result of senior manager changes. It also reported that staff understood that change needed to happen in the council at that time. However, not all staff felt they fully understood the logic or impact of restructurings. The council has put in place additional One Council workshops and a new staff electronic newsletter to address this.

34. The council has invested in leadership and management development, and has plans to develop this further with Leadership and Management Development having prominence within the Workforce Implementation Plan

The quality of scrutiny is good, but the council could improve the quality of information in some reports.

35. The council's two key scrutiny committees, the Audit and Governance Committee and Policy and Performance Review Committee (PPR), are chaired by opposition councillors, in line with good practice. The council has a separate Police, Fire and Community Safety Committee to scrutinise the performance of the Police and Fire and Rescue Services in East Lothian.

36. Between the May 2017 election and December 2017, the third largest party (SNP) delayed nominating councillors to the key scrutiny committees. The appointed auditor reported in the 2016/17 Annual Audit Report that this reduced the effectiveness of scrutiny. The SNP group nominated councillors to both committees in December 2017 and they have since been active members.

37. The standard of scrutiny by councillors is generally good with some scope to improve the depth of challenge given. From observation and through our interviews we have learned that councillors would welcome changes to certain reports to make them more informative, such as:

- explanatory narrative in the quarterly performance indicator reports

- clarification on areas of under performance
- actions being taken in response to under performance
- less jargon in reports
- clarity over financial reporting, such as the money raised from commercial activities.

38. The PPR Committee meets quarterly and has a wide remit, covering all service areas. Councillors have established a work programme which identifies the service areas they want to scrutinise. The committee has asked for follow-up on areas of council policy, such as coastal parking charges. This review was also requested by full council and will be taken to a future council meeting.

The council has provided induction training to all elected members. However, it should consider how it can better structure training so that it is tailored to individual training needs.

39. At the May 2017 local elections, half the council's 22 councillors were new to the position of elected member. The council provided a broad induction programme. Take-up varied across the programme but overall it was well attended by councillors. It was tailored to the needs of different groups, for example, all councillors, new councillors, members of the administration, or specific committees. Feedback on the induction training, from the councillors we spoke to, was generally positive. However, some felt that there is scope for tailoring the programme further to suit individual needs.

40. Following the initial induction training, a series of members' briefings were provided. These covered topics such as procurement and the Community Empowerment (Scotland) Act. These sessions were well attended at first but attendance has started to fall. The Corporate Parenting session was well received by members as it involved young people and their carers, and made the benefits of this policy very apparent. The council does not currently have a formal, ongoing personal development programme for councillors and would benefit from more structured arrangements.

The council should ensure that it is managing its financial relationship with arm's-length organisations (ALEOs) in line with best practice and the council vision and objectives.

41. ALEOs can take many forms, such as companies, community organisations or charities. Most run sports and leisure centres or cultural services like museums and theatres. Others provide social care services, property management and commercial activities.

42. The 2007 Best Value report recommended the council develop a strategy for dealing with ALEOs. This would incorporate good practice principles for their governance and operational arrangements.

43. Our 2016/17 Annual Audit Report identified that the council needed to formally report and monitor ALEOs such as enjoyleisure and Musselburgh Joint Racing Committee (MJRC). This would ensure the council complied with the duties set out in the [*Code of Guidance on Funding External Bodies and Following the Public Pound*](#).

44. In the case of enjoyleisure, the council's leisure trust, a paper was submitted to the council's Audit and Governance Committee in November 2017. This advised elected members on its governance arrangements and performance, and highlighted areas of its work to show how the trust contributed to the council's wider objectives. Members agreed that future reports would include more financial

information and the annual accounts would be circulated to members once approved.

45. Musselburgh Joint Racing Committee (MJRC) is included in the East Lothian Council group. The race track is on common good land and the property assets belong to the council. Membership of the MJRC was, until recently, determined by a minute of agreement and comprised councillors and representatives from Lothians Racing Syndicate (LRS). Horse racing is important to Musselburgh and East Lothian, and the race course is of national significance.

46. In 2017/18, MJRC commissioned an independent governance review and during that time the licence granted by the British Horseracing Authority has been of a temporary nature. It is important to note that no racing fixtures have been cancelled during this time.

47. The review reported a number of observations and recommendations, and raised concerns about the constitution of the MJRC and the minute of agreement. In April 2018, full council delegated a working group to approve the replacement to the minute of agreement. It also delegated responsibility to the chief executive to implement the recommendations of the working group and to report back to the full council in June 2018.

48. To develop the best long-term arrangement a working group consisting of councillors, council officers, LRS representatives and racecourse staff has been set up. The working group will consider and recommend the best operating model for the future of the racecourse. The deputy chief executive and the council's solicitor are the two council officers nominated by the chief executive for this working group. The firm of lawyers that did the independent governance review continue to provide detailed legal advice together with specialist knowledge of the racing industry. In the meantime, a new temporary Musselburgh Racing Associated Committee (MRAC) has been constituted.

49. In June 2018, the deputy chief executive submitted a report to the Member's Library outlining the working group's recommendation that a third party operate the racecourse. The next step is to commence the procurement process to appoint a third party operator.

Part 2

How well is the council performing?



Performance in East Lothian Council compares favourably to other councils in most service areas and is improving.

Performance against the council's own targets, which support their four themes, is generally good.

Performance management is thorough, and elected members and officers make good use of reports to evaluate performance. It could be improved by linking the various reports and explaining more clearly whether performance is on track against target.

The council publishes a balanced picture of performance. Most residents are happy with the services the council provides.

Improving performance in education has been a focus since 2013/14. More recent momentum needs to be maintained so improvements result in better outcomes for all children in East Lothian.

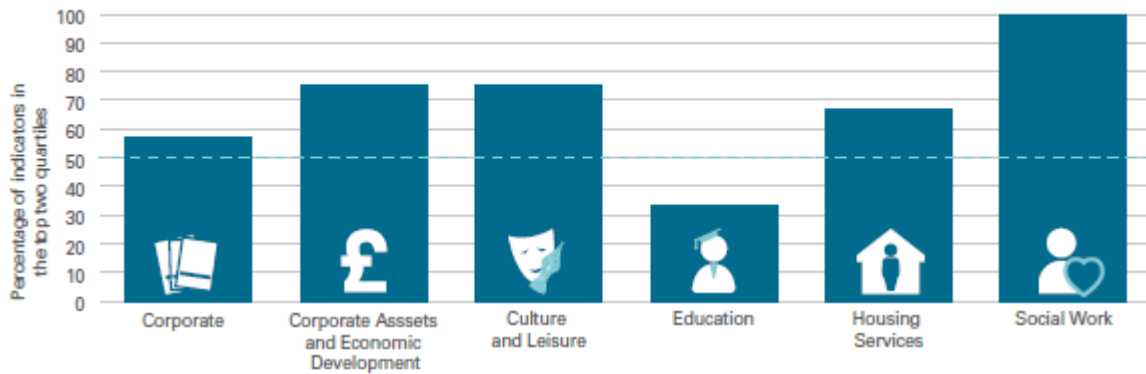
Performance in East Lothian Council compares favourably against other councils in most service areas and is improving.

50. The Local Government Benchmarking Framework (LGBF) allows councils to compare their performance against other councils. LGBF indicators show that the council's performance in 2016/17 compared favourably with other Scottish councils ([Exhibit 8](#)). The only service area where indicators show a comparatively poorer performance are education services. Education performance in East Lothian is a complex area. We explore it in more detail in [case study 1](#).

Exhibit 8

Except for education, services perform better than other Scottish councils, when compared using LGBF indicators

The chart below shows the percentage of 2016/17 indicators in the top two quartiles, by service area



Note: Although there are over 70 performance indicators in the LGBF, this analysis is based on 35 single-year, mainly outcomes-based indicators that were reported as part of the LGBF. Housing Services indicators consider housing standards and do not include homelessness measures. Comparing council performance involves considering how all councils are performing, from lowest to highest, for each indicator. The performance of environmental services has been excluded from this analysis due to errors contained in the submission of environmental data and consequently we have not analysed the performance in this service area further. The performance of education services, such as the total tariff score, is affected by whether children complete qualifications in S4 or focus on qualifications in S5.

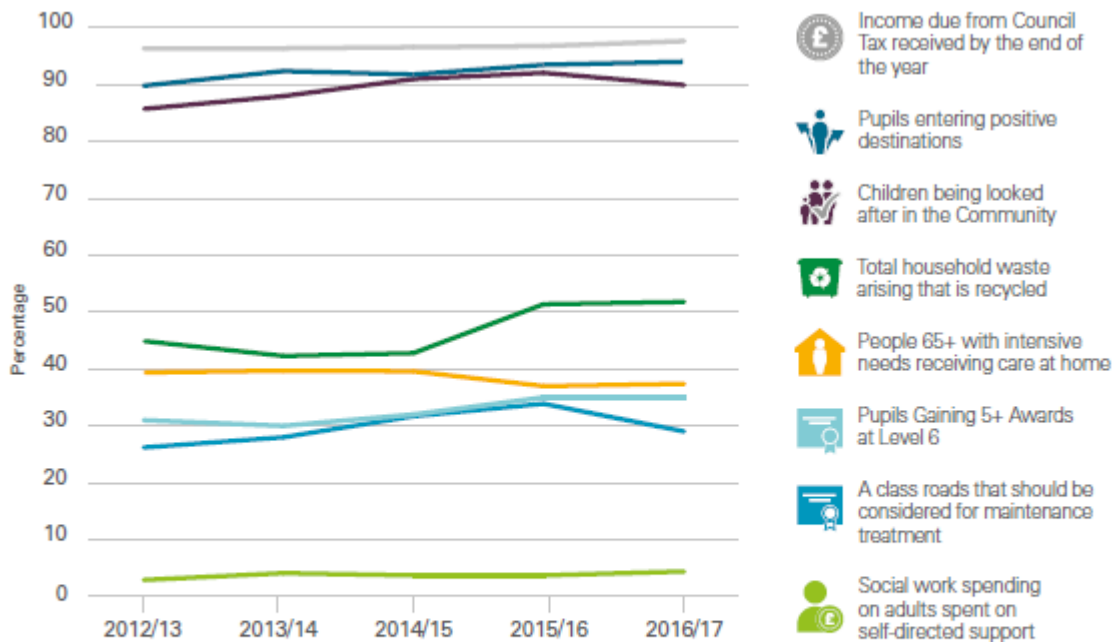
Source: Audit Scotland

51. The Accounts Commission's report *Local Government in Scotland: Performance and Challenges 2018* selected eight LGBF indicators that give an overview of performance in areas that are likely to be of most interest to the public. Between 2012/13 and 2016/17, the council's performance improved in six of these indicators ([Exhibit 9](#)). There was a slight deterioration in performance for the following:

- The percentage of A class roads that the council should consider for maintenance treatment. Rising figures means a deteriorating performance as more roads need to be considered for maintenance.
- The percentage of people aged 65 and over with intensive needs receiving care at home.

Exhibit 9

The council's performance trend from 2012/13 to 2016/17 in eight selected indicators
Since 2012/13, the council's performance has improved in six out of eight indicators



Note: 1. A class roads that should be considered for maintenance treatment.

Source: Audit Scotland and *Local Government Benchmarking Framework*, Improvement Service, 2016/17

Performance against the council's own targets, which support their four themes is generally good.

52. The council publishes an annual performance report. In 2016/17, the report was published in two parts: the Annual Performance Indicators (API) report, and the How Good is Our Council (HGIOC) self-evaluation annual report.


53. The council's API report, published September 2017, tracks the council's performance against a range of indicators which are linked to Council Plan themes. The PPR Committee is involved in selecting indicators and performance targets. Later in this section we set out how performance reporting could be improved.

54. The report makes use of the red/amber/green scoring method. Indicators classified as green or amber are close to or above target and show a static or improving trend. Underperformance against a target is shown as red. [Exhibit 10](#) demonstrates that the council is meeting or exceeding performance targets in most cases. The council has a number of indicators where there is no target, such as temporary accommodation, due to the complexity of setting a meaningful target.

Exhibit 10

The council's performance against its own targets

The council is achieving or exceeding its targets for most indicators



Score	Growing our People		Growing our communities		Growing the council capacity		Growing our economy	
	No. of indicators	meeting target	No. of indicators	meeting target	No. of indicators	meeting target	No. of indicators	meeting target
Green	3	33%	15	63%	13	48%	12	60%
Amber	5	56%	7	29%	10	37%	1	5%
Red	1	11%	2	8%	4	15%	7	35%
No target	12		5		3		0	
Total	21		29		30		20	

Note: Green indicates the council has exceeded its target. Amber indicates the council is generally in line with the target. Red indicates that the target has been missed. Not all indicators are given targets which is why some indicators are reported in this table as having 'no target'

Source: East Lothian Council's 2016/17 Annual Performance Indicators Report

55. The report also looks at trends in indicators over time. Within the report, the council highlighted some areas of significant improvement, where indicators show improving trends over time and exceeded their target for the current year. These include the following:

- Number of jobs per 10,000 adults.
- Number of jobs protected or created through grant and loan awards, or protected and created.
- Percentage of dwellings meeting Scottish Housing Quality Standards.
- Time taken to process change of circumstances in housing benefits and council tax rebate.

56. The council has also reported the following services as not meeting target and in need of improvement:

- Number of delayed discharge patients waiting over two weeks.
- Homelessness – average number of days to re-house.
- Number of fly-tipping incidents.
- Percentage of population claiming Job Seeker's Allowance (JSA), and percentage of 18 - 24 year olds claiming JSA.

Performance management is thorough, and members and officers make good use of reports to evaluate performance. The council could better demonstrate its progress in delivering its priorities by linking its individual performance reports and explaining more clearly whether performance is on track against target.

57. The PPR Committee scrutinises performance effectively. The council ensures members are able to assess performance by holding briefings on the quarterly performance report ahead of the formal committee. The committee reviews quarterly council indicators, the API report, the statutory annual LGBF comparator report and the annual How Good is Our Council report. At the PPR Committee, members may request additional information and follow-up to any areas of performance that concern them. There are clear links between areas of underperformance and committee requests for follow-up. Some areas where follow-up is current, or has recently taken place, include:

- East Lothian Works (the council employability hub) - currently in progress.
- Universal credit update.
- Homelessness update.
- Rent arrears update.
- enjoyleisure update.

58. Individual performance reports do not provide a coherent picture of how the council is performing against its vision, over the long term and towards targets. Elected members and members of the public have to look at a range of different reports to determine performance against the four themes, against the 51 actions, rates of improvement or decline and performance to target. Some councillors have stated that the volume of indicators tracked can make it difficult to identify which they should prioritise. The council is developing a set of strategic indicators linked to the Council Plan.

59. As mentioned in Part 1, underneath the council's four vision themes there nine strategic objectives and 51 actions. Identifying which of these are of greatest priority may help focus staff efforts and elected member scrutiny. The council is aware of this mismatch between tracking actions and performance measures, and is exploring ways to develop more coherent performance reporting.

60. A more coherent approach to performance reporting would strengthen performance management and continuous improvement by:

- Acknowledging the delivery of a specific strategy while retaining a focus on outcomes.
- Ensuring performance indicators align with the vision themes and their supporting objectives.
- Providing more narrative on performance over time and performance against the vision.
- Improving the challenge around targets, as to whether a general trend of improvement is enough or a long-term target is better.

Most residents are happy with the services that the council provides

61. The council's most recent residents' survey was carried out by the East Lothian Partnership in February and March 2017. It consisted of 1,565 face-to-face interviews, which drew from a representative sample of residents.

62. Overall satisfaction with the council is high, and has remained at a similar level since the last residents' survey in 2011:

- 99 per cent of respondents rated East Lothian as a very good or fairly good place to live
- 72 per cent agreed with the statement 'my local council provides high quality services', which is a drop of seven per cent compared to the 2011 survey
- the percentage of people agreeing with the statement 'my local council does the best it can with the money available' increased slightly, from 77 per cent to 79 per cent.

63. The survey results were positive for most key services. Respondents rated themselves as very satisfied or fairly satisfied with the following services:

- Local schools – 76 per cent (15 per cent responded 'don't know').
- Parks, gardens and open spaces – 93 per cent (one per cent 'don't know').
- Local bus services – 77 per cent (11 per cent 'don't know').
- Street cleaning – 87 per cent (one per cent 'don't know').

64. The area reporting the highest level of dissatisfaction (very or dissatisfied) was roads maintenance (15 per cent). As [Exhibit 9](#) shows, the percentage of A class roads requiring maintenance has increased between 2012-14 and 2015-17. This is in line with the timing of the residents' survey. Road condition improved in the most recent year.

The council publishes a balanced picture in its public performance reporting but an assessment against delivery of outcomes is less clear.

65. Council performance is reported in the council newspaper 'Living', which is delivered to every East Lothian household each quarter. The front-page story in the Winter 2017 edition was 'Thumbs up for East Lothian'. The article focused on some of the performance highs and lows identified in the Annual Performance Indicator report. The article also provided a link to the 'How good is our council?' (HGIOC) report on the council's website.

66. The council reports on areas of underperformance as well as areas where it performs strongly. However, an overall assessment of progress against outcomes is lacking in performance reports for the public. In the 2017 residents' survey, 62 per cent of respondents agreed that the council was good at letting local people know how it was performing. Where indicators show that there is underperformance of serious concern, the council takes action, as illustrated in the following [case study 1](#).

Case study 1 - Education

The council is addressing areas of underperformance in education

East Lothian is an area of low deprivation and educational attainment had been better or on a par with the Scottish average for overall measures such as 5+ awards at level 5 and 6 and total tariff score. However, in recent years there has been an increasing focus on the use of a wider range of indicators to measure education performance. Examples of these additional indicators include exclusion rates and the proportion of children entering positive destinations, as well as academic attainment of children broken down by socioeconomic group. By 2013/14, the council was becoming increasingly concerned about several areas of

educational underperformance in East Lothian. Some areas of persistent underperformance included the following:

Indicator name	East Lothian's ranking out of the eight councils within its family group (2016/17)
Proportion of children entering positive destinations	7/8
Performance of children from middle Scottish Index of Multiple Deprivation (SIMD) groups (This indicator excludes children from most affluent or most deprived backgrounds)	6/8
Numeracy	Education Scotland identified East Lothian performed lower than comparator authorities
Exclusion rates for children	7/8

Note, family groups are based on factors such as population density and levels of deprivation. This allows similar councils to compare and benchmark performance. The other councils in the East Lothian family group are: Angus, Argyll & Bute, Highland, Midlothian, Moray, Scottish Borders, and Stirling.

Between November 2011 and March 2016, the education service experienced changes in leadership, including the attempted shared service with Midlothian. In March 2016, the council recruited an experienced education professional as head of service, initially on secondment and then on a permanent basis. Since moving into this role, the new head of education has taken a strategic approach to making improvements. This started with a thorough review of all schools, followed by a review of services and structures. The council has appointed two additional members of staff to work on improvement and is working closely with the Education Scotland attainment advisor. They have introduced a quality assurance programme, and there is now an increased focus on monitoring and datasets to track performance. The council has shown a clear commitment to taking action in difficult areas, including staff performance.

The head of education has been actively assisting individual schools to raise attainment. Education Scotland had concerns around supporting wellbeing, equality and inclusion in some areas. Using the General Teaching Council (GTC) model of competencies of senior staff, a programme of support was established to focus on those competencies. Education Scotland conducted a follow-up inspection in June 2018 and found there had been several improvements including a range of policies developed by staff to improve practice in equalities and inclusion. Staff surveys also indicate that employees are positive about the changes in leadership.

The council has also improved the way it manages exclusion rates. Despite a national trend towards fewer exclusions in recent years, rates in East Lothian have remained high. Work was carried out to understand the reasons behind the high exclusion rates, which identified issues with a school ethos and a failure to meet pupils' needs. To resolve this, responsibility for managing exclusions was clarified, and an external consultant engaged to support the work. An action plan was agreed with parents and meetings held with local councillors to address concerns expressed.

A renewed focus on supporting and challenging education staff across many disciplines is now evident. Some of the new initiatives include the following:

- Focus on improving literacy and numeracy with the establishment of specialist groups.
- An Education, Quality, Improvement and Evaluation Group has been established, which comprises two secondary and six primary teachers. The group works with the council in reaching policy decisions.
- Establishment of the Academies in partnership with Edinburgh College and Queen Margaret University. These give opportunities for S5-S6 pupils to study at college or university while at school, with an industry relevant work experience and giving them direct access to QMU or Edinburgh College on successful completion.

- An increase in scrutiny of staff performance, especially of senior staff. East Lothian has applied the GTC model to identify the competencies expected of head teachers and put in additional support where appropriate.

Education Scotland considers that council support to individual schools has improved significantly in the last eighteen months. Head teachers recently provided feedback to Education Scotland supporting the education department at East Lothian. As well as working more closely with schools, the education service has applied a more consistent approach to improving outcomes. It has worked on developing several strategies which focus on improving areas of underperformance. These have been presented to the Education Committee for scrutiny and include the following:

- Included, engaged and involved: A positive approach to preventing and managing school exclusions.
- Developing the young workforce.
- Respect for all – East Lothian Anti-Bullying Policy.

However, some areas of concern in education are still proving difficult to resolve. There is a national shortage of teachers and this is a significant concern for East Lothian Council. The education service has tried several ways to increase recruitment.

Staff shortages place additional strain on other staff, and there has been an increase in sickness absence rates among teaching staff in recent years. This reached a high of 8.3 days per teacher in 2014/15 and although it has improved to 7.6 days, it is still higher than the Scottish average of 6.1 days. The current teaching workforce is ageing, compounding the recruitment challenge.

The council has renewed its emphasis to delivering improvements in educational performance over the past two years. Some changes will take time before their full benefits will be apparent, so it is important the council retains its focus on education.

Source: Audit Scotland

Part 3

Is the council using its resources effectively?



The council has medium term financial strategies in place. The council must now further develop detailed plans to ensure it has the right people in place for the challenges ahead.

The council manages its finances effectively and its budget-setting process focuses on its priorities. The council has a good record of delivering services within budget within the context of an increasing population.

A rolling three-year financial strategy has been in place since 2008/09. In December 2017 a five-year financial strategy was approved. The council has developed proposals to address its projected funding gap for the next three years and presented a revised, three-year balanced budget in February 2018. It is developing additional savings proposals for the remaining two years of the five-year strategy.

The council has made steady progress in building up reserves and considers reserves in its new financial strategy.

The council has approved a refreshed corporate workforce plan and recently developed an implementation plan to address high-level actions, including what it means for individual services.

Financial management is effective with a budget-setting process focused on the council's priorities. The council has a good record of delivering services within budget.

67. The council has well established processes for setting and monitoring budgets. Budgets are developed by the head of council resources and approved by council at its annual statutory meeting. Since December 2017, scrutiny of budget monitoring reports has not been limited to the cabinet but extended to full council thus ensuring greater engagement and opportunity for scrutiny by all councillors.

68. The head of council resources is the council's chief financial officer (also known as the section 95 officer) and a member of the CMT. The post reports to the deputy chief executive – resources and people services.

69. The council set a balanced budget of £232.9 million for 2017/18. The year-end financial report (to March 2018) showed an under-spend against budget of £0.38 million (0.2 per cent).

70. Within the overall net under-spend position, the council continues to face significant challenges in its Health and Social Care Partnership. Adult and Children's services were assessed as at high risk of overspending during the year and at March 2018 the service reported an overspend of £1.8 million. The overspend was offset by under-spends elsewhere in the Directorate, resulting in a net overspend of £0.9 million for the year.

71. The council also had difficulty operating these services within budget in 2016/17, with an overspend of £0.4 million being reported at year end. The council

has produced a recovery plan to address overspending in the Health and Social Care Directorate.

The council now has a five-year financial strategy in place with £12.5 million of efficiencies planned over the three years to 2021. A rolling three-year financial strategy has been in place since 2008/09.

72. In December 2017, the council approved its first five-year financial strategy for 2018 to 2023. The strategy refers to the council's overarching aim of 'reducing inequalities within and across our communities' and the four themes of Growing our Economy, Growing our People, Growing our Communities and Growing our Capacity. The purpose of the strategy is to provide direction on how the council will manage its financial resources in order to deliver the Council Plan.

73. The 2007 Best Value report highlighted that the council did not have a formal financial strategy or a longer term financial plan. The council implemented a rolling, three year financial strategy in 2008/09 and continues to update this annually. It has yet to develop longer term financial planning (eg five to ten years) but does have a five-year financial strategy in place supported by five-year capital expenditure plans. The external auditor's 2016/17 annual audit report encouraged the council to develop an even longer-term strategy for the next five to ten years.

74. The 2018-23 financial strategy presented in December 2017 includes estimated figures for each year from 2018/19 to 2022/23 based on three scenarios ranging from best case to worst case scenarios. The assumptions included estimates for grant funding, pay inflation and non-pay inflation. Based on these assumptions, and taking account of existing planned efficiencies (£6.9 million), the council estimated at that time that its funding gap could be between £12 million and £39 million over the five-year period ([Exhibit 11](#)).

Exhibit 11

Estimated five year funding gap 2018/19 – 2022/23

Scenario	2018/19 £'000	2019/20 '000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Existing planned efficiencies	3,447	3,492	-----	-----	-----	6,939
1	2,200	1,710	2,920	2,830	2,740	12,400
2	4,961	4,439	5,530	5,514	5,498	25,942
3	9,708	8,671	6,936	6,875	6,814	39,004

Source: East Lothian Council's financial strategy 2018/19 to 2022/23 (December 2017)

75. We found evidence that the council worked effectively with the community and across political parties when setting the 2018/19 budget, which was approved in February 2018. During the annual budget process, the council updated its projected funding gap assumptions for the three year period from 2018/19 to 2020/21 and estimated that it faced a funding gap of £12.5 million for that period. The three-year budget approved in February 2018 included a package of measures to either reduce expenditure or increase income amounting to £12.5 million, enabling the council to set a balanced budget for the period from 2018/19 to 2020/21.

76. The five year funding gap projections will be reviewed annually as the council updates its financial strategy and the council is continuing to work to identify additional measures to reduce expenditure and increase income.

77. Examples of the more significant measures to reduce expenditure or increase income approved to date include:

- Transformational Change Programme (see para 119) including new ways of working and options for partnership working - £1.5 million.
- Enhanced vacancy management (managing vacant positions differently to save money while retaining essential skills): reviewing staff cost base and senior management - £1.75 million.
- Integrating health and social care: reviewing and redesigning of models of care and joint working and shifting the balance of care from hospitals into people's homes - £1 million.
- Adult wellbeing: introducing new charges for services and increasing existing charges in line with inflation or benchmarking - £0.9 million.
- Reviewing nursery staffing - £0.5 million.
- Introducing charges for music tuition - £0.4 million.

78. The council's financial strategy for the five-year period focuses on identifying further opportunities to make savings and increase income by:

- Further development of the Transformational Change Programme.
- Maximising income by ensuring charges are based on the principle of recovering the full cost of the service being provided where possible, and benchmarked against similar authorities.
- Exploring new opportunities for generating income.

79. In 2007, we reported that the council had yet to develop a systematic corporate approach to managing its assets. A Corporate Asset Strategy 2010-2014 was prepared and this set out the basis of the council's approach to corporate asset management of all the council's assets. In 2014, the strategy was superseded by the Corporate Asset Management Plan 2014-2016. A refreshed Council Asset Strategy and Management Plan is in place for the period 2018-2023 and sets out the council's plans for how asset management is delivered to contribute to the council's long-term goals and objectives. It is important that the council continues to review and update their capital plans to address the requirements of its growing population and to ensure it is in line with its growth agenda.

80. Capital expenditure plans for the same five-year period (2018-2023) were set out in the budget approved by the council in February 2018.

81. To help support the growth agenda the council have prepared a Developer's Contribution Framework Supplementary Guidance. The purpose of the supplementary guidance is to identify the likely level of contributions that will be required from developers for different types and scales of development for sites identified in the Local Development Plan. The council is factoring these contributions into their financial planning now and for future years. As the Local Development Plan progresses, this area is likely to be covered in subsequent annual audits.

82. In the past two financial years, 2016/17 and 2017/18, the council has underspent against its annual budget for general services capital expenditure. The most significant element of the 2017/18 underspend relates to delayed project starts at both the new Wallyford Primary School and Dunbar Grammar School

extension. The council is monitoring both projects and expects the new Wallyford Primary School to be completed on time, with the Dunbar Grammar School extension expected to be completed two months later than originally planned.

The council has made steady progress in building up reserves and it considers reserves in its new financial strategy.

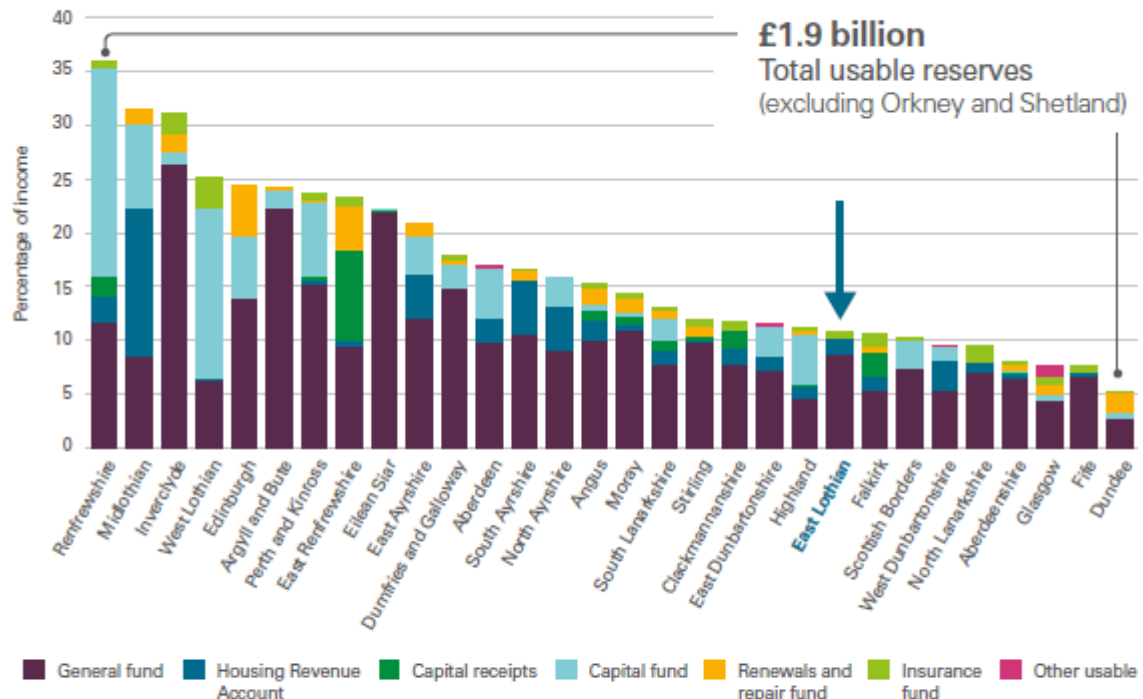
83. The council has made steady progress in building up reserves in line with policy. The new 2018-23 financial strategy considers the level of reserves held in total and the amounts required for different purposes. It also recommends the need to establish a minimum level of uncommitted general fund reserve balances to help with any unforeseen or unquantifiable event. This level is to equate to two per cent of the council’s annual running costs (about £4 million). The council currently meets this minimum at just over £4.3 million (taking into account the civil emergency fund and the general services capital fund).

84. This contrasts with our finding at the time of the 2007 Best Value audit. Then, we reported that the council had low levels of reserves, relied on the Housing Revenue Account to fund budget gaps and had no long-term financial strategy. [Exhibit 12](#) illustrates where East Lothian Council sits alongside all other local authorities in Scotland with regards to their useable reserve position.

Exhibit 12

Council usable reserves at 31 March 2017

There are wide variations in the level of reserves as a proportion of income from general revenue grant, taxation and housing rents.



Source: Annual accounts 2016/17

The council has approved a refreshed corporate workforce plan and recently developed an implementation plan to address high-

level actions. However, individual service workforce plans have yet to be prepared.

85. Cabinet approved the council's updated Corporate Workforce Plan 2018-22 in June 2018. The plan reflects the council's strategic objectives (as set out in the Council Plan for 2017-22). It also takes into account wider issues that may impact the council, for example its financial prospects, withdrawing from the European Union, population growth and the growing demand for services.

86. The plan recognises the challenge that the council's projected growth in population presents to the education service. The new schools that it has currently planned to build will require almost 300 additional teachers as well as additional non-teaching school-based staff.

87. The plan concludes with three key areas and 38 associated high-level actions:

1. Sustain a skilled, flexible and motivated workforce - 19 actions.
2. Support and initiate transformational change - nine actions.
3. Build and sustain leadership and management capacity - ten actions.

88. The council has translated these high level actions into a Workforce Plan: Implementation Plan detailing how the council will implement the workforce plan, including responsibilities and timescales. This was presented to CMT in August 2018. The council also recognises that it needs to prepare individual service workforce plans. These will help it consider in more detail how it will manage changes in services and staffing levels. Further work is still to be done to prepare these workforce plans with a target date of March 2019. Progress against the actions will be reported to CMT twice a year with an annual update provided to the full council. The first actions are due for completion in September 2018.

Sickness absence

89. In 2016/17, sickness absence was at 10.75 days for staff (excluding teachers), compared to the Scottish average of 10.92. Sickness absence of teaching staff is discussed in Part 2, case study 1. The council introduced a revised Attendance Management Policy in January 2017, along with line manager awareness sessions. The council has still to assess the effectiveness of these new measures.

Part 4

Is the council working well with its partners?



The council has strong links with its partners and works well with local communities.

East Lothian Partnership is working to a shared vision and there are good relations between partners. A revised leadership group has been established to improve decision-making and partner coordination. It has recently agreed the indicators that will be used to measure outcomes.

The health and social care partnership is well established and there is evidence of good cooperation between the council and the NHS Board.

The council has well-established methods for consulting with the public. The council could do more to involve community groups earlier and provide feedback on what has changed as a result.

The council engages effectively with communities through Community Councils and the Local Area Partnerships. Community-led initiatives are taking shape in Dunbar and Musselburgh.

The council is keen to work closely with communities on the potential transfer of assets. It should ensure that communities are involved and kept informed about the developments that impact on them.

Outcomes for communities are better than the Scottish average for most of the community planning indicators.

There are good relations between partners. A revised leadership group has been established to improve decision-making and partner coordination.

90. The council and the partners we spoke to during the audit, see para 5, have good working relationships and work together on achieving the vision in the East Lothian Plan. The council invites partners to present on their own plans so they can identify opportunities for closer joint working in the future. The council and Queen Margaret University have worked closely on their bid for City Deal funding. Their successful joint application will contribute to the creation of an Innovation Hub at Queen Margaret University in Musselburgh, see [Exhibit 4](#).

91. In February 2018 the East Lothian Partnership (the partnership) introduced revised decision-making arrangements. This established an overall Governance Group, with representatives of the five partner organisations, plus the third sector interface, STRiVE. The group's role is to provide strategic and collaborative leadership, ensure good governance and that partners work to deliver the outcomes contained within the East Lothian Plan 2017-27. This is a more streamlined group than the previous board, which included many community organisations as well as statutory partners.

92. A wider forum of community representatives has also been established as part of the partnership, with a clearer focus as an engagement group. It brings together

partners and community bodies who provide services and work to improve outcomes for local people. The Forum's first meeting was in June 2018 and was well attended. At the meeting organisations were able to share knowledge, best practice and collaborate with each other. For example, a session was delivered on participatory budgeting so that organisations could learn from the experiences of Musselburgh Area Partnership.

The partnership has recently agreed how they will measure outcomes and demonstrate success.

93. Although the East Lothian Plan 2017–27 was approved in August 2017, the indicators to measure outcomes were agreed in August 2018. Ideally these should have been established as the plan was being written. This would ensure there was clarity between partners on how they were going to measure success. To date there has been no reporting to the governance group that would demonstrate whether there has been an effective shift of resource towards preventative work.

The council has improved its strategic approach for consulting with communities.

94. The council introduced The People's Voice Framework in 2014, implementing a corporate approach to consultation and engagement. The council now has well established methods for consulting with communities. Three large-scale consultations have been carried out to shape current plans and priorities, including the 2017 Residents' Survey, see paragraph 61 The council created an online consultation hub in 2013, with over 200 consultations taking place since then. The East Lothian Citizen's Panel carries out two main surveys each year.

95. A wide range of consultation now routinely takes place. The council should consider how it can better coordinate and monitor consultation and engagement with communities. The People's Voice Framework was set up to assist this but the use of the framework has been limited. The council has been proactive in consulting and engaging with seldom-heard groups such as through the Looked After Champions Board, Community care forums, The Youth Parliament and Youth Summit.

The council could do more to involve groups earlier in planning discussions and improve feedback to communities.

96. The council can give many examples of where communities have responded to consultations and helped shape council services. Community representatives have, however, expressed a desire to be more involved in discussions to help shape service strategy and delivery. The inclusion of STRiVE, representing third sector groups in East Lothian, in the new partnership governance group and the opportunities for engagement through the East Lothian Partnership Forum are positive steps in enabling this.

97. The council was an early adopter of a web-based consultation hub and it feeds back the results of consultation exercises through a 'We Asked/You Said/We Did' section. Although there are many examples of its use, in some instances, the council could do more to feedback how it has used what communities have told them. For example, after the 2017 budget consultation, the council did not provide a detailed response to the public as to how their views had been taken on board.

The council has invested in empowering communities at an area partnership level and this is beginning to have a positive impact. Local area partnerships would benefit from focusing current activity against their local plan.

98. The council established six local area partnerships (LAPs) in 2014 based around electoral wards. It commissioned a review of LAPs in 2017 which concluded that strategic and community delivery were disjointed. The council is

addressing this with their new model of community planning and updated locality plans. This will ensure the wider Community Planning Partnership contributes to delivering those plans.

99. Each LAP is made up of elected members, local bodies, interest groups and residents and chaired by a member of the local community. There is good officer support for the LAPs. An area manager advises on the appropriate conduct of business and provides ideas and suggestions for taking community priorities forward. The council also supports community engagement through its community learning and development function. This includes a programme of activity to develop capacity within communities. Building community capacity means supporting people to be more active in their community. It is about helping people recognise the skills, strengths and experience that exist locally and using these skills to deal with issues most important to local people.

100. Education Scotland inspected community learning and development (CLD) in 2018. This included assessing how well the council was empowering communities. The report concluded that the impact of community learning and development was very good and had major strengths. It highlighted that community organisations were developing leadership and increasing their reach through the comprehensive training offered by the council's CLD program. It highlighted that area partnerships were the key link for local people to the wider community planning structures.

101. Working closely with and alongside community partners is leading to the following developments in Dunbar:

- A new facility in Dunbar has been proposed by community representatives to develop the economic benefits of surfing and improve access and safety on the beach. In May 2018, the LAP agreed to contribute £20,000 towards the total cost of £189,303 to regenerate a building as a community surfing facility.
- The regeneration of Dunbar's Backlands by The Ridge, a social enterprise, has started. This project has created a new community garden in a previously unused and abandoned space off the High Street. The project provides skills training, community growing facilities and also regenerates an unused area.

102. The Musselburgh Area Partnership (MAP) is also making a positive impact. The MAP delivered a successful participatory budgeting event in 2017 ([Exhibit 13](#)). Participatory budgeting involves communities making choices about how money should be spent. However, the MAP appears stretched and is finding it difficult to progress against all its current areas of interest. The MAP would benefit from grounding its activity in the local plan, to focus current activity against what is of greatest importance to the community.

Exhibit 13

The community ran a successful participatory budgeting event for young people in Musselburgh.

The 'Your Voice, Your Choice' programme was a participatory budgeting opportunity for young people aged eight to 18 living in the Musselburgh Area Partnership to initiate community projects. The initiative was funded through the Community Choices Fund and the Musselburgh Area Partnership (MAP) with support from local stakeholders. The Scottish Government supports participatory budgeting (PB) through the Community Choices Fund as a tool to empower people to make decisions affecting them and have a direct say in how money is spent to achieve the priorities for their community.

Young people were encouraged to provide ideas and develop proposals for projects for funding up to a maximum of £2,000 to improve health and reduce inequalities in their community. Forty-four applications were received and 25 were chosen as finalists to present at an event in the Brunton Theatre in February 2018. Young people voted for the successful projects to receive funding. One of the most notable projects to secure the approval of peers and funding was 'The Plastics Police' <https://theplasticspolice.com/>. The Plastics Police is an environmental organisation that produces aluminium water bottles in the hope to reduce single use plastic and is now a thriving online business. The area partnership collected feedback following the event, which they collated into a report so that they could learn lessons for future projects. The feedback that they received indicated that the event had been well received by the local community. A video highlighting the project has been produced: <https://www.youtube.com/watch?v=IsA9yEiCfAw>.

Source: East Lothian Council

Local Area Partnerships need more support to understand their authority over spending decisions

103. The council has devolved £1.8 million of funds to the LAPs to deliver the priorities identified in their local area plans. It allocated £600,000 of this money to improve attainment and reduce inequalities in education. LAPs have been in discussion with the council on the development of Area/Locality Plans, their purpose and how they relate to the East Lothian Partnership. LAPs are included within the ELP Governance structure. The LAPs we observed were unclear about how the devolved education budget should be spent and how the views of education officers should influence their decision making. The council should continue to provide guidance to ensure clarity around the use of these funds.

104. The Community Empowerment (Scotland) Act gives people more influence over how their council and its partners plan services. It provides more formal ways for people to get involved. For example, people can ask to take part in decisions about council services, which is called a Participation Request. The Act also makes it easier for communities to take ownership of land and buildings, in a process known as asset transfer. This allows them to have a say in how the council should spend public money locally.

105. The Act included a requirement for Community Planning Partnerships (CPP) to produce Locality Plans for areas within the CPP area. These are to focus on improving outcomes, addressing local needs, reducing inequality and to reflect the views of local communities. The East Lothian CPP has to introduce these new locality plans by the end of 2018. These will run in parallel with local area plans. The council should ensure there is no confusion on the purpose of these separate plans.

The council demonstrates a commitment to community participation and asset transfer. It should ensure that communities are involved and kept informed about the developments that impact on them.

106. The council has demonstrated a commitment to community participation. It has transferred harbours to community groups and the management of eight

community centres to local communities, who have since been incorporated as charitable organisations. The council has published guidance on how to apply for a community asset transfer and is trying to identify opportunities for its assets to be transferred to communities through one of its Transformation Programme workstreams. One objective of this is to release savings for the council. The council guidance on community asset transfer highlights the risks involved in communities taking on council owned premises that may not be financially viable at present.

107. There has been a great deal of discussion and review concerning the Brunton Theatre Trust (BTT). The trust is set up as a charity and clarified its decision-making arrangements in 2014. There has been an on-going review regarding the transfer of theatre venues to the trust. A project plan is now in place so that firm proposals can be developed for the transfer.











Outcomes for communities are better than the Scottish average for most of the community planning indicators

108. [Exhibit 14](#) demonstrates that outcomes for communities are better than the Scottish average and the council family group average. The indicator for the S4 tariff score (a measure of educational attainment) is below both the Scottish and family group averages and we have discussed education in more detail in Part 2. The indicator for carbon emissions is also below comparators.

Exhibit 14

Performance of East Lothian community planning outcomes









East Lothian is better as a whole against Scotland and family group.

Indicator	Performance in 2016/17 and trend from 2006/07 to 2016/17	East Lothian score in 2016/17	Absolute difference to Scotland score	Absolute difference to family group score
 % of Babies with a Healthy Birthweight	More or less aligned with rest of country	89.7	-0.4	0.3
 Primary 1 healthy Body Mass Index (%)	More or less aligned with rest of country	84.9	0.5	1.1
 Child Poverty (%)	Falling slower than the Scottish average, however baseline levels in poverty were lower to begin with	12.4	-3.2	-2.5
 S4 Tariff Score	Improvement in trend is lower than family group and Scotland, and 2016/17 is less than both comparator groups	199.5	-4.1	-8.1
 Positive Destinations (%)	Has improved faster than Scotland and family group. Current levels roughly aligned with rest of country and family group	93.7	1.4	1.1
 Employment Rate (%)	Fallen slightly more over time than Scotland and family group. Slightly higher in 2016/17 vs Scotland and family group	74.8	1.6	2.4
 Median Earnings (£)	Roughly aligned with Scottish and family group medians. Trend for growth is slightly lower than Scotland and family groups	436.4	3.6	12.3
 Out of Work Benefits (%)	Roughly aligned with rest of country	9.3	-1.1	-0.4
 Business Survival (%)	Current rates and trend roughly aligned with the Scottish and Family group estimates	62.9	0.7	-0.1
 Crime Rate (per 10,000)	Significantly lower than rest of country, and trend also shows a faster drop over time	335.0	-124.7	-46.8

Continue

Exhibit 10

Continued.

Indicator	Performance in 2016/17 and trend from 2006/07 to 2016/17	East Lothian score in 2016/17	Absolute difference to Scotland score	Absolute difference to family group score
 Dwelling fires (per 100,000)	Significantly lower than rest of country, and trend also shows a faster drop over time	56.7	-45.8	-31.1
 Carbon Emissions	Higher vs Scotland and family group. Trend is also decreasing at a slower rate	9.8	3.9	3.0
 Emergency Admissions	Significantly lower than rest of country, and trend also shows a drop for East Lothian, whereas the trend increased for Scotland and family group	21,073.5	-4,863.8	-3,134.0
 Unplanned Hospital Attendances	Significant increase for East Lothian, whereas the trend was a decrease for Scotland and remained roughly the same for the family group. Overall levels in 16/17 still lower than Scotland and family group	22,812.0	-1,786.7	-1,231.0
 Early Mortality	Decrease is aligned with family group, and slightly higher than Scotland	374.6	-65.1	-37.4
 Fragility Index	Slight decreasing trend, whereas the trend for Scotland and family group is for a slight rise. 2016/17 rate is lower than for Scotland and family group	98.8	-2.8	-5.5
 Well-being	More or less aligned with rest of country	24.0	-1.0	-0.4
 Fuel Poverty (%)	Lower rates vs Scotland and family group	26.8	-3.9	-6.5

Notes:

1. Indicators are marked as amber when the trend is less than 1% up or down
2. Family group includes East Ayrshire, Fife, Moray, North Ayrshire, Perth and Kinross, South Ayrshire, and Stirling
3. Imputed and projected data (as per report)
4. Primary 1 BMI (as per report)
5. Fragility (as per report)
6. The S4 tariff score is affected by whether children complete qualifications in S4 or focus on qualifications in S5.

Source: Audit Scotland and Community Planning Outcomes Profile 2016/17, Improvement Service

The Integration Joint Board (IJB) is working with its two partner bodies to develop focused performance reporting.

109. From attendance at Integration Board meetings as well as the IJB Audit and Risk Committee, we noted evidence of good cooperation and progress in this area. There are challenges around measuring outcomes from partnership working, for example identifying cost savings. Several years of data is often required, in this area, to determine whether set outcomes have been achieved. Work is ongoing in the IJB to address these areas.

The council has tried to progress shared service models and has had some success in small-scale joint service arrangements

110. During 2011/12, the council entered into a shared agreement with Midlothian Council to appoint a director of education to cover both councils. This arrangement only lasted from 1 April 2012 until 31 December 2012, when the then director of education resigned. The post was not filled and both councils decided not to pursue another shared arrangement. The council has, nevertheless, developed other joint working arrangements in education with Midlothian Council. They are working on collaborative projects including a joint digital learning teaching strategy, a literacy programme and a strategic programme on exclusions.

111. Other shared service arrangements with Midlothian Council include the following:

- One manager for Health and Safety.
- One equalities officer.
- One Public Protection Team, established in March 2014 which provides joint staffing across adult support and protection, child protection, and violence against women and girls.
- An East Lothian and Midlothian Trading Standards Partnership is currently being established. Officers from both councils will work and be located together.

112. The council provides the out of hours call service for Midlothian Council and more recently for Scottish Borders Council. It is involved in the mobile library service with Midlothian and Scottish Borders councils.

Part 5

Is the council demonstrating continuous improvement?



Since our last Best Value Report in 2007, East Lothian Council has made significant improvements in how it works.

The council is committed to delivering the opportunities presented by population growth, but it will be challenging to deliver this change alongside increasing demands on services and financial pressures.

The council has a well-established improvement framework and extensively reviewed a range of its services. Streamlining performance reporting would provide a better basis for prioritising improvement activity and demonstrating achievement of outcomes.

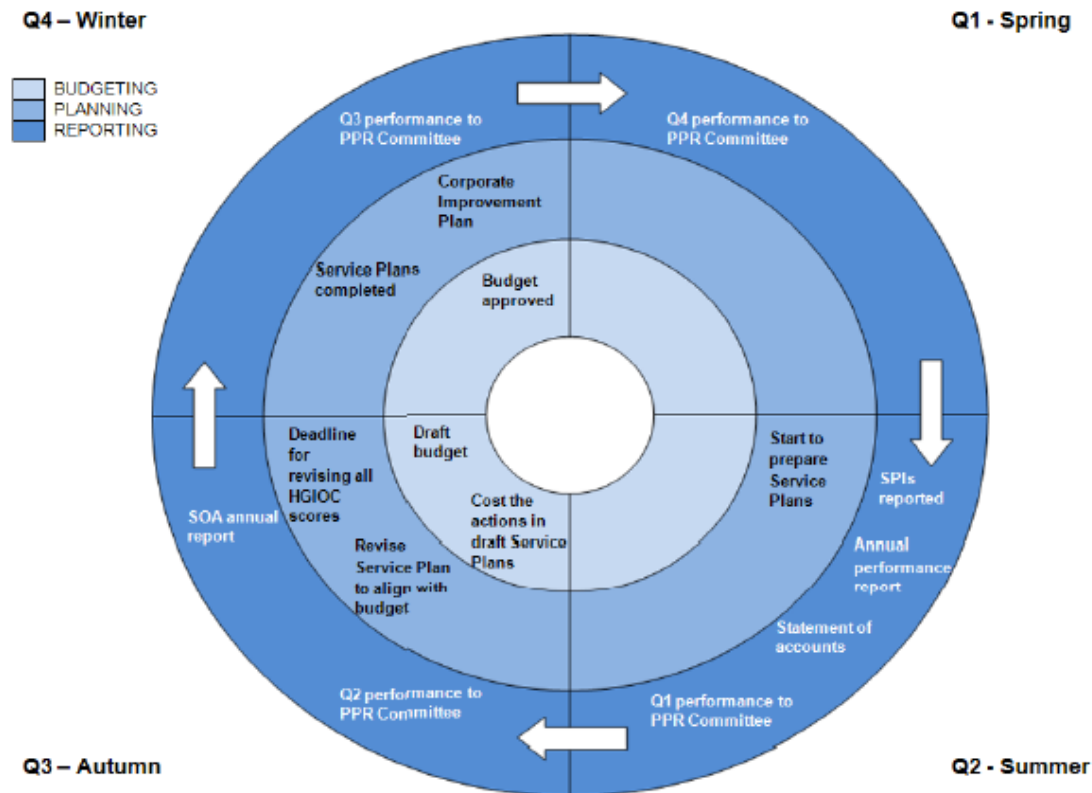
The council has established a Transformation Programme to change the way it delivers services and to address the forecast funding gap. It will be challenging for the programme to deliver new ways of working and the required savings, while providing services for a growing population.

The council has reviewed a range of its services and has a well-established framework for continuous improvement.

113. The council established its framework for improvement in 2012. It is called 'From Improvement to Excellence: The East Lothian Council Improvement Framework'. It sets out how the council uses performance reporting and self-evaluation to influence planning and budgeting. [Exhibit 15](#) sets out this cycle. The methodology is based on the 'How Good is Our Council' (HGIOC) framework. This framework informs the council and enables them to prepare the Council Improvement Plan. The Council Improvement Plan is reviewed, updated and reported annually to the full council.

Exhibit 15

From Improvement to Excellence: The East Lothian Council Improvement Framework



Source : East Lothian Council

114. The council extensively reviewed services in 2017/18, using the HGIOC model. Services awarded themselves a red, amber or green status for different elements of performance. This helped services understand their strengths and areas for improvement. The results then fed into the council's Corporate Improvement Plan, an important element in the annual cycle.

115. The council introduced a corporate governance self-evaluation in 2010/11 and a self-evaluation is carried out every year. This is based on guidance from the Chartered Institute of Public Finance and Accounting (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

116. Quality Scotland has evaluated and made recommendations to enhance the council's improvement activity. Those recommendations include the council taking more action after this type of benchmarking and comparison activity. For example, the council could share more learning opportunities and make greater use of target setting to drive improvement activity. The council is reviewing its Continuous Improvement Framework to take on board recommendations from Quality Scotland.

The council is committed to responding to external inspection and validation to improve quality

117. The council considers a wide range of scrutiny and inspection reports at council, committee and senior management level. This includes Audit Scotland and inspectorate reports. The council are pro-active in this area ensuring national reports are presented to the relevant committee. Elected members use these reports to discuss and challenge officers about the implications of the report findings for the council, what actions are required and how services are performing.

118. The council has taken part in Quality Scotland's accreditation twice, receiving the EFQM Committed to Excellence (two star) Award in 2017. In 2018, the council received the Recognised for Excellence (four star) Award. The detailed feedback report from Quality Scotland was not available at the time of our fieldwork. The council's commitment to staff development was recognised when it received the Investors in People Silver Award and the Investors in Young People Gold Award, in 2017.

The council has established a Transformation Programme to change the way it delivers services and to address the forecast funding gap. Delivering the programme will be challenging alongside increasing demands on services from a growing population.

119. The council set up the Transformation Programme in 2016 to embrace technological opportunities and to contribute to reducing the council's funding gap for 2021 to 2023. The Executive Team, comprising the chief executive and two deputy chief executives make up the Programme Board. The initial six workstreams for the project were:

- Reviewing council accommodation, including options for using the former court building as a collaborative hub, and developing agile working.
- Introducing an Electronic Data Retrieval Management System and exploring options for further development and rollout.
- Implementing a Digital Strategy, including developing online services and payments.
- Exploiting opportunities to generate income, including renewable energy sources, developing a trading arm and looking at business models from other councils.
- Prioritising capital projects.
- Exploring alternative ways to deliver services, such as ALEOs, trading companies, social enterprises and strategic partnerships with other local authorities.

120. Since 2016, the scope of this project has grown. Initially there were six projects, by January 2018 there were 15 and at September 2018 there were 25 projects. Each project has a Project Board chaired by a member of the CMT. The most recent monitoring report to the Executive Team from September 2018, identified 20 projects as green and five projects as amber. There is a lack of reporting to elected members on the overall success of the programme to date. There is minimal commentary on how services have changed, what service improvements have been introduced to benefit customers and how on track the council is with planned savings through the programme. Audit Scotland will continue to monitor the delivery of this programme in future years.

121. The council should ensure it reviews its transformation programme to ensure it can:

- deliver any changes within the timescale
- prioritise the projects that are most likely to result in major change and opportunities for savings.

Since 2007 the council has significantly improved the way it works.

122. East Lothian Council's Best Value audit timeline is set out in [Appendix 1](#). Our 2007 report said that East Lothian Council had made limited progress in establishing best value and, elected members and senior officers had not provided clear leadership and strategic focus to drive a consistent corporate culture of improvement. A number of issues were raised for the council to address immediately. An improvement plan was put in place and completed by December 2009. The council has significantly improved since then and [Exhibit 16](#) highlights the main improvements.

Exhibit 16

Comparing best value judgements 2007 and 2018

The difference in Controller of Audit judgements in 2007 and Controller of Audit judgements in 2018 show the progress made by the council

Controller of Audit judgements Issues which the council should address 2007	Controller of Audit judgement 2018
Open and transparent decision-making, with members and officers adhering to their roles and responsibilities.	Council business and decisions are clearly documented in the Council, Cabinet and committee minutes. Council, Cabinet, Audit and Governance committee and other key committee meetings are held in public. Agendas, minutes and reports are available on the council's website. Meetings are formal in nature, with members and officers adhering to their roles and responsibilities. The remit of the Joint Group has been clarified and action points are recorded.
More robust and effective scrutiny arrangements.	The standard of scrutiny by members of the two main scrutiny committees, Audit and Governance Committee and Policy and Performance Review Committee is good.
Effective support and training for members.	Comprehensive induction training was provided following the May 2017 local elections and this was well attended. Feedback from members was generally positive. There is scope to tailor the programme further to suit individual needs.
A stable senior management structure with the capacity to take forward the improvement agenda.	Heads of service can move between departments within the organisation. This has improved skills and knowledge transfer across the council's senior management team and helped manage vacancies at head of service level. Risk registers are discussed for shared understanding/awareness of issues across service areas.
Medium to longer term strategies for effective management of resources, including financial planning and asset management.	Revenue budgets cover a three year period (2018/19 to 2020/21), capital budgets and expenditure plans cover a five year period (2018/19 to 2022/23) and the Housing Revenue Account budget is for a five year period (2018/19 to 2022/23). The council presented a five-year financial strategy covering the period from 2018/19 to 2022/23 in December 2017.

Controller of Audit judgements Issues which the council should address 2007	Controller of Audit judgement 2018
<p>An effective framework for strategic planning.</p>	<p>The council has an ambitious vision of inclusive economic growth that is linked to council objectives and strategic goals, and is understood throughout the organisation.</p>
<p>An integrated framework for continuous improvement.</p>	<p>The council has a well-established framework for continuous improvement and has reviewed a range of its services. The council has established a Transformation Programme but it will be a challenge for the project to deliver new ways of working and the required savings within the context of increasing demand on services from a growing population.</p>
<p>Source: Audit Scotland</p>	

Recommendations



In delivering its vision, the council should:

Ensure that performance reporting arrangements are more coherent and better aligned to demonstrating the delivery of the council's vision, supporting objectives, service performance and savings plans.

- **Work with the East Lothian Partnership to agree outcome measures and report on progress in reducing inequalities and supporting the economy (para 23, 93)**
- **Report the benefits the Transformation programme projects are having for customers and communities; and the savings that are being realised (para 119-121)**
- **Continue to focus on improving education performance for all children and young people in East Lothian (case study 1)**
- **Build on its good arrangements for scrutiny by ensuring reports are free of jargon, clear on purpose and provide the information elected members need to scrutinise effectively (para 37-38, 58 – 60)**

Develop more detailed plans linked to its longer-term financial strategy and to delivering the savings required

- **Ensure the Transformation Programme delivers the expected benefits within the planned timeframe and prioritise the projects most likely to lead to major change (para 119-121)**
- **Prepare individual service workforce plans to support the high level Workforce Plan Implementation Plan to help the council consider in more detail how it will manage changes in services and staffing levels. (para 85-88)**

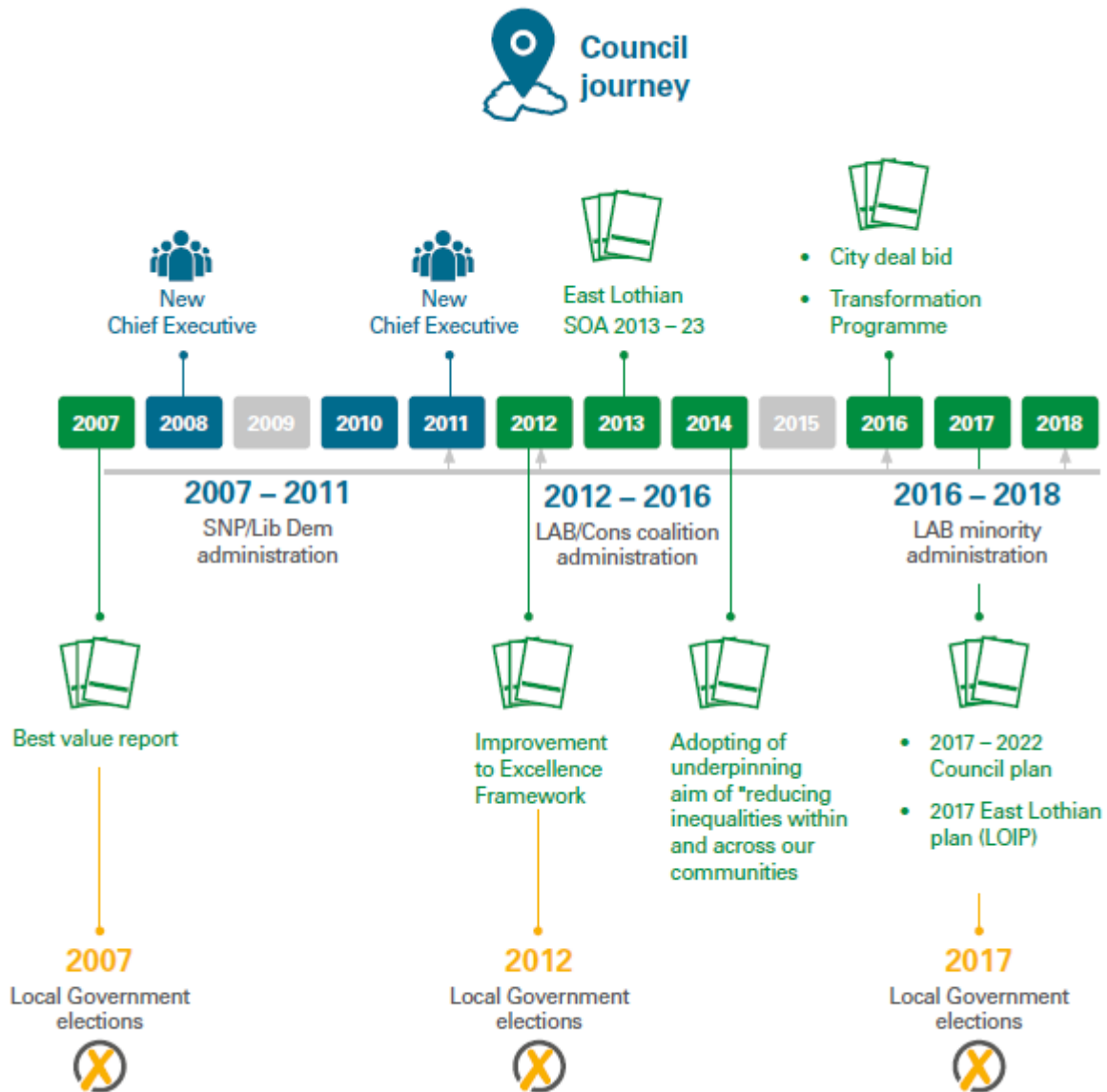
Continue to focus on working with communities

- **Ensure community and third sector organisations, such as charities and voluntary groups, have the opportunity to shape council strategic planning at an earlier stage (para 96-97)**
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- **Continue to support the local area partnerships to focus on priority actions within their Local Area Plans.** (para 98-102)
 - **Coordinate consultation activity through its People's Voice framework and tell local people how it has used their feedback** (para 94-95)
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Appendix 1

Best Value audit timeline





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