

451st meeting of the Accounts Commission for Scotland
Thursday 8 November 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 10 to 13 in private (* see note).
4. **Minutes of meeting of 11 October 2018**
5. **Audit Scotland Board update:** The Commission will consider a verbal report by the Chair and Secretary to the Commission.
6. **Update report by the Secretary to the Commission:** The Commission will consider a report by the Secretary to the Commission.
7. **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.
8. **Statutory performance information: 2018 Direction:** The Commission will consider a report by the Secretary to the Commission.
9. **Best Value Assurance Report: Dumfries and Galloway Council:** The Commission will consider a report by the Controller of Audit.

*The following items are proposed to be considered in private:**
10. **Best Value Assurance Report: Dumfries and Galloway Council:** The Commission will consider the actions that it wishes to take.
11. **Local government in Scotland: financial overview 2018 - draft report:** The Commission will consider a report by the Director of Performance Audit and Best Value.
12. **Mid-year strategy seminar: outputs and actions:** The Commission will consider a report by the Secretary to the Commission.
13. **Commission business matters:** The Commission will discuss matters of interest.

* It is proposed that items 10 to 13 be considered in private because:

- Item 10 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 11 proposes a draft audit report which the Commission is to consider in private before publishing.
- Item 12 is likely to include consideration of confidential policy matters.
- Item 13 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 11 October 2018	AC.2018.10.1
Agenda Item 5: Report by Secretary to the Commission	AC.2018.10.2
Agenda Item 6: Report by Secretary to the Commission	AC.2018.10.3
Agenda Item 8: Report by Secretary to the Commission	AC.2018.10.4
Agenda Item 9: Report by Controller of Audit	AC.2018.10.5
Agenda Item 11: Report by Director of Performance Audit and Best Value	AC.2018.10.6
Agenda Item 12: Report by Secretary to the Commission	AC.2018.10.7

MEETING: 11 OCTOBER 2018

MINUTES OF PREVIOUS MEETING

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

PRESENT: Graham Sharp (Chair)
Andrew Burns
Alan Campbell
Andrew Cowie
Sandy Cumming
Sharon O'Connor
Sophie Flemig
Sheila Gunn
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)
Tim Bridle, Manager - Local Government (Technical), PABV [Item 13]
Corrine Forsyth, Senior Auditor, PABV [Item 10]
Brian Howarth, Audit Director, Audit Services, [Item 13]
Fiona Kordiak, Director of Audit Services [Item 14]
Ashleigh Madjitey, Senior Auditor, PABV [Item 13]
Tricia Meldrum, Senior Manager, PABV [Item 10]
Mark Roberts, Senior Manager, PABV [Item 14]
Esther Scoburgh, Audit Manager, Audit Services [Items 11 & 12]
Kirstin Scott, Auditor, PABV [Item 14]
Kathrine Sibbald, Audit Manager, PABV [Item 13]
Shelagh Stewart, Audit Manager, PABV [Items 11 & 12]
Gillian Woolman, Audit Director, Audit Services [Items 11 & 12]

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 13 September 2018
5. Minutes of meeting of Financial Audit and Assurance Committee of 27 September
6. Minutes of meeting of Performance Audit Committee of 27 September 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: Reducing Child Poverty
11. Best Value Assurance Report: East Lothian Council
12. Best Value Assurance Report: East Lothian Council
13. Local government financial overview: emerging messages
14. Potential implications of EU withdrawal for public bodies
15. Commission business matters

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:

- Sophie Flemig, in item 14, as a non-UK EU citizen.
- Geraldine Wooley, in item 8, as a member of the Scottish Housing and Property Chamber, in relation to references to housing matters; in item 10, because a close family member is an adviser to the Scottish Government and a media commentator on child poverty matters; and in item 13, as a member of Fife Valuation Appeal Committee, in relation to references to non-domestic rates.

Fraser McKinlay also asked that his interest in items 11 and 12 be noted as he is a resident of East Lothian.

3. Decisions on taking business in private

It was agreed 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.

No business was notified by members for item 15 and thus the Chair advised that the item would not require discussion.

4. Minutes of meeting of 13 September 2018

The minutes of the meeting of 13 September 2018 were approved as a correct record.

5. Minutes of meeting of Financial Audit and Assurance Committee of 27 September 2018

The minutes of the meeting of the Financial Audit and Assurance Committee of 27 September 2018 were approved as a correct record, subject to the removal of “and” at the end of the fifth bullet point of item 4.

6. Minutes of meeting of Performance Audit Committee of 27 September

The minutes of the meeting of the Performance Audit Committee of 27 September 2018 were approved as a correct record.

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:

- In relation to paragraph 23, in response to a query from Sophie Flemig, agreed that the Secretary consider the appropriateness of a response to the Scottish Government consultation on the Scottish National Investment Bank.

Action: Secretary

- In relation to paragraph 56, in response to a query from Sophie Flemig, noted advice from the Controller of Audit that auditors continue to monitor the situation with impending strike action in Glasgow City Council.
- In relation to paragraph 68, in response to a query from Sheila Gunn, noted advice from the Secretary that matters in relation to personal debt and any link with Universal Credit remained an area of interest to the Commission which it could consider as part of its work programme refresh at its December meeting.

Action: Director of PABV

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

- 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 respond to the call for evidence from the Scottish Parliament's Culture, Tourism Europe and External Affairs Committee in its scrutiny of the Article 50 withdrawal of the European Union (paragraph 45).

9. Update report by the Controller of Audit

The Commission noted a verbal update from the Controller of Audit on his recent activity.

10. Briefing: Reducing Child Poverty

The Commission considered a report from the Director of PABV introducing a briefing paper on child poverty.

During discussion, the Commission:

- In relation to a query from Andrew Burns, noted advice from the Director that early liaison will take place with the Poverty and Inequality Commission to discuss matters of mutual interest.
- Further in this regard, agreed that a representative from that body be considered as part of the Commission's lunchtime speaker programme.

Action: Secretary

- In relation to a query from Andy Cowie, noted advice from the Director that rurality would be considered in the scoping of the forthcoming performance audit on child poverty.
- In relation to queries from Alan Campbell and Sophie Flemig, noted advice from the Director that the effectiveness of leadership would be considered in

the scoping of the forthcoming performance audit on child poverty.

- In relation to paragraph 27, noted advice from Geraldine Wooley that the recommendation in the performance audit on early learning and childcare on targeting eligible families was made to the Scottish Government as well as councils.
- Agreed that the Chair and Secretary consider how to share the briefing paper with wider stakeholders.

Action: Secretary

11. Best Value Assurance Report: East Lothian Council

The Commission considered a report by the Secretary to the Commission presenting the Controller of Audit's Best Value Assurance Report for East Lothian Council.

Following questions to the Controller of Audit, the Commission agreed:

- To note advice from the Controller that he would prepare a briefing paper on citizen satisfaction mechanisms in local government.

Action: Controller of Audit

- To consider in private how to proceed.

12. Best Value Assurance Report: East Lothian Council [in private]

The Commission discussed how to proceed in relation to the Controller of Audit's Best Value Assurance Report for East Lothian Council.

Following discussion, the Commission agreed to make findings, to be published on 1 November 2018.

Action: Secretary

13. Local Government Financial Overview 2017/18: emerging messages [in private]

The Committee considered a report by the Director of PABV proposing the emerging messages for the 2017/18 local government overview report.

During discussion, the Committee agreed:

- To endorse the emerging messages, subject to a small number of revisions and other points to be addressed by the report team in conjunction with the report sponsors, Graham Sharp and Ronnie Hinds.
- That the emerging messages form the basis of the report for the Local Government in Scotland Financial Overview 2017/18 and the accompanying pensions supplement.
- That a draft audit report be brought to the Commission meeting in November 2018, prior to publication on 29 November 2018.
- The proposed publication and promotion arrangements, including noting that the report will be presented to the Scottish Parliament's Local Government and Communities Committee as part of its budget scrutiny activity.

Actions: Director of PABV & Secretary

14. Briefing: Potential implications of EU withdrawal for public bodies

The Commission considered a report by the Director of PABV introducing a briefing

paper on the key issues facing the public sector arising from the UK's withdrawal from the European Union.

During discussion, the Commission:

- Noted advice from the Secretary that discussions with the Associate Director, Audit Quality and Appointments, were ongoing about reputational risk matters associated with such matters.
- Endorsed the briefing paper
- Agreed that the paper be published on the Audit Scotland website.

Action: Director of PABV

15. Commission business matters

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

MEETING: 8 NOVEMBER 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 28 September 2018. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 31 October, 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 28 November 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
31 October 2018

Minutes

Friday 28 September 2018, 12.00pm

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
S Dennis, Corporate Finance Manager (items 9,15, 16)
M Taylor, Audit Director (item 9)
A Devlin, Corporate Governance Manager (item 10)
F Kordiak, Director of Audit Services (item 14)
J Mansell, Communications Adviser (item 17)
Elizabeth Gorrie, Communications Officer (item 17)
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 24 September 2018.

2. Declarations of interest

There were no declarations of interest.

3. Decision on items to be taken in private

The members noted that items 14, 15, 16 and 17 would be taken in private to support the effective conduct of business as the information is intended for future publication.

4. Chair's report

Ian Leitch provided a verbal update on regular meetings with Diane McGiffen and Caroline Gardner on general business matters and liaising with the Scottish Commission for Public Audit on the forthcoming Board appointment.

The members welcomed the update.

5. Accountable Officer's report

Caroline Gardner advised of her attendance at the Education Committee business planning meeting on 12 September 2018, the Justice Committee meeting on 25 September 2018 which

discussed Scottish Police Authority and Scottish Fire Rescue performance with HMICS, the Finance Committee on 26 September 2018 which considered pre-budget scrutiny and risks in the Scottish budget and attendance at the Public Audit and Post Legislative Scrutiny Committee on 27 September 2018 which had considered the joint report on Children and Young People's Mental Health and the Forth Replacement Crossing.

Caroline advised she was speaking at the Inter-Parliamentary Financial Information Network on Thursday 4 October.

Caroline also advised that the Scottish Parliament Corporate Body and Scottish Government accounts had been signed and that a Section 22 report on the latter had been laid. She invited the Board to note that 30 September was a key audit deadline for audit colleagues.

Caroline invited the Board to note the publication of the Superfast broadband for Scotland report on 20 September 2018 and the forthcoming publication of the joint report on Health and Social Care Integration scheduled for November 2018.

Caroline advised members of her ongoing involvement as professional adviser to the UK parliamentary panel appointing the next Comptroller and Auditor General and her involvement on the judging panel for the Scottish Public Sector Awards.

The members welcomed the update.

6. Accounts Commission Chair's report

Graham Sharp invited the Board to note that the Accounts Commission meeting on 13 September 2018 had considered the draft Local Government Financial overview report and a draft of the joint Health and Social Care Integration report which is due to go to clearance in November.

Graham advised members that the Commission have received a number of useful briefings which included a review of the circumstances around Grenfell Tower, the actions taken by the Council and the impact of changes in legislation.

Graham advised that at its recent strategy seminar the Accounts Commission members had focussed on how they report on their work, communicate with stakeholders and how to measure the impact of the different products.

He also advised that recent external engagement had included a visit to Clyde Gateway with colleagues from Audit Scotland, attendance at the SOLACE conference on 21 September 2018 and Accounts Commission engagement events Chief Executives and Council leaders in Edinburgh, Inverness and Glasgow.

The Board welcomed the update.

7. Review of minutes

Board meeting, 22 August 2018

The Board considered the minutes of the meeting of 22 August 2018, which had been previously circulated, and agreed that these were an accurate record of the meeting.

8. Review of actions tracker

Martin Walker provided a verbal update on action ASB77 advising that pop up surveys have been discounted as they can be a distraction from what readers are looking to read and that we direct readers to specific areas on Audit Scotland's website to share feedback.

On action ASB79 Martin advised Graham that a meeting would be arranged to discuss the information we currently have and what additional information might be helpful.

9. Q1 Financial performance report

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis, Corporate Finance Manager introduced the Q1 Financial performance report, which had been previously circulated.

Stuart invited the Board to note the performance reported in the first quarter.

Graham Sharp queried the level of fee income for local government between audit firms and Audit Scotland. Stuart advised that as well as an inherent timing difference, phasing in the budget was on a different basis for firms and Audit Scotland resulting in the firms being slightly ahead of the in-house teams.

Caroline advised that budgetary pressures were more significant this year than previously.

Following discussion, the Board welcomed the report.

Stuart Dennis, Corporate Finance Manager, left the meeting.

10. Annual review of information governance policies

Alex Devlin, Corporate Governance Manager, joined the meeting.

Alex Devlin, Corporate Governance Manager introduced the Freedom of Information report and the Records Management Policy, which had been previously circulated.

Alex invited the Board to approve the minor amendments to the policies.

Heather Logan asked about the timing of the policies coming to the Board for approval. Alex advised that the policies had been updated in June and considered by the Knowledge, Information and Technology Governance Group (KITGG) prior to consideration by Management Team.

Heather Logan asked whether any testing had been undertaken as part of the records management policy on the completeness of Audit Scotland's archive integrity. Alex advised Digital Services recover the systems at regular intervals and he would liaise with them to consider incorporating testing as part of the process.

Following discussion, the Board approved the Freedom of Information policy with a further update of the Records Management policy to be considered by the Board.

Action ASB81: Alex Devlin to liaise with Digital Services to incorporate testing archive integrity as part of the Records Management Policy. (October 2018)

Action ASB82: A further update of the Records Management policy to be considered by the Board. (November 2018)

Alex Devlin, Corporate Governance Manager, left the meeting.

11. Any other business

There was no further business.

12. Review of meeting

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

On behalf of the Board, the Chair presented Russel Griggs with a small gift and expressed the Boards thanks for Russel's contribution during his term of appointment.

13. Date of next meeting

It was noted that the next Audit Scotland Board meeting was scheduled for 10.15am on Wednesday 31 October 2018 in the offices of Audit Scotland, 102 West Port, Edinburgh.

Items taken in private

14. Audit Quality and reputational risk

Fiona Kordiak, Director of Audit Services, joined the meeting.

Fiona Kordiak, Director of Audit Services, introduced the Audit Quality and reputational risk report, which had been previously circulated.

Fiona invited the Board to consider and discuss the key issues highlighted by recent high profile collapses of companies who had received unmodified audit opinions, the role of audit in the escalation of issues of concern and the wider regulatory framework.

The Chair welcomed the report.

During detailed discussion, the Board considered the reputational impact for individual accounting firms and audit institutions. There was discussion about attracting people to the audit profession and a discussion about the appropriate scale and quality of inhouse practice. Members also discussed the link between the risks identified in opinions and the detail set out in the longer form annual reports of audited bodies.

Turning to Section 22 and 102 reports, the Board discussed how auditors identify and escalate issues to the Auditor General and/or Controller of Audit. Fiona described the review and refinement of the reporting process currently underway.

Heather Logan commended the report and suggested it be updated and considered annually by the Board. In addition, as Chair of the Audit Committee, Heather offered her role as an independent observer of the Audit Quality Committee.

Following discussion, the members commended the report welcoming the assurance it provided and agreed this would be reviewed and reported annually. In addition, the Board agreed Management Team would develop a communication strategy around reporting and the safeguards of independence and quality in the Scottish Public Audit model.

Action ASB83: Fiona Kordiak to report annually to the Board. (September 2019)

Fiona Kordiak, Director of Audit Services, left the meeting.

15. 2018/19 Spring budget revision

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis, Corporate Finance Manager introduced the 2018/19 Spring budget revision, which had been previously circulated.

Stuart invited the Board to approve the annual submission of a request to the SCPA for an amendment to our 2018/19 budget to meet pensions charges provided through the Annually Managed Expenditure.

The Chair sought clarification on whether pension costs could be better budgeted for and dealt with in the budget submission process.

Stuart advised that the current Revenue budget provides for the employer pension contributions that Audit Scotland make in year and is deducted from the estimated total IAS19 pension cost provided by the actuary. The total estimate of IAS19 pension costs for 2018/19 from the actuary

is £5m and the budget for employer pension contributions is £2.1m, which leads to a funding request of £2.9m to fund the shortfall through Annuity Managed Expenditure (AME).

Following discussion, the Board welcomed the clarity of explanation around the provision for pension charges and approved the 2018/19 Spring budget revision.

16. 2019/20 Budget

Mark Taylor, Audit Director, joined the meeting.

Stuart Dennis, Corporate Finance Manager introduced the 2019/20 Budget paper, which had been previously circulated

Stuart invited the Board to consider and approve the proposed assumptions on which a draft budget submission would be prepared.

The Board noted the assumptions included the second year of additional funding for New financial powers, an increase to the Management Contingency budget, a 1.9% increase to fees budget, continued commitment to investment in audit quality and a pay award assumption of 2%.

The Board discussed the potential risks and impact around the UK budget setting, EU withdrawal and additional pensions risks.

During detailed discussion, the Board considered the increasing complexity of audit and the need to ensure sufficient time and resource is available to accommodate this and discussed the impact of the early closure of account proposals, recognising the significant resourcing implications this would have for workforce planning and securing additional resources.

Heather Logan asked when the next procurement exercise would commence. Stuart advised planning will commence at the start of next year due to the size of the procurement exercise and Diane advised of continuing engagement with appointed auditors.

Following discussion, the Board welcomed the report and approved the assumptions for the proposed budget.

Action ASB84: Stuart Dennis to prepare the 2019/20 budget submission. (October 2018)

Stuart Dennis, Corporate Finance Manager, and Mark Taylor, Audit Director, left the meeting

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

Joanna Mansell, Communications Adviser, and Elizabeth Gorrie, Communications Officer, joined the meeting.

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Audit Scotland Draft British Sign Language plan 2018-24, which had been previously circulated.

Martin advised the Board that the draft plan covered Audit Scotland's role as public auditor and as an employer. Joanna Mansell advised the consultation had received positive feedback and informed the plan which was submitted for the Board's approval.

The Board welcomed the proportionate approach taken to provide training for interested colleagues to help understand the needs of and support for British Sign Language users. Elizabeth Gorrie advised that 26 colleagues had signed up for the training to date.

Following discussion, the Board approved the plan and members requested access to the training.

Action ASB85: Elizabeth Gorrie to organise access to the online British Sign Language training for Board members. (October 2018)

Joanna Mansell, Communications Adviser, and Elizabeth Gorrie, Communications Officer, left the meeting.

Agenda

Wednesday 31 October, 10.15am

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, 28 September 2018 For approval
 8. Review of action tracker For information
-

Business performance

9. Environmental and sustainability annual report 2017/18 For approval
-

Governance

10. Review of Ethical standard policy on application For approval
 11. External reviews of information management arrangements For information
 12. 2019 Board and Committee meeting schedule For approval
-

Conclusion

13. Any other business
 14. Review of meeting
 15. Date of next meeting: 28 November 2018
-

Items to be taken in private

16. 2019/20 SCPA Budget proposal For approval
[Item to be taken in private to support the effective conduct of business – information intended for future publication]

17. Discussion on proposals for Board development activity 2019

For discussion

[Item to be taken in private to support the effective conduct of business]

MEETING: 8 NOVEMBER 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. 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. (The Commission is asked to note that due to high demands currently on the Audit Scotland's Communications Team, media briefings are temporarily in abeyance, but will be resumed in the near future.)
5. The download statistics of the reports published over the last 12 months (as at 25 October) are set out in **Appendix 1**.

Other business

6. On 24 October, recent past Commission member Christine May and current member Pauline Weetman were the guest speakers at Audit Scotland's most recent 'Women in leadership' knowledge café. The session aimed to bring together women throughout the organisation, and to allow them the opportunity to ask Christine and Pauline about their career paths and experiences.
7. The Competition and Markets Authority (CMA) is carrying out a review to consider whether the market for the provision of statutory audit in the UK commercial sector is working as well as it should. The review comes amid growing concerns about statutory audits, in particular following the collapse of construction firm Carillion and the criticism of those charged with reviewing the books, as well as recent poor results from reviews of audit quality. The review is examining three main areas in the market:
 - Choice and switching - 97% of the audits of largest companies (i.e. FTSE 350)

are undertaken by the Big 4 accountancy firms.

- Resilience - what the role of the Big 4 firms means for resilience; the risk being that each firm is 'too big to fail', potentially threatening long-term competition.
 - Incentives - companies, rather than their shareholders, pick their own auditor. The review is examining concerns that this might result in a lack of incentive to produce challenging performance reviews.
8. The CMA issued an [invitation to comment](#) on 9 October, with a deadline for responses on 30 October. Given the short timescale, the Chair has agreed that Audit Scotland provide the attached response (**Appendix 2**) of behalf of the Commission and Auditor General, specifically in respect of the independent appointment of auditors, by explaining the benefits of the Scottish public sector audit model.
 9. At its last meeting, the Commission agreed that I consider the appropriateness of a response to the Scottish Government consultation on the [Scottish National Investment Bank](#). The Chair has agreed that the attached response (**Appendix 3**) be submitted by Audit Scotland, on behalf of the Commission and Auditor General, to the Scottish Government.

Auditor General for Scotland

10. On 2 October the Auditor General published her reports [The 2017/18 audit of NHS Highland: Financial sustainability](#) and [The 2017/18 audit of NHS Ayrshire and Arran: Financial sustainability](#). The reports found that NHS Highland and NHS Ayrshire and Arran face significant financial challenges, which are likely to continue in future years. The report also found that the boards have been unable to deliver services within budget, savings targets have not been met, and that it will be difficult to achieve financial sustainability in the future.
11. On 4 October the Auditor General published her report [The 2017/18 audit of the Scottish Public Pensions Agency: Management of PS Pensions project](#). The report concerns a £5.6 million contract awarded by the SPPA in 2015, as part of a business transformation programme, to Capita Employee Solutions to develop an integrated administration and payment system. The contract was cancelled in 2018, which means that the SPPA will require additional revenue and capital budget allocations from the Scottish Government over the next five years. Discussions are currently underway between Capita and the SPPA over legal responsibility for the failed contract and any potential financial penalty.
12. On 25 October the Auditor General published her report [NHS in Scotland 2018](#). The report found that performance has continued to decline in 2017/18 and that the NHS is not financially sustainable in its current form. No NHS boards were able to meet all eight key national targets, and performance against these targets fell nationally. The report also noted that the NHS faces significant workforce challenges, with difficulties recruiting and increases in staff sickness absence and staff turnover. Progress towards meeting the Scottish Government's 2020 vision to transform the healthcare system so that everyone can live longer, healthier lives at home or in a homely setting by 2020 is ongoing but slow.

Audit Scotland

13. On 11 October Audit Scotland published a briefing paper on [Withdrawal from the European Union](#). The briefing includes a series of questions that public bodies may want to ask themselves and sets out Audit Scotland's current plans to reflect EU

withdrawal in the audit work. The key issues are laid out under three themes: People, Finance, and Rules and Regulations.

14. On 16 October Audit Scotland published a briefing paper on [Scotland's new financial powers](#). The paper looks at how the Fiscal Framework is operating in practice, and reflects on experience during 2017/18 of the first full year of operation of income tax, borrowing and reserve powers, and describes the range of risks that are now affecting the Scottish budget.

Issues affecting local government

Scottish Government

15. On 26 September the Scottish Government announced that [Cupar will become Scotland's first Digital Improvement District](#), as part of the Programme for Government's commitment to fund a business improvement district dedicated to digital improvement. The pilot will trial and showcase a potential model for smaller town digital use, and is a partnership with Fife Council, Destination Digital, Scotland's Towns Partnership, and ABCD the Association of Businesses in Cupar and District.
16. On 28 September the Scottish Government announced that ten councils will receive funding for studies to look at [how to increase the uptake of electric vehicles in Scotland's towns and cities](#). The feasibility studies are intended to develop a pipeline of potential infrastructure developments across the country, and will take place in Arbroath, Ayr, Dunfermline, Falkirk, Galashiels, Irvine, Kirkintilloch, Musselburgh, Perth, and Stornoway. The funding is provided by the Scottish Government and delivered by the Energy Saving Trust as part of the '[Switched on Towns and Cities](#)' programme.
17. On 4 October the Scottish Government published the [Scottish Government Medium Term Health and Social Care Financial Framework](#). The Cabinet Secretary for Health and Sport Jeanne Freeman announced that the Scottish Government will not seek to recover NHS territorial boards' outstanding brokerage, starting all boards with a 'clean slate' for the 2019-20 financial year. She confirmed that this would include writing off projected deficits for this financial year and would cost around £150 million.
18. On 4 October Deputy First Minister John Swinney announced that [£33 million in additional funding would be made available to improve attainment and outcomes for Looked After Children](#), through the Scottish Attainment Challenge.
19. On 23 October the equalities minister Christina McKelvie announced at a Holyrood event on providing safe homes for travellers that the Scottish Government, COSLA, and Police Scotland were launching [a joint initiative to address discrimination against Travellers throughout public services](#). Public sector workers and councillors will receive extra training to ensure that they understand and respect Gypsy/Traveller rights and culture.
20. On 26 October the Public Finance Minister Kate Forbes announced that [a cap would be applied to business rates for hospitality businesses in Scotland and offices in Aberdeenshire and Aberdeen](#). Hospitality businesses will have rates capped at a maximum of 12.5 per cent in real terms each year until 1 April 2022.

Scottish Parliament

21. On 28 September the Scottish Parliament Information Centre (SPICe) published a briefing on [European Union funding in Scotland](#). It looks at the recipients of EU funding in Scotland, which are listed as the Common Agricultural Policy, Structural Funds,

Common Fisheries Policy, Competitive Funds, and loans from the European Investment Bank Group. The briefing sets out:

- How EU funding currently works, and how much comes to Scotland
 - Scotland's net contribution to the EU budget
 - Options to replace EU funding programmes or continue to participate in them.
22. On 4 October at First Minister's Questions, referring to an Auditor General Section 22 report which raised concern over NHS Ayrshire at FMQs, Scottish Conservative Scottish Member of Parliament (SMP) John Scott asked what support the Scottish Government would provide to ensure health boards manage their finances appropriately. Nicola Sturgeon noted Cabinet Secretary for Health and Sport Jeane Freeman would be making a statement on the issue and said officials were working closely with the board to get a clearer picture of its financial situation.
23. On 4 October at Q&A, Scottish Labour SMP David Stewart referred comments from the Auditor General and asked about long-term trends which caused financial instability at health boards, especially in the Highlands. The Cabinet Secretary acknowledged the issues raised like the cost of locums and agreed there was a need to meet pay pressures and increase recruitment.
24. On 10 October SPICe published a briefing on the [Fiscal Framework Outturn Report 2018](#). In its conclusions, it noted that income tax is by a significant margin the most significant tax power devolved to the Scottish Parliament in absolute budgetary terms. It also noted that this year's report is not overly significant for the budget as it does not contain outturn income tax data for 2017-18 due to the lag in outturn data availability.
25. On 17 October SPICe published a briefing on the latest [UK labour market statistics from the Office for National Statistics](#). During the last quarter unemployment in Scotland fell by 0.5 percentage points to 3.9 per cent. The employment rate also fell over the quarter by 0.5 percentage points to 74.9 per cent, and the inactivity rate had one of its largest quarterly increases on record at 0.9 per cent.
26. On 23 October the Scottish Government released its [State of the Economy report](#), which found that Scotland's economy has continued to strengthen into the first half of 2018 with annual GDP growth the strongest since 2014 and above the UK as a whole. It also found that unemployment continues to fall and that independent forecasts for the economy reflect a stronger economy, although EU withdrawal remains the main risk to growth.
27. On 24 October the Scottish Government announced that it is [launching a pilot scheme encouraging more men to undertake qualifications in early learning and childcare](#). Colleges across Scotland will have the opportunity to bid for two funding awards to run pilot projects which support men in childcare. Currently, around four per cent of the day care of children workforce are male.
28. On 24 October the Scottish Government [launched its Economic Action Plan](#). The plan sets out a number of new and existing actions designed to build a strong, vibrant and diverse economy that promotes wellbeing and attracts investment. Some of the new measures in the plan include:
- Committing to maintain a stable and competitive tax regime as part of a supportive business environment.
 - Establishing a £18 million Advanced Manufacturing Challenge Fund to ensure

all parts of Scotland benefit from developments in advanced manufacturing.

- Enhancing support for reskilling and upskilling.
29. On 24 October during a members' business debate about Fife out-of-hours general practitioner services, [Audit Scotland was mentioned by Scottish Labour MSP Claire Baker](#), who said: 'I understand that the Auditor General is examining the roll-out of IJBs and that governance is a key area of concern'.
30. On 25 October Cabinet Secretary for the Rural Economy and Connectivity Fergus Ewing lodged the [South of Scotland Enterprise Bill, which provides for the creation of a new enterprise agency for the region](#), which comprises Dumfries and Galloway Council and Scottish Borders Council. The new agency will be tasked with driving transformational inclusive growth, increasing competitiveness, promoting fair work and tackling inequality.
31. On 25 October at First Minister's Questions, Scottish Labour leader Richard Leonard referred to the Auditor General's NHS overview report, calling it a 'damning indictment of mismanagement' by the Scottish Government. He asked the First Minister whether the Auditor General was wrong by stating the NHS in Scotland was not in a financially sustainable position. The First Minister stated that the report, and the Auditor General, was rightly blunt about the NHS, but ensured the actions taken by the Scottish Government to invest in and reform the health service would ensure the sustainability of the NHS in Scotland. She also said that the Auditor General's report did not take into account the medium-term financial plan.

Parliamentary Committee News

Local Government and Communities Committee

32. On 26 September and 24 October the Committee considered the Planning (Scotland) Bill at Stage 2 and agreed its approach to the scrutiny of the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill in private.
33. On 3 October the Committee took evidence in roundtable form as part of its Pre-Budget Scrutiny from:
- Jenny Laing, Senior Community Occupational Therapist, Aberdeen City Health and Social Care Partnership
 - Tony Cain, Policy Manager, Association of Local Authority Chief Housing Officers
 - Nora Uhrig, Senior Associate – Programmes Scotland, Equality and Human Rights Commission Scotland
 - Lisa Innes, Housing Adviser, Glasgow Centre for Inclusive Living
 - Mark Farey, Director of Asset Management, Hanover (Scotland) Housing Association
 - Moira Bayne, Chief Executive, Housing Options Scotland
 - Fiona King, National Campaigns and Policy Manager, Shelter Scotland.

Public Audit and Post Legislative Scrutiny Committee

34. On 27 September the Committee took evidence from the Auditor General for Scotland, Audit Director Claire Sweeney, and Senior Manager Leigh Johnston, on the joint report

by the Auditor General and the Accounts Commission on [Children and young people's mental health](#). The Committee also took evidence on the Auditor General for Scotland's report on the [Forth Replacement Crossing](#) from the Auditor General, Senior Manager Graeme Greenhill and Audit Manager Jillian Matthew.

35. On 4 October the Committee took evidence on the Auditor General for Scotland's report [Scotland's colleges 2018](#) from Paul Johnston, Director-General, Education, Communities and Justice, and Aileen McKechnie, Director for Advanced Learning and Science, Scottish Government; Dr John Kemp, Interim Chief Executive, Scottish funding Council; and Andy Witty, Director of Sector Policy, Colleges Scotland. The Committee also took evidence in private from the Auditor General for Scotland, Senior Manager Mark MacPherson, and Audit Manager Mark McCabe.

Finance and Constitution Committee

36. On 27 September the Committee took evidence from a range of stakeholders on the operation of Scotland's fiscal framework. On 3 October, the Committee took evidence from a range of stakeholders on appointments to the Scottish Fiscal Commission and on Pre-budget scrutiny 2019/20.
37. On 3 October the Committee published a [Report on nominations to the Scottish Fiscal Commission](#), in which it recommends that the Parliament approves the appointment of Professor David Ulph and Professor Francis Breedon as members of the Scottish Fiscal Commission.

Other committees

38. On 4 October the Culture, Tourism, Europe and External Affairs Committee took evidence from a range of stakeholders on the [Transient Visitor Levy](#), also known as the 'Tourist Tax', in which Edinburgh Council is proposing a levy of £2 per night to be paid by tourists spending the night in the city.

Public Policy News

39. On 2 October the Joseph Rowntree Foundation published a report on [Poverty in Scotland 2018](#), which found that barriers to the labour market due to disability, ill health and childcare responsibilities are some of the main characteristics that determine childhood poverty, despite improvements over the last two decades.
40. On 3 October NHS Health Scotland published its report on [Comparing the impact of income policies on health and health inequalities](#). It found that the rising numbers of means-tested benefits, the rise of devolved benefits, and the introduction of the real Living wage could all help to reduce health inequalities and improve health in Scotland.
41. On 8 October Scotland's Chief Statistician published the [Rural Scotland Key Facts 2018](#) report. The report is grouped into three sections: People and Communities, Services and Lifestyle, and Economy and Enterprise. Amongst its findings were that:
 - The rural population is increasing faster than in the rest of Scotland and has higher rates of in-migration
 - There are higher rates of economically active people households have higher incomes
 - Rural areas have longer life expectancies and fewer emergency hospital admissions.
42. On 18 October Citizens Advice Scotland published a report [Rent Arrears: Causes and](#)

[consequences for CAB clients](#). Amongst its findings were that the number of people seeking advice in relation to rent arrears has grown by over 40 per cent since 2012, and that during the past eighteen months, clients' rent arrears have predominantly been caused by them moving on to Universal Credit. Housing associations across the UK report that 73 per cent of tenants on Universal Credit are in arrears, compared to 29 per cent of others.

COSLA

43. On 11 and 12 October [COSLA and the Improvement Service held their annual conference](#). Cabinet Secretary for Finance and the Constitution Derek Mackay spoke at the conference, amongst other MSPs, and talks ranged from a session on Brexit and Europe to Improving the life chances of Scotland's children.
44. On 12 October the [2018 COSLA Excellence Awards were announced](#), honouring eight Scottish Councils and their partners for outstanding services to the public. Winners, and the categories in which they won, were:
 - East Ayrshire Council, category: Service innovation and improvement. Winning entry: Respectful funerals. The council was commended for its innovative approach to procurement which has improved wellbeing and addressed many issues relating to funeral poverty.
 - Dumfries and Galloway Council, category: Tackling inequalities and improving health. Winning entry: Tackling poverty in Dumfries and Galloway. Through its Strategy's Action Plan, the council is providing real life solutions to the issues which poverty brings to people's lives.
 - Renfrewshire Council, category: Strong and sustainable communities. Winning entry: Paisley's legacy: re-telling Paisley's untold story. The regeneration strategy 'Paisley: the untold story' focused not on Paisley's problems, but on its strengths.
 - Dundee Council, category: Local Matters. Winning entry: Dundee decides. This is the biggest participatory budgeting project undertaken by any council in Scotland to date in relation to its mainstream budget.
 - Dundee Council, category: Achieving better outcomes. Winning entry: Get ready for work employability for refugees. This is an eight-week partnership programme which seeks to give Syrian refugees the employability and language skills needed to move into employment.
 - Fife Council received the President's Award for their work with LGBT+ groups at Kirkcaldy High School. The school has developed a proactive approach to equality issues and has an active LGBT student support group.
 - Inverclyde Health and Social Care Partnership received the Excellent People, Excellent Outcomes Award for its project Compassionate Inverclyde, which aims to enable and empower people to help and support one another in times of increased health need, crisis and bereavement.
 - Glasgow City Council received the SOLACE Best team award from its project One Glasgow Reducing Offending Partnership. The principles from One Glasgow are that partners focus on and accelerate joint working on outcomes.

- Angus Council won the Scottish Government Award for delivering excellence for its Shared Apprenticeship Programme. The scheme allows apprentices to complete a full programme of training by working with a number of different employers, to gain the skills they require to become qualified.

Improvement Service

45. In October the Improvement Service announced that Partners in Planning had launched a [new website to provide people working in the planning system with a single point of access](#) to the skills and knowledge that enable behaviour change. Partners in Planning is a collaboration of education and training providers, employers, Improvement Service, Scottish Government, and the Royal Town Planning Institute, and it aims to improve skills and education within the planning sector in Scotland.

By-elections results

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

Other Scottish local government news

47. On 28 September the UK Government formally invited [Moray Growth Deal partners to submit plans](#) on their priorities for boosting economic growth and productivity. The UK Government will work closely with Moray Council, other local partners, and the Scottish Government to develop proposals.
48. On 2 October the Fraser of Allander Institute published its report [Brexit and the Glasgow City Region](#). The report states that exports to the EU are estimated to support over 130,000 jobs in Scotland, and that 40,000 of these jobs are based in the Glasgow City Region. The report identifies a number of key issues for businesses and policymakers to consider in the months ahead.
49. On 18 October [Argyll and Bute Council announced that it is to submit a funding bid to the UK and Scottish governments for a multi-million pound rural growth deal](#). The council has agreed the bid, which would see investment in areas such as transport, broadband, education and business innovation. The bid is made up of sixteen different projects bringing together local and national organisations, as well as public and private sector agencies.
50. At their autumn conference on the 19-21 October, the Scottish Greens passed a motion setting out the party's Budget position, which includes the [commitment for Green MSPs to ask the government for 'meaningful progress' on local tax reform](#). This includes giving councils the power to implement a visitor levy, devolving business rates, increasing the proportion of council funding that comes from local sources, and setting a timescale for the removal of Council Tax.
51. On 23 October [female workers at Glasgow City Council began a two-day strike over the lack of progress in resolving equal pay disputes](#). 8,000 staff joined the strike, which follows an ongoing dispute over backdated pay and pensions to address historic pay disparities where roles typically done by women, such as cleaning and catering, were paid less than roles typically done by men, such as rubbish collection.
52. As part of the UK budget announcement on 30 October (see paragraph 64), the Chancellor of the Exchequer announced that On Scotland, the Chancellor committed £150m to the Tay cities deal. He also indicated that negotiations on the Moray growth deal would begin, while those for Ayrshire and the Borderlands are underway.

Scrutiny, inspection, regulatory and related bodies

Scottish Public Sector Ombudsman (SPSO)

53. [The SPSO's Newsletter - October](#) 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 March meeting).

Commissioner for Ethical Standards in Public Life in Scotland

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

Standards Commission for Scotland

55. The Commission has not held any hearings on complaints or members of devolved bodies since my last report. The next hearing is scheduled on 19 November for Councillor Richard Moore of Angus Council.

Care Inspectorate

56. On 9 October the Inspectorate published its [Joint inspection of services for older people in Aberdeen City – progress review](#). The report concluded that the partnership had made good progress in relation to five recommendations, reasonable progress in relation to two, and limited progress in relation to one.
57. On 24 October the Inspectorate announced that it is looking to involve care providers, commissioners, and people experiencing care in the [development of a new framework which will help support improvement through self-evaluation](#) and improve services and outcomes for people experiencing home care services.

Healthcare Improvement Scotland

58. On 10 October [Carole Wilkinson took up her new post as Chair of Healthcare Improvement Scotland](#). Ms Wilkinson is a former Non-Executive member of NHS Education for Scotland and a former chair of the Board of Scottish Children's Reporter Administration. She was also Chief Executive of the Scottish Social Services (SSSC) from 2001-2009.

Scottish Housing Regulator

59. On 28 September the Regulator published its [Annual Report and Accounts 2017/18](#). The report gives highlights of the work the Regulator did in the last year to safeguard and promote the interests of tenants, homeless people and others who use the services of social landlords.
60. On 9 October the Regulator announced that it is [consulting on proposals for how it regulates social housing in Scotland](#). It is inviting tenants, landlords and others with an interest in its work to give their views by 14 December.
61. On 23 October the Scottish Housing regulator published its report [Improving Gypsy/Travellers' sites – landlords' compliance with minimum site standards](#). It found that over half of council-run Travellers sites fail to meet basic minimum standards of

accommodation. The report found that only 13 of 26 sites run by councils met the minimum requirements on safety, maintenance and energy efficiency.

UK Parliament

General

62. On 17 October the House of Commons Library published a briefing paper on [Teacher recruitment and retention in England](#). The briefing looks at teacher workload, trends in teacher supply, and initiatives to encouraging recruitment and retention of teachers, which include creating a national teacher vacancy website; a range of measures aimed at training and upskilling an additional 17,500 maths and physics teachers by 2020; and investing in 'bespoke packages of support' for schools that are facing recruitment and retention challenges.
63. On 23 October the House of Commons Library published its [Autumn Budget 2018: Background briefing](#). The briefing sets out the background to the Autumn Budget 2018 which took place on 29 October, and looks at the economic situation, the outlook for the public finances, public spending from 2020-21, developments since the Spring Statement 2018, and other issues such as Universal Credit.
64. On 29 October the Chancellor of the Exchequer Philip Hammond announced the [UK government's 2018 budget](#). An additional £950 million was distributed to the Scottish government for the period to 2020-21 with the possibility of "much larger sums" ahead. Scottish Government Cabinet Secretary for Finance, Economy and Fair Work Derek MacKay, and the SNP Westminster Leader Ian Blackford were both [critical of the implications of the budget for Scotland](#). Blackford stated that actual extra funding for the NHS was £50 million less than the pre-announced amount of £600 million. The budget also [allocated an additional £650 million for English local authorities in 2019-21](#). This funding will be directed at delivering social care services, in particular at improving services for older people, for people with disabilities, and for children in care.

Communities and Local Government Committee

65. On 22 October the Committee heard from a range of stakeholders of the retail and hospitality sectors as part of its [high streets and town centres in 2030 inquiry](#). The inquiry is examining the future role of high streets and town centres, how they might respond to demographic and technological changes and local government's role in providing support.

Scottish Affairs Committee

66. On 12 October the UK Government responded to the Committee's report on [digital connectivity](#) by accepting the recommendation that UK and Scottish governments should work together to address the issues of poor connectivity in certain areas.
67. On 15 October the Committee travelled to Edinburgh to meet representatives from the higher education, digital technology, financial and legal services to gain a broad overview of the opportunities and challenges the EU withdrawal creates for exports in the services sector.
68. On 15 October the Committee announced the launch of an inquiry to investigate [how any agricultural system could meet the needs of Scottish farmers and crofters after EU withdrawal](#). The inquiry considers the implications of agricultural powers returning from Brussels and how any common frameworks between the UK and devolved governments

will be balanced with providing flexibility for each nation. The inquiry will also look at shortages of agricultural workers in Scotland following the UK Government's announcement of a new Seasonal Workers pilot scheme. The deadline for written submissions is 11 January 2019.

69. On 23 October the Committee heard from a range of stakeholders on proposals put forward by think tanks on the priorities and principles that could underpin a future UK trade policy.

Public Accounts Committee

70. On 19 October the Committee published its report on the [Interface between health and social care](#). It found that the government still lacks an effective overall strategy or plan to achieve its long-held aim to integrate the health and social care sectors. It argues that the squeeze on council budgets means that there are no realistic prospect of progress, and that without this progress people are at risk of not getting the joined-up, coordinated care that they need.

Other committees

71. On 23 October the Women and Equalities Commission published a report on [Sexual harassment of women and girls in public places](#). The report found that sexual harassment affects the lives of nearly every woman in the UK, and that the damage done by sexual harassment needs to be better reflected in policy and law. It also found that a more robust and proactive approach is required by the Equality and Human Rights Commission to tackling the problem of sexual harassment of women and girls in public places.

Other UK Audit Bodies

National Audit Office

72. On 4 October the NAO published an [interactive round-up of NAO publications](#), which is designed to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight, risk management and strategic management issues. It also sets out how to keep in touch with NAO insight on specific issues and sectors.
73. On 9 October the NAO published its report [Improving children and young people's mental health services](#). The report found that data weaknesses and slow progress on workforce expansion are proving to be major risks to the delivery of the implementation of the ambitions laid out in the government paper [Future in Mind](#). The report also notes that the government must ensure a coherent and coordinated cross-sector response to these risks and ensure that the right levers are in place to ensure local actions deliver national ambitions.

Wales Audit Office

74. On 11 October the WAO published its report [Procuring Residual and Food Waste Treatment Capacity](#). The report found that the Welsh Government procurement programme designed to help councils set up fund and residual waste contracts has been well managed, but that several councils have opted out of the Programme, generally at a higher cost for residual waste treatment, and some are still reliant on landfill.
75. On 23 October the WAO published its report on the [National Fraud Initiative in Wales](#)

for the period 1 April 2016 to 31 March 2018. The latest National Fraud Initiative uncovered £5.4 million of fraud and overpayments across public services in Wales during this period. The report also found that there was a lot of variability across Wales to uncovering instances of fraud.

Northern Ireland Audit Office

76. On 16 October the NIAO published its report on the [Financial Health of Schools](#). The report examines the extent to which schools have been able to manage within their delegated budget for the period 2012-13 to 2016-17 and whether schools' surpluses and deficits are within the limits set by the Education Authority. The report also considers the actions and initiatives being taken by the Department of Education and the Education Authority to address the financial issues currently facing schools.

Other general – UK

77. On 21 September the Institute for Fiscal Studies on behalf of Anne Longfield, the Children's Commissioner for England released figures showing that [47 per cent of the £8.6 billion that councils spent on children's services in England in 2016-17 went on funding just under 73,000 in-care children](#). The figures also showed that if wider spending on families in severe need is included, then 72 per cent of total spending is accounted for by reactive, rather than preventative, work.
78. On 24 September accountancy firm Grant Thornton published a report [Review of Financial Management Relating to CPO Fraud: Findings and lessons learned](#), relating to a fraud that was uncovered at Barnet Council. The report found that there were insufficient financial controls in place for the council's outsourced finance and regeneration services. The fraud was committed by the capital investment manager for Regional Enterprise Ltd, a company which had been set up by the council and Capita. CPO refers to a Compulsory Purchase Order, which is a legal function allowing local authorities to obtain land or property without the consent of the owner.
79. On 27 September the Cambridgeshire and Peterborough Combined Authority Board announced their plans to deliver a ['bold, innovative and ambitious' housing strategy](#) which will deliver an additional 100,000 homes and 40,000 affordable homes over the next 20 years. The authority board plan to fund this with strategic investments in certain schemes that include the ability to get back investment to reinvest in other schemes. Community land trusts, discounted market sale homes with prices capped at £100,000 and land value capture were cited as ways to enable the realisation of this strategy.
80. On 28 September the Government Actuary's Department reported that [Public Service Pension Schemes were in a strong financial position](#) and that total assets have grown from £180 million to £217 million since the last review in 2013. The report recommends that the scheme's advisory board should consider how best to implement a standard way of presenting information in valuation reports so they can be compared more easily.
81. In October 2018, Solace UK published a call to action in its report [Sustainable local services: A Call to Action](#). It notes a recent survey it conducted of UK council chief executives, in which one in six reported that less than 20 per cent of their budgets now go toward universal services, and six out of ten reported that their workforce has been reduced by between a quarter and a third. The report concludes that there is an urgent need for the government to deliver an action plan to help councils stabilise services pending further discussion about the long-term sufficiency of resources.

82. On 1 October the Local Government Association stated that a [further £1.3 billion will be cut from Local Authority budgets in England in 2019-20](#). This amounts to 36 per cent of their budgets. It also stated that almost half of councils would no longer receive any central Government funding in the coming year.
83. On 1 October the UK government's Department for Work and Pensions announced that from April 2019 Citizens Advice (England and Wales) and [Citizens Advice Scotland will take on the responsibility for delivering a strengthened Universal Support service](#) designed to help claimants of Universal Credit.
84. On 9 October the local authority pension partners of GLIL Infrastructure LLP, which is run by the pension funds of Greater Manchester, Merseyside, and West Yorkshire, and the Local Pensions Partnership, which manages the assets of Berkshire, Lancashire, and London Pensions Fund Authority, announced that [it has allocated nearly £900 million to key investments covering greenfield sites, regulated utilities and transport upgrades](#).
85. On 10 October a survey published by the New Local Government Network of local government leaders in the UK found that 39 per cent of respondents said they plan to outsource less over the next two years. The poll was published in the NLGN's report [From Transactions to Changemaking: Rethinking partnerships between the public and private sectors](#), which found that local government leaders have declining trust in outsourcing.
86. On 10 October researchers from the University of Manchester published a paper in The Lancet Public Health journal which found that [children who come from poorer families are thirteen times more likely to harm themselves and commit violent crime once they become young adults compared to their peers](#). The research was based on a study of the young adult population of Denmark, and one of the report's authors, Professor Roger Webb, argues that the results are relevant to the UK because Denmark's population demographics and health care system are similar to those in the UK.
87. On 11 October the Nuffield Family Justice Observatory published research which found that [the number of new-born babies being removed from their mothers and placed into care in England has more than doubled between 2007-08 and 2016-17](#).
88. On 18 October the social impact organisation Salary Finance released the results of a survey which reported that [almost forty per cent of central Government and county council employees in the UK have money worries](#). Of these, 47 per cent said they suffer from stress, 25 per cent said they were more prone to panic attacks, and 20 per cent were feeling depressed.
89. On 18 October Lancashire health services announced that [Virgin Care has been identified as the preferred bidder for the delivery of 0-19 public health services](#) in Lancashire after a legal challenge forced a re-evaluation of the bid. The re-evaluation follows a legal challenge from Lancashire Care and Blackpool Teaching Hospitals NHS foundation trusts.
90. On 18 October the UK government [released the first £248 million of a fund to pay for the removal and replacement of unsafe cladding from high-rise tower blocks](#). The ministry of housing, communities and local government said applications had been received for 159 buildings and that 135, from 12 councils and 31 housing associations, have now been approved.
91. On 19 October the UK government local government minister [Rishi Sunak announced](#)

[that, following a public consultation, rules to prevent people found guilty of serious crimes from serving on local councils will be tightened](#). The rules mean that anyone subject to anti-social behaviour injunctions, a criminal behaviour order, a sexual risk order or who is on the sex offenders register will no longer be able to stand for elected office.

92. On 19 October Enfield Council announced that it [has launched a scheme of annual checks on its properties with the aim to improve the standard of its social housing](#). Dedicated 'MOT teams' will visit social housing properties in the London borough each year to check their condition and put right any faults. The council claims the initiative will be self-financing because it will reduce repair costs and reduce the number of urgent call-outs.
93. On 24 October the data platform company Looker issued 60 Freedom of Information requests and found that [71 per cent of UK councils were using data analytics to enhance the quality of their services](#). The results showed that 58 per cent of 26 authorities are using business intelligence software to improve waste collection, 45 per cent to improve planning and development, 38 per cent for council tax services and 35 per cent from traffic / movement analysis.

Conclusion

94. The Commission is invited to consider and note this report.

Paul Reilly
Secretary to the Accounts Commission
31 October 2018

APPENDIX 1:**Accounts Commission reports in past 12 months - downloads**

Report	Date	Report downloads	Podcast downloads
Children and young people's mental health	13 September 2018	1868 (+640)	103 (+39)
Community Planning – an update – Impact report	24 August 2018	289 (+81)	n/a
Glasgow City Council Best Value Assurance Report	23 August 2018	847 (+190)	35 (+<30)
West Dunbartonshire Council Best Value Assurance Report	28 June 2018	719 (+97)	<30 (+<30)
Maintaining Scotland's roads: a follow-up report – Impact report	27 June 2018	381 (+52)	n/a
Accounts Commission annual report 2017/18	7 June 2018	423 (+<30)	n/a
Accounts Commission engagement strategy and plan 2018/19	7 June 2018	297 (+43)	n/a
Accounts Commission Strategy and annual action plan 20018-23	7 June 2018	379 (+61)	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	1173 (+143)	84 (+<30)
Best Value Assurance Report: Fife Council	24 May 2018	1516 (+114)	48 (+<30)
Councils' use of ALEOs	17 May 2018	1405 (+110)	<30 (+<30)
Local government in Scotland: Challenges and performance 2018	5 April 2018	4145 (+303)	95 (+<30)
Local government in Scotland: Challenges and performance 2018 - Supplement	5 April 2018	195 (+33)	n/a
National Scrutiny Plan 2018/19	4 April 2018	705 (+67)	*
Statutory report on Edinburgh schools (Edinburgh City Council)	3 April 2018	1059 (+33)	137 (+<30)
Statutory report on significant fraud in Dundee City Council	22 Mar 2018	1358 (+52)	119 (+<30)
Early learning and childcare	15 Feb 2018	4741 (+672)	172 (+<30)
Early learning and childcare - supplement	15 Feb 2018	396 (+99)	n/a
Falkirk Council Best Value follow-up audit 2017	1 Feb 2018	1889 (+58)	149 (+<30)
Best Value Assurance Report: Clackmannanshire Council	25 Jan 2018	2107 (+104)	<30 (+<30)
Best Value Assurance Report: Orkney Islands Council	14 Dec 2017	1287 (+60)	*
Local government in Scotland: Financial overview 2017	28 Nov 2017	3909 (+147)	38 (+<30)

Report	Date	Report downloads	Podcast downloads
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	426 (+38)	n/a
Local government in Scotland: Financial overview 2017 – Supplement 3	28 Nov 2017	232 (+34)	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	1352 (41)	94 (+<30)
Best Value follow-up audit: East Dunbartonshire Council	16 Nov 2017	735 (+28)	79 (+<30)
Best Value Assurance Report: East Renfrewshire Council	07 Nov 2017	1818 (+233)	158 (+<30)

Key:

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

APPENDIX 2:

Statutory audit market consultation by Competition and Markets Authority – Response from Audit Scotland on behalf of the Accounts Commission and Auditor General

Introduction

Audit Scotland has noted with interest your invitation to comment on the statutory audit market in the UK's commercial sector. We have significant experience and knowledge in the statutory audit market in the Scottish public sector and can offer insights that you may find helpful in your considerations. Our submission is particularly focussed on paragraphs 4.40 to 4.51 of your consultation paper, specifically the appointment of auditors by an independent body and the use of an independent national auditor to conduct audits.

Our comments are intended to provide a high level summary of the key features of the audit market in the Scottish public sector that may be of interest to you. However, we would be pleased to provide you with further information on any aspect of our response.

Context

As an indication of scale, Audit Scotland is responsible for over 200 audits with total audit fees of over £20 million. Audits include Scottish central government bodies, councils, health boards, and colleges, as well as more diverse entities such as charities, companies limited by guarantee, and two public interest entities which collectively spend over £40 billion of public money each year. Many of these include group accounting and increasingly, those bodies are finding new ways to collaborate and work with each other in partnership to deliver public services.

Some of the larger more significant audits include the Scottish Government (£34 billion net expenditure), NHS Greater Glasgow & Clyde (£4.6 billion gross expenditure), Glasgow City Council (£2.7 billion gross expenditure), Scottish Water (£1.4 billion revenue).

Public sector audit model - overview

Scottish public sector bodies do not appoint their own auditors. Statutory responsibility for appointing auditors rests with:

- The Accounts Commission which is an independent public body of 12 members appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- The Auditor General which is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit most of the remainder of the public sector.

The Auditor General and Accounts Commission appoint auditors to conduct the audits of bodies under their respective remits following a rigorous recruitment process that is independent of the individual audited bodies. The independent appointment of auditors is a strength of public sector audit and is an important safeguard that helps to ensure that the auditor is free from any potential or perceived conflict of interest or other pressure which may compromise their judgement. Only the AGS and Accounts Commission have the power to dismiss an auditor or change an audit appointment.

Audit Scotland's principal statutory function is to provide services to the Auditor General and Accounts Commission.

Public sector audit model – key relevant features

The Auditor General and the Accounts Commission currently appoint external auditors of most public bodies in Scotland for five year periods with the current appointments being for the 2016/17 to 2020/21 audits. All procurement exercises since the formation of Audit Scotland in 2000 have been single joint exercises between the Auditor General and the Accounts Commission with Audit Scotland undertaking the related procurement work and making recommendations on successful firms and proposed audit portfolios.

Legislation provides for the appointed auditors to be either members of staff of Audit Scotland or eligible accountancy firms. The current appointments are split 65% in house and 35% between 6 private firms (Deloitte, KPMG, EY, Grant Thornton, Scott-Moncrieff and Mazars).

Other than in exceptional circumstances, firms are not appointed to the same audit for a consecutive procurement round. If the audit is undertaken by Audit Scotland, the engagement lead and all audit staff are rotated every five to seven years.

The existence of a strong inhouse practice of sufficient scale mitigates against market concentration and limited competition. This increases flexibility in the appointment process where a number of firms are conflicted in a particular audit as they provide internal audit or consultancy services.

The Auditor General and Accounts Commission value the flexibility, responsiveness and ready access to information that having an in-house team provides. The presence of an in house team also contributes to risk management both in terms of continuity of service and flexibility to respond to emerging issues. Firms' involvement provides access to experience, data and insights from working in private sector audit and in the public sector in other parts of the UK, access to alternative methodologies, market innovation and skills as well as providing cost comparisons to in house teams. A mixed market also provides flexibility to deal with changing workloads

Audit Scotland, as commissioner of audit work, has a range of measures in place to ensure the quality of audit work. A new Audit Quality Framework was established in 2017 which sets out how Audit Scotland provides the Auditor General and Accounts Commission with robust, objective and independent quality assurance over the work of both Audit Scotland and the firms. This includes arranging for independent quality reviews carried out by ICAS. Audit Scotland undertakes surveys of audit quality which help to indicate if there are any issues arising between the appointed auditor and the audited body that either require immediate attention or that should be taken into account at the next round of appointments.

Audit Scotland has developed an ethos of partnership and co-operation with the appointed firms to enhance the overall value from public audit. This is reflected in the regular meetings with the leads from each firm as a group to discuss issues and developments of common interest and the meetings of all auditors working in a particular sector to discuss relevant matters and exchange experiences. This approach also helps to ensure consistency of approach and judgements across a sector.

Audit fees are set by Audit Scotland, and approved by the Auditor General and Accounts Commission, so limiting the risk of cost pressures driving down audit quality.

All non-audit services carried out must be approved in advance by an independent team within Audit Scotland.

APPENDIX 3:

Scottish Government consultation on the Scottish National Investment Bank - response from Audit Scotland on behalf of the Accounts Commission and Auditor General

Introduction

Audit Scotland is the independent public sector audit agency undertaking the external audit of the majority of public sector bodies in Scotland. We do this on behalf of the Auditor General for Scotland (for central government and the NHS) and the Accounts Commission (for local government).

Audit Scotland welcomes the opportunity to respond to this consultation. We provide this response covering some general points related to the specific questions raised in the consultation document that we consider relevant to our role.

Transparency and public reporting

The consultation paper highlights that initial capitalisation for the Scottish National Investment Bank is to be £2 billion provided over 10 years by Scottish Ministers. It is critical that the Bank operates in an open and transparent manner and can demonstrate the Bank is using this public money in the public interest. This includes showing that investment decisions are soundly based according to clear investment strategies and appropriate criteria. We strongly welcome the proposals that the Bank should follow an open and transparent approach, with transparency included as a principle of its investment strategy. Given the importance of appropriate standards of behaviour and conduct for public organisations, we particularly value the proposal that the responsibilities of the Board explicitly include ensuring a culture of transparency and accountability.

In May 2018, Audit Scotland produced guidance for auditors on openness and transparency.¹ This considers all public sector organisations, and includes questions and prompts which are likely to be relevant to the Bank, including:

- Is it clear to the public how the organisation conducts its business and makes decisions?
- Has the organisation sought views from others on how open and transparent it is?
- How does the organisation seek opportunities to widen public understanding of the issues facing it and how it has responded to these?
- Is the information necessary to make transparent decisions available to the relevant people and presented in an appropriate form?
- Is there an audit trail for decisions and are related documents accessible to the public?
- Where meetings are in private and/or documentation is withheld/redacted, is the rationale clearly recorded and understandable?

High quality reporting of the Bank's activities and performance will be needed to support accountability to Parliament and to the public. Our 2017/18 audit of the Scottish Government consolidated accounts highlighted that the Scottish Government needs to be more transparent about the annual reporting of its accounts, including loans to private

¹ [2017/18 audits: notes for guidance - openness and transparency](#), Audit Scotland, May 2018

companies.² This principle of greater transparency would equally apply to the use of public funds through the Scottish National Investment Bank.

Governance arrangements

Public trust in the Bank and demonstrating value for money in the use of taxpayer funds, will require strong governance arrangements which should be subject to further scrutiny as they develop. The proposals in the consultation paper are that the governance structure will be independent from Ministers, and that Ministers will not have a role in the Bank's internal governance or its operational decisions. It is also proposed that the Bank's need for autonomy and authority in decisions will require "some latitude in terms of the delegated authorities which are usually given to Scottish public bodies." The need for detailed arrangements relating to this are referred to but not included in the consultation paper. These details should set out clearly how effective governance of the Bank will be delivered, including where and how this latitude would be applied.

Governance arrangements should be clear on lines of accountability, including where conflicts of interest may occur. A National Audit Office report on the Green Investment Bank (GIB), published in December 2017, included commentary on governance arrangements and value for money of the GIB.³ Part of the report considers the potential for conflicts of interest between obligations towards the bank and responsibilities to Parliament. The report notes that to resolve possible conflicts between the bank's accounting officer's⁴ duties to the company and responsibilities to Parliament, Her Majesty's Treasury clarified certain provisions of "Managing Public Money".⁵ As a result, the Department's accounting officer had responsibility for the overall value for money of the GIB, as principal accounting officer. The Scottish Government will need to consider where formal accountable officer responsibilities should best lie, and how to address potential conflicts of interest in a Scottish context.

Performance measurement

Demonstrating the effectiveness of the Bank requires clear performance measures and reporting. The consultation paper proposes that the performance framework for the Bank will be outlined in the Strategic Framework. A key role of the Strategic Framework will be to set out these missions and performance objectives.

The consultation paper proposes that the Bank will focus on long-term patient capital missions, with an overall vision of achieving a step-change in growth for the Scottish economy. Effective measurement of the impact on the economy over a longer time period will be important in determining the Bank's success and value for money. This may include considering the "counterfactual" of what economic growth would have been had the Bank not been created, the opportunity cost of not investing funds in other ways to support the economy, and its relative contribution to economic growth compared to other government initiatives. There should also be specific and demonstrable performance measures to determine progress against the Bank's missions. These will enable greater scrutiny of the Bank's activities, and transparency in assessing its progress and role in developing the Scottish economy.

The paper also states that the Bank will have a different risk appetite compared to other private-sector financiers. The Risk Strategy will need to be clear on what this risk appetite is,

² [The 2017/18 audit of the Scottish Government Consolidated Accounts](#), Audit Scotland, September 2018

³ [The Green Investment Bank](#), National Audit Office, December 2018

⁴ This is equivalent to the accountable officer in Scotland

⁵ [Managing Public Money](#), HM Treasury, 2013

which is particularly important given that public finances are being used. This is will be set out in the Investment Strategy and should be subject to further scrutiny by Ministers.

A more complete understanding of how much money has been committed across all devolved public services to long-term investment is important when taking future tax raising and investment decisions. A better understanding of the overall assets and liabilities of the Scottish Public Sector is also likely to help better inform decisions over the investment strategy of the Bank itself. Our 2017/18 audit of the Scottish Government consolidated accounts highlighted that the Scottish Government needs to quicken the pace of its development of a public consolidated account.⁶

Audit arrangements

The consultation paper proposes that the Bank should follow the requirements of the Scottish Public Finance Manual, and all other statutory duties and requirements of public bodies. A key aspect of this is ensuring that the accounts and activities of the Bank are subject to public audit. This will include a requirement for the annual report and accounts of the Bank to be sent to the Auditor General for Scotland for auditing in accordance with the provisions of the Public Finance and Accountability (Scotland) Act 2000.

⁶ [The 2017/18 audit of the Scottish Government Consolidated Accounts](#), Audit Scotland, September 2018

MEETING: 8 NOVEMBER 2018

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

STATUTORY PERFORMANCE INFORMATION: DRAFT 2018 DIRECTION

Purpose

1. This report proposes a draft 2018 statutory performance information Direction to act as a basis for consultation with stakeholders with a view to subsequent publication by the Commission in January 2019.

Background

2. Section 1(1)(a) of the Local Government Act 1992 (the 1992 Act), gives the Accounts Commission the power to direct (as it thinks fit) relevant bodies to publish such information relating to their activities in any financial year or other specified period as will, in the Commission's opinion, "facilitate the making of appropriate comparisons (by reference to the criteria of cost, economy, efficiency and effectiveness and of securing Best Value in accordance with section 1 of the Local Government in Scotland Act 2003) between:
 - i. the standards of performance achieved by different relevant bodies in that financial year or other period; and
 - ii. the standards of performance achieved by such bodies in different financial years or, as the case may be, other periods."
3. Such information is also to facilitate the drawing of conclusions about the discharge of those bodies' functions under the Community Empowerment (Scotland) Act 2015 (in essence, carrying out community planning for the "improvement in the achievement of outcomes").
4. While this power pre-dates its powers in relation to Best Value, the Commission has in recent years used this power to emphasise what it sees as the importance of councils reporting performance to their citizens and communities. Its current approach is used to complement and add value to its powers of auditing Best Value and carrying out national performance audits.
5. Until 2012/13, the Commission exercised this power by publishing annual performance information on all Scottish councils by way of statutory performance indicators for a range of main council service areas¹, together with council profiles and a compendium of council performance².
6. Towards the end of the last decade, the Commission took the view that the local government community should take greater ownership of the public performance reporting and performance benchmarking agenda. For that reason, the Commission endorsed and supported the development of the SOLACE and COSLA-led local

¹ Including - adult social work, benefits administration, corporate management, cultural and community services, education and children's services, development services, housing, police and fire, protective services, roads and lighting, waste management - <http://www.audit-scotland.gov.uk/performance/service/>.

² <http://www.audit-scotland.gov.uk/performance/council/>.

government performance benchmarking framework (LGBF) project. This reflected a commitment on behalf of the Commission to supporting sector-led improvement. It was consistent with the Crerar principle that the primary responsibility for demonstrating [effective] performance should rest with service providers, based on robust performance management and outcome-focused self-assessment³.

7. On that basis, the Commission's annual 2008 and 2012 Directions marked significant phases in this change of approach. In 2008, the number of statutory performance indicators reduced from 58 to 25, and in 2012 up to 2015 the Commission further reduced the number of statutory performance indicators to three. This shift reflected an acknowledgement of the local government community's commitment to publish a suite of comparative performance benchmarking data and the progress that was being made towards this.
8. At its meeting on 11 June 2015, the Commission once again considered its strategy on performance information. It considered options for reshaping the Direction, as shown in **Appendix 1**. It agreed to endorse a strategy incorporating the following principles:
 - A longer-term statutory performance information (SPI) Direction.
 - A recognition of the increasing maturity of, and the Commission's support for the further development of, the LGBF.
 - Addressing how additional information that the Commission requires councils to publish, beyond that specified by the LGBF, links with the Commission's Best Value interests.
 - Incorporating the assessment of councils' approaches to public performance reporting as an integral element of the new approach to auditing Best Value, rather than undertaking separate assessments of this aspect of councils' performance.
9. At its subsequent meeting on 12 November 2015, the Commission agreed:
 - To revise the SPI Direction to reflect the Accounts Commission's expectations in relation to public performance reporting under the new Best Value audit approach, and another to ensure continued council reporting of the LGBF (thus two statutory performance indicators).
 - The proposal that the 2015 SPI Direction be for a three-year period, with the Commission reviewing this annually.
10. At its meeting on 10 December 2015, the Commission approved a three-year SPI Direction as set out in **Appendix 2**.
11. We are now reaching the end of the period covered by the current SPI Direction. The Commission is therefore required to review its strategy in relation to its powers under the 1992 Act and thus consider publishing a new Direction.

2018 review

12. As part of this review, an exercise has been undertaken to review the responses by councils to the 2015 Direction.

³ The Crerar Review: the report of the independent review of regulation, audit, inspection and complaints handling of public services in Scotland, Scottish Government, 2007.

Previous reviews

13. Between 2011 and 2015, an annual review was undertaken to assess individual councils' responses to the Direction, looking at councils' public performance reporting and a framework of quality themes relating to the Commission's statutory performance indicators, such as whether there was:
 - a structured approach to public performance reporting, with clear presentation of information
 - effective use of customer satisfaction information
 - a balanced picture of performance
 - a good use of comparators
 - a good use of financial and cost information
 - evidence of the council's dialogue with the public
 - evidence of the accessibility of information.
14. This exercise provided an in-depth assessment of each council's approach to responding to the Direction and to public performance reporting. It set out a range of improvements, both across councils and for each individual council. It therefore provided councils with a useful improvement agenda in reporting their performance to their public, and was highly regarded by councils. The exercise was, however, resource-intensive, and when the Commission revised its SPI strategy in 2015, it dispensed with this individual assessment, given that public performance information would be part of a new revised approach to auditing Best Value.
15. Nevertheless, in recent dialogue with the Scottish Performance Management Forum⁴ (SPMF) and the LGBF Board, councils have advised that they have continued to find the previous assessment a valuable source of reference, particularly in pointing to good practice.

Current review

16. For the purpose of reviewing the Commission's 2015 Direction, a review of councils' response and their progress with public performance reporting has been undertaken. This review is based mainly around three activities:
 - A desktop review of council websites, particularly on the reporting of performance information.
 - A review of 2017/18 annual audit reports (AARs).
 - A review of Best Value Assurance Reports (BVARs).
17. The outcome of the reviews have been discussed with council stakeholders, notably the SMPF, the Board of the LGBF, and SOLACE. (A more formal consultation on the draft agreed by the Commission today will also be undertaken – see paragraph 42).
18. There follows a summary of the findings of each of these review activities in turn.

⁴ The Scottish Performance Management Forum brings together officers from all 32 Scottish councils with an aim of improving performance management practice.

Council website review

19. A desktop review of all 32 council websites was undertaken from June to August 2018. It was designed as a random 'snapshot' of how councils are fulfilling their responsibilities. Councils do of course make use of other mediums - such as council newsletters, council tax leaflet, routine feedback to service users such as parents about school performance, and social media - to report their performance to the public. For the purpose of this exercise, however, a reasonable assumption has been made that councils should be making effective use of their websites as a primary vehicle for the reporting of their performance to the public in an easily accessible way.
20. The lines of enquiry pursued in the review are set out in **Appendix 3**. In summary, findings suggest that councils have generally responded well to the requirements of the Direction, with no evidence to suggest that any council is responding unsatisfactorily. There is however variation between councils as to the degree of response. This variation has helped, along with other aspects of review activity described below, to identify aspects of how a new iteration of the Direction can help councils make further progress in this regard.
21. A summary of findings is below:

Accessibility of performance information
<ul style="list-style-type: none"> • Councils largely provide an easily accessible source of performance information at council-wide level.
<ul style="list-style-type: none"> • There is room for improvement in the ease of navigation of websites.
<ul style="list-style-type: none"> • There is scope for such information being more up-to-date and current.
Reporting on improving local public services
<ul style="list-style-type: none"> • There is scope for more provision of information on the performance and improvement of council services.
<ul style="list-style-type: none"> • More balanced reporting could be achieved through greater consistency in reporting areas for improvement and actions to address these.
<ul style="list-style-type: none"> • The use of key performance indicators could be improved further to more effectively capture progress made.
Reporting on partnership working
<ul style="list-style-type: none"> • Performance information is far less prevalent for partnership working.
<ul style="list-style-type: none"> • While the review notes progress councils have made with local outcome improvement plans (LOIPs)⁵, it is too early to assess whether reporting against LOIPs is effective.
Reporting on improving local outcomes
<ul style="list-style-type: none"> • There is substantial scope for better reporting of progress against outcomes.

⁵ The Community Empowerment (Scotland) Act 2015 requires community planning partnerships (CPPs) to publish (and report publicly progress towards) a local outcome improvement plan which sets out the local outcomes which the CPP will prioritise for improvement and identifies smaller areas within the local authority area which experience the poorest outcomes (which are set out in a locality plan to improve outcomes for these communities).

Reporting on engagement and consultation
<ul style="list-style-type: none"> All councils have an easily accessible place for people to find information on consultative activity, but there is variation in how results, and the council's response to these results, is reported.
<ul style="list-style-type: none"> There is significant variation in how councils are providing information on engagement activities.
<ul style="list-style-type: none"> Councils are good at reporting performance against complaints.
Reporting on Best Value
<ul style="list-style-type: none"> Some councils have given prominence to their BVARs, but evidence of reporting Best Value performance beyond BVARs – such as performance reported in AARs - is much less prevalent.
Reporting on equalities
<ul style="list-style-type: none"> There is a good focus on equalities in the reporting of performance.
Reporting on LGBF
<ul style="list-style-type: none"> All councils incorporate their performance against LGBF into their wider performance reporting.
<ul style="list-style-type: none"> All councils report comparative performance beyond LGBF.

22. The evidence behind these findings is set out in **Appendix 4**.

Review of annual audit reports

23. I have reviewed auditors' current assessment of councils' approaches to public performance reporting. Annual planning guidance issued to auditors on behalf of the Commission requires them to consider the Commission's strategic audit priorities in planning their audit work, one of which is 'the quality of councils' reporting of their performance to enhance accountability to citizens and communities'.

24. I have therefore reviewed all 32 council AARs for audit year 2017/18, reported to councils and the Controller of Audit in October 2018. We have found that:

- All 32 AARs include commentary on performance reporting at the council, but there is variation in the level of detail provided. The majority of AARs include descriptions of the performance arrangements in place. 30 out of 32 AARs refer to the SPI Direction.
- 13 AARs conclude that SPI arrangements at the council are satisfactory.
- Seven AARs conclude that public performance reporting arrangements are satisfactory without specifically concluding on SPI arrangements.
- Eight AARs conclude that there are areas for improvement within the council's performance reporting arrangements, with examples including using fewer but better measures and making information more accessible.
- Four AARs do not provide a conclusion in relation to public performance reporting or the SPI Direction.

25. The variation in depth of auditors' assessment in this regard reflects the core features of the integrated audit, of risk and proportionality, bringing together the strategic audit priorities and statutory responsibilities of the Commission with local risk priorities identified by the auditor. Current planning guidance for auditors, based upon the Code of

Audit Practice, requires auditors to prepare a five-year audit plan around the characteristics of Best Value. If the Commission approves a new SPI Direction, then this will be reflected in the corresponding guidance (see paragraph 36 for the years that a new Direction will cover).

26. Of the eight where the need for improvement is noted or required, they suggest:
- Better and more accessible performance indicators (Angus)
 - Fewer but better key measures (Dumfries and Galloway)
 - Longer term indicators (Falkirk)
 - More current information (Moray)
 - Better performance management arrangements (North Lanarkshire)
 - More reference to performance in the council annual report (Renfrewshire)
 - Performance reporting too positive focussed and not highlighting areas of poor performance (Shetland)
 - A more readable annual performance report (South Lanarkshire).
27. In summary, this part of the review exercise has also helped identify aspects of potential further improvement in councils' response to the SPI Direction as well as to their duties in relation to public performance reporting.

Review of Best Value Assurance Reports

28. There have been 11 BVARs published so far. **Appendix 5** sets out extracts from the 11 BVARs which relate to statutory performance information or public performance reporting. Nine of the 11 BVARs provide an assessment of the council's approach to public performance reporting. Of these, only once has the Commission used its findings to highlight an area of improvement in this regard.
29. BVARs so far have therefore presented a generally positive assessment of councils' approaches to public performance reporting. None of the BVARs make direct reference to the council's approach to fulfilling the requirements of the SPI Direction. It will be important, therefore, that the Commission's interest in ensuring that its SPI Direction is being fulfilled features in its approach to assessing Best Value. This can be discussed further with the Controller of Audit as we take forward our approach to auditing Best Value.

Informal feedback

30. Paragraphs 41 and 42 below propose the process for a formal consultation with stakeholders on the draft Direction. Discussions have, however, already been taking place informally with stakeholders, including SOLACE, the LGBF Board and the SPMF. General feedback has indicated stakeholders':
- Support for the current strategy of the Commission providing a descriptive rather than a prescriptive approach to its Direction.
 - Desire for more clarity around some of the requirements, particularly relating to Best Value and the role of the LGBF.
 - Desire for a clearer link between the Direction and councils' Best Value duties in relation to public performance reporting.

Overall conclusions

31. A summary of overall conclusions to be drawn from the 2018 review exercise is thus:

- Councils are responding well to the 2015 Direction and therefore there is a strong case for maintaining the strategy of the Commission that it uses its powers in the 1992 Act to continue to encourage sector-led improvement through a descriptive rather than prescriptive approach.
- Councils all report, to varying degrees, performance information that can be compared over time and across different bodies.
- Nevertheless, there is significant variation in the degree to which councils are satisfying the requirements of the Direction.
- There is scope for the Direction to be clearer about how councils can:
 - Set out, and report on progress against, outcomes agreed with partners and communities.
 - Report the performance of services for which they have prime responsibility.
 - Report progress against their Best Value duty.
- In its new approach to auditing Best Value, the Commission has placed emphasis on the self-awareness of a council; in other words, how the council evaluates itself. It may therefore be appropriate to give self-evaluation more prominence in the Direction.

32. The outcome of the 2018 review exercise, therefore, is a proposal that the overall shape of the Direction be retained, with revisions as follows:

- Making a clearer distinction between a council's performance against its desired outcomes (both in relation to its services and those for its communities) and its arrangements for demonstrating Best Value.
- In relation to services and wider outcomes, while acknowledging that many such desired outcomes are made in conjunction with partners and communities, encouraging councils to use their public performance reporting responsibilities to demonstrate (and as appropriate explain the context for) progress against such outcomes.
- In relation to Best Value, giving more prominence to the council's own assessment of its progress and that of auditors and the Commission (thus giving more prominence to auditing Best Value by making reference to assessments set out in BVARs and AARs).
- Ensuring that councils take cognisance of statutory Best Value guidance in relation to public performance reporting, and in particular:
 - Encouraging councils to ensure balance in their reporting.
 - Encouraging councils to ensure timeousness in their reporting (in other words, developing more of a continuous process rather than an annual event).
- Encouraging councils to report all benchmarking activity beyond the LGBF.

33. All of these revisions recognise a core finding of the review work done in this regard that some councils already fulfil many of these requirements, and so the Direction can encourage further improvement across all councils.

34. A new draft Direction is proposed as in **Appendix 6**. While the options previously considered by the Commission (see Appendix 1) can still be considered, it is suggested that our review indicates that the current approach of two statutory performance indicators has been effective, but that there is scope for them being reshaped to make more of a distinction for the public between:
- The council's performance in improving local services and local outcomes
 - Assessments of the how the council is performing against its duty of Best Value, both by the council itself and by auditors and the Accounts Commission.
35. The positive momentum that our review work demonstrates suggests that the three-year period covered by the current Direction has been effective. It is therefore proposed that such a timeframe be applied to a new Direction.
36. It is worth noting that a new Direction would first apply to the year ending 31 March 2020. It is suggested, however, that auditors be encouraged, in their dialogue with councils, to point councils to the terms of the new Direction to help them further refine their approaches to responding to the Direction and improving their approaches to public performance reporting.

Statutory guidance on public performance reporting

37. The proposed Direction refers to statutory guidance in relation to Best Value. The Commission will be aware that, as part of developing its new approach to auditing Best Value, the Commission recommended to the Scottish Government that the current Best Value statutory guidance published in 2003 should be refreshed (in conjunction with COSLA to recognise the previous bipartisan approach taken to developing the current guidance). This remains ongoing. It is therefore proposed that the Commission, in publishing its Direction, request that this task be expedited, but meantime, to note that the current statutory guidance remains fit for purpose.

Joint boards

38. The Commission's powers under the 1992 Act allow the Commission to direct bodies "as it thinks fit". Relevant bodies include joint committees and boards for which it has responsibility (of which there are currently 32). In practice, the audit of joint committees and boards is consistent with the principles of risk and proportionality that the Commission applies throughout its audit responsibilities.⁶ It is therefore proposed that the Commission does not apply the Direction to joint committees and boards. The Controller of Audit receives annual audit reports from all 32 joint committees and boards, just like he does for all councils and IJBs. He can therefore use his annual assurance and risks report, reported to the Commission on conclusion of his review of annual audit reports, of any significant matter in this regard. This allows the Commission, if it feels appropriate, to consider if it wishes specific matters to be pursued further in the annual audit.

Health and social care integration authorities

39. At its meeting on 12 November 2015, the Commission considered whether its SPI powers under the 1992 Act extended to health and social care integration authorities.

⁶ Paragraph 53 of the [Code of Audit Practice](#) states that "planned audit work should be risk based and proportionate to the nature and size of an audited body. Where the application of the full wider scope is judged by auditors not to be appropriate to an audited body then annual audit work should be undertaken that enables conclusions to be made on (i) the appropriateness of the disclosures in the governance statement and (ii) the financial sustainability of the body and the services that it delivers over the medium to longer term.

Relevant bodies under this piece of legislation include any local authority, joint board or joint committee, within the meaning of the Local Government (Scotland) Act 1973 (the 1973 Act). The Commission noted that legal advice sought in this regard indicated that the Commission does not have this power. Lawyers had concluded that the definition of joint board set out in the 1973 Act does not include integration authorities (even though integration authorities created under the Public Bodies (Joint Working) (Scotland) Act 2014 had been established as local government bodies for the purposes of accounts and auditing under section 106 of the 1973 Act).

40. It should be noted however that auditors are required to comment in AARs for integration joint boards on how they are meeting their Best Value duties. Progress of health and social care is also subject of a joint performance audit with the Auditor General to be published in November.

Consultation on the draft Direction

41. Section 2 (3) of the 1992 Act requires the Commission to consult with 'such associations of relevant bodies and such other persons as it sees fit' before giving a direction which imposes a new requirement on any relevant body. It is for the Commission to determine which associations and bodies it wishes to consult and the manner in which it will undertake any consultation activity.
42. As noted in paragraph 17 above, the Commission has already consulted informally with SOLACE, the LGBF Board and the SPMF. It is proposed that, given the prominence that the Commission wishes to place on its powers in this regard, the Commission now consult formally with these three bodies along all councils and COSLA, in order to seek views before approving its Direction. It is also proposed to write to the Scottish Government to keep it apprised of progress.

Next steps

43. It is proposed that the Commission consider a draft Direction following the above consultation at its meeting in January 2019, with a view to publishing the draft Direction by the end of the year.

Conclusion

44. The Commission is asked to:
 - a) Note the review of councils' progress against the requirements of the 2015 SPI Direction.
 - b) Agree the terms of the proposed three-year Direction as set out in Appendix 6, to be applied first in the year ending 31 March 2020.
 - c) Agree that this forms the basis of formal consultation with stakeholders as set out in paragraph 42.
 - d) Agree to consider the results of this consultation and a draft Direction at its January 2019 meeting, with a view to publishing the new Direction shortly thereafter.
 - e) Agree to request the Scottish Government to expedite the refresh of current Best Value statutory guidance (as explained in paragraph 37).

Paul Reilly
Secretary to the Commission
2 November 2018

APPENDIX 1:

PROS AND CONS OF OPTIONS FOR THE 2015 SPI DIRECTION

Option	Pros	Cons
<p>No significant change to SPI Direction</p>	<ul style="list-style-type: none"> • Provides continuity for councils and could be presented as continuity of the Commission’s existing SPI strategy • Retains a relatively significant role for the Commission and its SPI regime 	<ul style="list-style-type: none"> • Does not demonstrate alignment of the SPI regime with the Commission’s new approach to auditing Best Value • Does not demonstrate evidence of the Commission adapting its SPI regime in response to the increased maturity of the LGBF.
<p>Revision of SPI Direction to better reflect the Commission’s new approach to auditing Best Value retaining separate SPIs 1 (corporate) and 2 (service), plus SPI 3 (LGBF reporting).</p>	<ul style="list-style-type: none"> • Retains a relatively significant role for the Commission and its SPI regime • Could address some of the issues raised in the June Commission report about the added value of the “Commission’s” SPIs (ie 1 and 2) alongside the LGBF • Provides the opportunity for the SPI regime to better reflect local priorities and councils’ individual improvement agendas • Provides an opportunity to better align the language of the SPI Direction with the Commission’s new approach to auditing BV 	<ul style="list-style-type: none"> • Creates the risk that as the LGBF continues to develop over time new areas of overlap and duplication between the ‘Commission’s’ SPIs and the LGBF will emerge • Does not demonstrate evidence of the Commission adapting its SPI regime in response to the increased maturity of the LGBF
<p>Revision of SPI Direction to introduce a single SPI that reflects the Commission’s PPR expectations under the new BV audit approach, plus and SPI that requires continued reporting of the LGBF by councils</p>	<ul style="list-style-type: none"> • Is most likely to meet the Commission’s ambitions of aligning the SPI regime more closely with the new BV audit approach • Provides the opportunity for the SPI regime to better reflect local priorities and councils’ individual improvement agendas • Would also bring the Direction more closely in line with the existing statutory guidance on PPR • Would send a powerful signal about the Commission’s ongoing commitment to sector-led improvement • The Commission retains the power to change the Direction at any time it sees fit if it is unsatisfied with further progress made by LGBF 	<ul style="list-style-type: none"> • Could be seen as diminishing the significance of the Commission’s role in relation to SPI • More local flexibility might present challenges when making performance comparisons between different local authorities • Would require effective ongoing engagement with the LGBF Board to assure the Commission that: <ul style="list-style-type: none"> ○ Sufficient progress is being made to refine and improve the LGBF (eg development of customer satisfaction indicators and outcome data for children and older people) ○ Councils are using the LGBF performance data to improve performance in comparison to others in their family group.

APPENDIX 2

2015 SPI DIRECTION

The Publication of Information (Standards of Performance) Direction 2015

Local Government Act 1992

Statutory Performance Indicators

December 2015

A new approach to the SPI regime

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish for performance comparison and benchmarking purposes. This responsibility links closely with the Commission's Best Value audit responsibilities.

Whilst recognising the importance of these powers the Commission believes that high quality Public Performance Reporting (PPR) and performance benchmarking will only occur if there is ownership of this agenda as part of a culture of continuous improvement within local government. For this reason, since 2008 the Commission has taken steps to develop a more flexible approach to its statutory performance information role. Our 2008 Direction reduced the number of statutory indicators from 58 to 25. Since then, the Commission has endorsed and supported the development of the local government performance benchmarking framework (LGBF), and to reflect this, in 2012 we further reduced the number of indicators to three. The Commission's position reflects a commitment to supporting sector-led improvement. It is also consistent with the Crerar principle that the primary responsibility for demonstrating [effective] performance should rest with service providers, a principle which is reflected in the Commission's strategy 2013-16.

Three years on, the Commission recognises that it is time to reflect further on progress and how our approach to the statutory performance information (SPI) regime should be taken forward in the longer-term. On that basis, this year we reviewed our approach to the SPI regime in the context of ongoing improvements in councils' approaches to PPR and the increasing maturity of the LGBF project. As part of that process we also considered how the SPI regime could be more effectively aligned with our new integrated approach to auditing Best Value.

The Commission has adopted a new SPI strategy incorporating the following principles:

- A longer-term statutory performance information Direction from 2015.
- Reflecting the increasing maturity of, and the Commission's ongoing support for the further development of, the LGBF within the SPI Direction.
- Incorporating the assessment of councils' approaches to PPR as an integral element of the new approach to auditing Best Value, rather than as a separate assessment of this aspect of councils' performance, which has been the case in recent years.

We are significantly streamlining the SPI regime and aligning SPI and PPR activity within our new approach to auditing Best Value. This decision was made to signal clearly to the local government community how we are reflecting the increasingly mature approach to sector-led improvement in our SPI regime. As part of this new approach, we want to better reflect the impact that councils are making on their communities and how they are contributing to improved outcomes for local people.

This new 2015 Direction sets out a streamlined and more flexible set of performance information for the 2016/17 financial year that the Commission requires councils to collect and report in public. Councils will be required to publish the required information from the financial year ending 31st March 2017 each year through to the financial year ending 31st March 2019.

However, the Commission is clear that councils' approaches to benchmarking and PPR need to be comprehensive and reflect local improvement priorities. This means that simply complying with the LGBF is not enough in itself to satisfy councils' PPR obligations. In addition, the Commission wants to see evidence that councils are using benchmarking information to improve their performance.

Although this will be a three-year Direction the Commission will continue to engage with the LGBF Board and monitor the ongoing development of the LGBF and will review progress with the LGBF and councils' reporting of performance on an annual basis.

The Commission hopes our new approach will be welcomed by councils and their partners.

Douglas Sinclair
Chair of the Accounts Commission for Scotland
December 2015

LOCAL GOVERNMENT ACT 1992

THE PUBLICATION OF INFORMATION

(STANDARDS OF PERFORMANCE) DIRECTION 2015

1. This Direction is given by the Accounts Commission for Scotland (“the Commission”) under section 1(1)(a) of the Local Government Act 1992, which requires the Commission to direct relevant bodies to publish such information relating to their activities in any financial year or other specified period as will, in the Commission’s opinion:

“facilitate the making of appropriate comparisons (by reference to the criteria of cost, economy, efficiency and effectiveness and of securing best value in accordance with section 1 of the Local Government in Scotland Act 2003) between –

i. the standards of performance achieved by different relevant bodies in that financial year or other period; and

ii. the standards of performance achieved by such bodies in different financial years or, as the case may be, other periods”

2. This Direction is given to all local authorities and to joint committees and joint boards, as defined by the Local Government (Scotland) Act 1973, and amended by the Local Government etc. (Scotland) Act 1994.

3. Each of the bodies referred to in paragraph 2 shall, in accordance with section 13 of the Local Government in Scotland Act 2003 and associated regulations and guidance from Scottish Ministers, publish the information specified in the schedule to this Direction for all those activities which are carried out by the body

4. The periods for which the information in the schedule must be published are the financial years ending 31st March 2017, 2018 and 2019.

5. In the schedule, the term ‘Best Value’ shall be interpreted in accordance with the definition and requirements of Part 1 of the Local Government in Scotland Act 2003.

Schedule

Achievement of Best Value

SPI 1: Each council will report a range of information setting out:

- Its performance in improving local public services (including with partners).
- Its performance in improving local outcomes (including with partners).
- Its performance in engaging with communities and service users, and responding to their views and concerns.
- Its performance in achieving Best Value, including its use of performance benchmarking; options appraisal; and use of resources.

Local Government Benchmarking Framework

SPI 2: Each council will report its performance in accordance with the requirements of the Local Government Benchmarking Framework.

APPENDIX 3:

CRITERIA FOR REVIEW OF COUNCIL WEBSITES

Overall review

- Is there an easily accessible page or section that reports council performance?
- Is there an easily accessible annual performance report at corporate level and is there more frequent information reported?
- Is there similar for service performance?
- Is there similar for the performance of the community planning partnership?
- Does the council specifically report information against the Statutory Performance Information Direction?
- Is there easily accessible information on how the council responds to complaints?
- Is there easily accessible information on how the council responds to consultation?
- Are equality impact assessments easily accessible?

SPI 1.1 Service improvement

- Is there easily accessible information on the performance across primary service areas?
- Does this include good references to partnership working?
- Does this include how performance has improved (or otherwise)?
- Does this include setting out areas for improvement?
- Does this include the reporting of actions taken or planned for improvement?
- Is there easily accessible information on complaints and response to complaints?
- Is there easily accessible information on how the council has consulted with its communities and service users, and how it has acted about this engagement?

SPI 1.2: Outcome priorities

- Does the council set out outcome priorities clearly and consistently?
- Is there easily accessible information on performance against outcomes?
- Is there easily accessible information on performance against equalities outcomes?

SPI 1.3 Community engagement

- Reporting on community engagement /empowerment
- Reporting on response to – what council is doing/ have done

SPI 1.4 Best Value

- Is there easily accessible information on:
 - Change programmes
 - Self-assessments /service reviews
 - Inspections
 - Performance benchmarking
- And is there easily accessible information on performance against these above?

- Is there easily accessible information on the how resources (money, people, property) are used; changes on how resources are used, and reasons for such change?

SPI2 reporting on LGBF

- Is there a link to the LGBF website?
- Is LGBF data used within the Council's public performance reporting?
- Do the council's performance indicators go beyond LGBF?
- Is LGBF benchmarking information used to report improvement activity

APPENDIX 4:

SUMMARY OF FINDINGS FROM REVIEW OF COUNCIL WEBSITES

Observation	Evidence
Accessibility of performance information	
<p>Councils largely provide an easily accessible source of performance information, at council-wide level.</p> <p>There is room for improvement in the ease of navigation of websites.</p>	<ul style="list-style-type: none"> • All councils have a council performance section on their website, but there is a wide variation in the content. • Some areas for improvement are noted. For example: <ul style="list-style-type: none"> ○ performance information provided is incomprehensive, outdated or both ○ access to further information is not available or not clearly signposted ○ the search function on some of the websites does not work well or is not provided. • Around 90 per cent of councils provide an annual performance report on their website. Of these, about 90 per cent relate to the latest year available (2016/17 for this exercise). • Annual service performance reports are available in around 80 per cent of councils. About 80 per cent of these reports relate to 2016/17. • Some councils provide supporting documents in relation to their public performance reporting. Over a quarter of councils have included a performance management framework on their website, setting out their planning and performance monitoring arrangements. A few present a performance reporting schedule. • SOCITM rates user experience on council website performance by evaluating accessibility and usability. This includes testing tools for accessing content (e.g. the search function) and assessing the user experience to obtain the information on a specific service area. While the scope of analysis is wider than our exercise, the 2016/17 evaluation found that service information is generally easy to find but how users can navigate the website could be improved further.
<p>There is scope for such information being more up-to-date and current.</p>	<ul style="list-style-type: none"> • Just under half of councils provide updates on their service performance more than once a year. • Less than a quarter of councils report council-wide performance more than once a year.

Observation	Evidence
Reporting on improving local public services	
<p>There is scope for more provision of information on the performance and improvement of council services</p> <p>More balanced reporting could be achieved through greater consistency in reporting areas for improvement and actions to address these.</p> <p>The use of key performance indicators could be improved further to more effectively capture progress made.</p>	<ul style="list-style-type: none"> • Annual service performance reports are available in around 80 per cent of councils. About 80 per cent of these reports relate to 2016/17. • Around two-thirds of councils consistently highlight areas for improvement and actions to address these at service level. In most of these, actions are reported for underperforming indicators. • Where councils report progress against individual actions, the process is generally well explained, such as the progress of specific projects. • Key performance indicators form a core part of monitoring progress. The review noted some areas for improvement, including: <ul style="list-style-type: none"> ○ The rationale and criteria for key performance indicators and targets are not always provided in performance reporting while this can be found in planning documents. ○ Narratives are not always adequately provided and do not always sufficiently explain change in key performance indicators.
Reporting on partnership working	
<p>Performance information is far less prevalent for partnership working.</p>	<ul style="list-style-type: none"> • CPP performance information is less available and less up-to-date than the council equivalent. About 60 per cent of CPP annual performance reports are available from the council website and /or a dedicated CPP website, with just over half of them providing information for 2016/17. • There is a significant variation in the information provided on CPPs in terms of how much information is given, how up-to-date it is and to what extent localised information is provided. • Overall, few CPP websites are as well-structured and well-developed as council websites.

Observation	Evidence
<p>While the review notes progress councils have made with LOIPs, it is too early to assess whether reporting against LOIPs is effective.</p>	<ul style="list-style-type: none"> Local Outcome Improvement Plans (LOIPs) are available across the CPPs. Information on locality plans are accessible in around three-quarters of CPPs. Where LOIPs and locality plans are available, a community engagement process to create plans is well-demonstrated within these plans or on council or CPP websites. Audit Scotland, together with Improvement Service and NHS Health Scotland, reviewed the LOIPs, recognising “definite progress” made against the expectations of the Community Empowerment Act. The review also noted that detail needed for the implementation of the LOIPs is still to be developed, for example, detail on progress reporting, partnership working and community engagement.
Reporting on improving local outcomes	
<p>There is substantial scope for better reporting of progress against outcomes.</p>	<ul style="list-style-type: none"> Over half of councils clearly map out linkages between priorities at CPP, council and service level. For the remainder, the alignment of corporate outcome priorities to CPP priorities and service priorities is not always consistently reported or clearly presented. Council outcome priorities are easily accessible on council websites for all councils. Around 90 per cent of them clearly report performance against these priorities. Few councils include the overall assessment of progress against high-level outcomes. About a quarter of councils outline areas for improvement or priority areas against high-level outcomes.
Reporting on engagement and consultation	
<p>All councils have an easily accessible place for people to find information on consultative activity, but there is variation in how results, and the council’s response to these results, is reported.</p>	<ul style="list-style-type: none"> All councils have a consultation webpage, typically including completed and current consultations. Consultation webpages are not always the place to find consultation results. In around a third of councils, consultation results are not available on the consultation webpage. A few councils do provide consistent reporting of consultation results. For the remainder of councils, the results tend to only be provided for consultations affecting a large number of people but rationale for which consultation results are reported on or not reported on is unclear. Consultation results can be found in other locations, including performance reports and service plans. They may also be found on webpages, detailing relevant topics.

Observation	Evidence
<p>There is significant variation in how councils are providing information on engagement activities.</p>	<ul style="list-style-type: none"> • Most councils present the results of a wide range of methods of community engagement. This includes citizens' panel survey results measuring customer satisfaction on council services. • Information provided on community engagement varies in terms of what is included, how much information is given, and how up-to-date it is. • For example, information on community asset transfer is easily available in around 90 per cent of councils and about two-thirds of councils provide information on participatory budgeting. Participatory budgeting is more likely to be reported through board papers or as a news topic rather than on a designated webpage.
<p>Councils are good at reporting performance against complaints.</p>	<ul style="list-style-type: none"> • In nearly 90 per cent of councils, their annual complaint performance is available on the council website. Performance is typically presented against the Scottish Public Services Ombudsman indicators, which includes customer satisfaction and lessons learnt. This means that performance is comparable between councils. • Complaint procedures are consistently well explained on the council website across councils.
Reporting on Best Value	
<p>Some councils have given prominence to their BVARs, but evidence of reporting Best Value performance beyond BVARs – such as in AARs - is much less prevalent.</p>	<ul style="list-style-type: none"> • For the purposes of the review, we looked at the availability of the BVARs and AARs. • All eleven BVARs published to date are available on the council website. Seven reports are in the performance section of the website and the remainder are not in the performance section but reported as news. • Around half of AARs are reasonably accessible on the relevant council website. They are most likely located in the finance section, followed by the performance section. A few of them are only accessed through searching. • Details and examples of redesigning services are provided at service and corporate level, but the overall picture which explains changes made and the direction of travel is not always clearly presented. This is most likely explained because Best Value covers a range of activities and the information is typically not in one place, outwith the performance section on council websites. Also, the scope of this exercise does not include looking at corporate strategies in relation to council finance, workforce and assets.

Observation	Evidence
Reporting on equalities	
<p>There is a good focus on equalities in the reporting of performance</p>	<ul style="list-style-type: none"> • All councils report progress against equality outcomes but how to measure progress, eg targets, is not always included. • Partnership working and community engagement are presented well in relation to equality outcomes. • Addressing inequalities is frequently noted outwith equality outcome reports. eg Equality outcomes form one of council outcome priorities in over a third of councils. Socio-economic inequalities, such as closing attainment gap, tackling health inequalities and making a fairer society is often included in performance reporting. Going forward, tackling inequality is underlined as an overarching theme for CPPs.
Reporting on LGBF	
<p>All councils incorporate their performance against LGBF into their wider performance reporting (link)</p>	<ul style="list-style-type: none"> • All councils provide a hyperlink to the LGBF mylocalcouncil webpage (though the link is broken for one council). • More than 80 per cent of councils report how LGBF data is used for improvement activity. In about a third of these councils, there is substantial inconsistency in reporting such activity across the service areas. • Over three-quarters of councils provide a detailed analysis of their performance in terms of LGBF measures on their website, with around 70 per cent of these reports relating to 2016/17. More than 60 per cent of the reports available consistently mention improvement actions against indicators across the service areas.
<p>All councils report comparative performance beyond LGBF</p>	<ul style="list-style-type: none"> • All councils use a range of performance indicators, including LGBF and local performance indicators.

APPENDIX 5:

EXTRACTS FROM BVARs IN RELATION TO PUBLIC PERFORMANCE REPORTING

<p><u>Inverclyde</u> (June 2017)</p>	<p>The council uses performance information effectively and reporting to the public and councillors is regular and balanced</p> <p>Information on how Inverclyde Council is performing is publicly available on the performance page of its website. Information is gathered from statutory performance indicators, local government benchmarking framework indicators and other sources and is presented in corporate and service-level summaries. The site provides access to useful one-page graphic snapshots.</p> <p><i>No relevant recommendations or Commission findings.</i></p>
<p><u>Renfrewshire</u> (August 2017)</p>	<p>The council reports performance to the public in a range of ways.</p> <p>The council reports information on its performance through its website. It also prepares an annual performance report, <i>It's all about you</i>, based on its statutory performance indicators. The council recently sought feedback on its performance reporting to the public. As a result, the council has refreshed how it presents this, to make it easier to find and read. It is also available in multiple languages and formats.</p> <p><i>It's all about you</i> focuses on a select number of indicators which it considers the public most wants to know about. The council reports performance against the full set of 68 indicators in the LGBF to the Audit, Scrutiny and Petitions Board. While this more detailed information is in the public domain through board reports and service improvement outturn reports, it is not easy for people to find.</p> <p>The council should consider how it can make details of its performance as well as other public reports including <i>It's all about you</i> easier for people to find, through better signposting on its website.</p> <p><i>No relevant recommendations or Commission findings.</i></p>

East Renfrewshire

(Nov 17)

The council provides a wide range of performance information to the public

The council has a well-developed approach to reporting its performance to the public. On the council's website, the performance section follows a template recommended by the Improvement Service and hosts a wide range of performance information. It includes mid- and year-end performance reports for the council as a whole, as well as annual performance reports for departments, since 2013/14.

The council's annual performance reports are designed for the public and are based on a selection of performance indicators intended to give an overview of the council's performance. The public can also view a more comprehensive range of performance information including links to external sites such as the Improvement Service website. Additional documents and information about what specific services are working on are made available online; such as inspectorates' reports, the ODP and relevant updates to the SOA. In addition, performance reports are submitted in public to the Cabinet and the Community Planning Partnership (CPP) every six months; and annually to the Council.

The council continues to seek ways of improving its handling of PPR. In 2014/15 it posted an animated video instead of a written report, to appeal to a wider audience.⁸ The 2015/16 report returned to a written format but further developed the use of infographics. This was developed taking into account feedback from an Audit Scotland PPR evaluation in 2015 and an internal PPR evaluation exercise in 2016, drawing on the Best Value toolkit on PPR.

No relevant recommendations or Commission findings.

West Lothian

(November 2017)

The council publishes a range of performance information in accessible formats but could further improve the content by providing information on trends and targets

An annual performance report is publicly available for each council service, detailing progress against performance indicators and council targets. These include trend charts, normally covering a five-year period, and comment on factors that have influenced the trend in performance. The reports contain indicators under four broad categories: customer results; service standard; efficiency; and effectiveness. Presenting indicators across all four categories is an effective way of providing a comprehensive overview of service performance. Where available, the council includes information on comparator authorities to provide additional context on the council's performance.

The council's flagship public performance reporting document is Factfile. Published annually, this presents selected performance aligned to the eight corporate priorities. As we reported in 2005, the council's public performance reporting tends to focus on positive aspects of performance, only highlighting positive changes, or high-profile investment, rather than also including areas for improvement. The document has been refined each year and is easily understood, using design features such as infographics to explain how the council is performing.

In addition to this annual report, prior to the 2017 election the council provided an end of term report on performance within their quarterly newsletter Bulletin. This is printed and delivered to every household and also available online. The council website can translate documents into a range of languages, audio output and can resize content, helping to ensure that performance information is available to people with specific needs. The subset of performance published in Factfile (and the 2017 end of term report) does not refer to targets or how specific council actions have contributed to improved performance. This can make it difficult to assess how the council is contributing to improving outcomes.

As well as Factfile, the council makes a range of performance information available on its website relating to service performance and linked to themes identified within the corporate plan. Although the council publishes comprehensive performance information, the main public performance publications report mainly on key achievements and investments under each corporate priority. Little information on trends and targets is provided to inform the public and to support scrutiny of annual changes in performance.

No relevant recommendation.

Commission finding: It is (also) important that public information is balanced and demonstrates the links between actions and outcomes for local people.

<p><u>Orkney</u> (December 2017)</p>	<p>Reporting performance to the public has improved</p> <p>In 2008, we assessed public performance reporting as 'underdeveloped'. In recent years, the council has improved this through learning from other councils. Council officers state that the most significant improvements were made in 2013/14. These improvements include developing and introducing specific pages on the council's website for public performance reporting. The council publishes an Annual Performance Report on its website. This shows the council's performance towards meeting the objectives set out in its council plan. This also illustrates performance against LGBF indicators and compares performance against the previous year and the Scottish average for each indicator. The standard of annual performance reporting has improved in recent years.</p> <p>In 2016, the council consulted its community about performance reporting. This revealed that the public had a high interest in the council's performance but generally lacked awareness of the public performance reporting pages on the council's website. In response, the council is enhancing how it reports performance by using social media more effectively.</p> <p><i>No relevant recommendations or Commission finding.</i></p>
<p><u>Clackmannanshire</u> (January 2018)</p>	<p>None.</p> <p><i>No relevant recommendations or Commission finding.</i></p>

<p>Fife (May 2018)</p>	<p>New performance management arrangements are being developed.</p> <p>In November 2017, the council issued a public performance report (PPR) on its performance in 2016/17.⁷ The information included a Red, Amber, Green (RAG) assessment of its performance on 56 measures relating to three high-level target outcomes.</p> <p>In 2009, the Accounts Commission said ‘For the future, we consider it essential that effective performance information is in place to underpin improvements in service delivery.’</p> <p>Since 2009, the council has improved its approach to providing performance information to elected members and the public. The 2016/17 year was the final period that the council reported its performance against the previous council and community plans. The council produced an accessible, graphics-rich summary of selected performance highlights along with a comprehensive and detailed analysis. The information was provided to the Fife Partnership Board in November 2017; Fife Council’s Scrutiny Committee in December 2017; and published on the council’s website.</p> <p>The performance management framework that the council has since proposed for the Plan for Fife includes different levels of monitoring and reporting:</p> <ul style="list-style-type: none"> • An annual State of Fife report will address a set of high-level indices about how the important aspects of life in Fife are faring. • Progress in delivering the four outcomes and 12 ambitions in the Plan for Fife will be reported annually to the Fife Partnership Board and relevant council committees. • The expected change against each of the 24 areas of focus will be monitored, with a clear statement of the expected change over the first three years of the Plan for Fife. <p>The development of a performance framework is a significant step for the council and its partners, but they are yet to develop indices that will be used to assess a baseline position.</p> <p>In order for the monitoring of the expected change in the 24 areas to be effective, the council with its partners should set out the key actions they need to take. These actions should be clear and measurable, with a target implementation date. It will also be important for public performance reporting to provide residents with clear information on the council’s performance.</p> <p><i>No relevant recommendations or Commission finding.</i></p>
<p>East Ayrshire (May 18)</p>	<p>None.</p> <p><i>No relevant recommendations or Commission finding.</i></p>

<p><u>West Dunbartonshire</u> (June 2018)</p>	<p>The council has effective systems in place to monitor performance and drive continuous improvement</p> <p>Public performance reporting focuses on the 2012-17 strategic priorities and is available on the council’s website. Performance is displayed in several formats including:</p> <ul style="list-style-type: none"> • three performance wheels that give a general overview of progress using a red, amber and green scale • a document with infographics that highlight targets the council has met and missed • a table that details specific progress made against targets <p>The performance reporting offers a clear analysis of targets that the council has missed and met, along with historical trend information. It may also benefit from providing a summary of the journey of performance in each area and future plans for improvement, alongside the detailed performance indicator report.</p> <p><i>No relevant recommendations or Commission finding.</i></p>
<p><u>Glasgow</u> (August 2018)</p>	<p>The council has well-developed public performance reporting</p> <p>The council’s approach to reporting its performance to the public is well developed. Performance information is reported through the council’s website. The public can also view a more comprehensive range of performance information including links to external sites such as the Improvement Service.</p> <p>The council prepares an annual performance report designed for the public based on a selection of performance indicators. The 2016/17 annual performance report provided information on overall performance and key targets. Each council service also compiles an annual service plan and improvement report (ASPIR). Each ASPIR sets out the plans for the coming years and reports on previous performance.</p> <p>The council reports every year on a set of Statutory Performance Indicators (SPIs) and against wider set of indicators in the LGBF. Performance is reported to the council’s scrutiny committees.</p> <p>The council seeks ways of improving its use of public performance reporting. For example, the council recently asked for feedback through the 2017 household survey. It plans to update the structure and content of the 2017/18 annual performance report as a result of this feedback. The council also carried out a recent review of corporate performance management arrangements and reported to the Operational Performance and Delivery Scrutiny Committee in December 2017. The review identified ten recommendations for improvement. The recommendations centre around the links between council plans, connecting strategic objectives with measurable outputs, embedding a performance management culture, issuing clear guidance and making its public performance reporting more consistent.</p> <p><i>No relevant recommendations or Commission finding.</i></p>

East Lothian

(November 2018)

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

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?' report on the council's website.

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.

Recommendation: In delivering its vision, the council should report the benefits the Transformation programme projects are having for customers and communities; and the savings that are being realised.

No relevant Commission finding.

APPENDIX 6:

PROPOSED PUBLICATION OF INFORMATION (STANDARDS OF PERFORMANCE) DIRECTION 2018

LOCAL GOVERNMENT ACT 1992

THE PUBLICATION OF INFORMATION

(STANDARDS OF PERFORMANCE) DIRECTION 2018

1. This Direction is given by the Accounts Commission for Scotland (“the Commission”) under section 1(1)(a) of the Local Government Act 1992, which requires the Commission to direct relevant bodies to publish such information relating to their activities in any financial year or other specified period as will, in the Commission’s opinion:

“facilitate the making of appropriate comparisons (by reference to the criteria of cost, economy, efficiency and effectiveness and of securing best value in accordance with section 1 of the Local Government in Scotland Act 2003) between –

i. the standards of performance achieved by different relevant bodies in that financial year or other period; and

ii. the standards of performance achieved by such bodies in different financial years or, as the case may be, other periods”

2. This Direction is given to all local authorities, as defined by the Local Government (Scotland) Act 1973, and amended by the Local Government etc. (Scotland) Act 1994.

3. Each of the bodies referred to in paragraph 2 shall, in accordance with section 13 of the Local Government in Scotland Act 2003 and associated regulations and guidance from Scottish Ministers, publish the information specified in the schedule to this Direction for all those activities which are carried out by the body

4. The periods for which the information in the schedule must be published are the financial years ending 31st March 2020, 2021 and 2022.

5. In the schedule, the term ‘Best Value’ shall be interpreted in accordance with the definition and requirements of Part 1 of the Local Government in Scotland Act 2003.

Schedule

Each council will report a range of information in the following areas:

Statutory Performance Indicator 1: Improving local services and local outcomes

- Its performance in improving local public services, both provided by itself and in conjunction with its partners and communities.
- Progress against the desired outcomes agreed with its partners and communities.

The Commission expects the council to report such information to allow comparison (i) over time and (ii) with other similar bodies (thus drawing upon information published by the Local Government Benchmarking Framework and from other benchmarking activities).

Statutory Performance Indicator 2: Demonstrating Best Value

- Its assessment of how it is performing against its duty of Best Value.
- Audit assessments of its performance against its Best Value duty, and how it has responded to these assessments.

- In particular, how it (in conjunction with its partners as appropriate) have engaged with and responded to its communities, including hard-to-reach communities.

In satisfying the requirements set out in this schedule, the Commission expects the council to take cognisance of current statutory guidance on Best Value requirements in relation to public performance reporting, and in particular to ensure:

- Balance in reporting areas of improvement that have been achieved and not achieved.
- As much timeousness and currency as is practical.

MEETING: 8 NOVEMBER 2018

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

BEST VALUE ASSURANCE REPORT: DUMFRIES AND GALLOWAY 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 Dumfries and Galloway 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 Dumfries and Galloway Council. This is the first BVAR on the council and reports on the progress made by the council since previous Best Value reports. The Controller of Audit reported to the Accounts Commission on the council in March 2009. The Commission's findings were published in March 2009 and are set out in Appendix 2.

The Controller of Audit report

4. 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).
5. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
 - the accounts of local authorities audited under the Act;
 - any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and
 - the performance by a local authority of their statutory duties in relation to best value and community planning.
6. A copy of the report is being sent to the council, which is obliged to supply a copy to each elected member of the council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the council it is effectively in the public domain.
7. The report concludes with a series of recommendations proposed by the Controller of Audit which are to be part of the Commission's considerations.

Procedure

8. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:

- direct the Controller of Audit to carry out further investigations
 - hold a hearing
 - state its findings.
9. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.
10. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence and judgements presented in the report. This is done in the public part of the Commission meeting.
11. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform the council of its decision, which the Commission does before making the decision public.

Conclusion

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

Paul Reilly
Secretary to the Commission
31 October 2018

APPENDIX 1: BEST VALUE ASSURANCE REPORT: DUMFRIES AND GALLOWAY COUNCIL

See separate paper.

APPENDIX 2: AUDIT OF BEST VALUE AND COMMUNITY PLANNING: DUMFRIES AND GALLOWAY COUNCIL, MARCH 2009 – FINDINGS

1. The Commission accepts this report on the performance of Dumfries and Galloway 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. The report identifies serious weaknesses at Dumfries and Galloway Council which would be of concern in any circumstances. They are all the more concerning given the significant challenges facing the council, which make it essential that action is taken as a matter of urgency to move the council forward.
3. We acknowledge that the council provides a good lead in community planning and, together with its partners, has a clear vision for the area, with a new focus being provided by the Single Outcome Agreement. Local area committees work well, a number of major projects have been delivered, and the council has sound traditional financial controls.
4. However, there are a number of areas of particular concern to the Commission:
 - There is a weakness in both political and managerial leadership. Political leadership over a number of years has not provided clear strategic direction. Senior managers have not provided clarity or coordination in the delivery of strategic objectives. Strategic planning and management is largely ineffective in practice.
 - Service performance is mixed and overall the rate of service improvement is well below the Scottish average.
 - The council does not have effective performance management or a culture of continuous improvement.
 - There is a lack of clarity about councillors' responsibilities for scrutinising performance and little political leadership in performance management.
 - Corporate arrangements for the effective and efficient management of the council's staff are not properly developed.
5. While the council has been aware for some time of its corporate weaknesses, little has been done to remedy them. We urge the council to take the opportunities being presented as a result of impending changes in managerial leadership. We look forward to receiving an improvement plan from the council which addresses the weaknesses identified in the Controller of Audit's report and which focuses on improving leadership and direction. Particular attention should be paid to:
 - improving the education and development of councillors to provide them with the tools to carry out their corporate and strategic responsibilities
 - making performance management effective and establishing a culture of continuous improvement
 - improving elected members' scrutiny of performance
 - increasing the pace of change in services and making them more efficient.

Dumfries and Galloway Council

Best Value Assurance Report



Prepared for the Accounts Commission by the Controller of Audit

November 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.

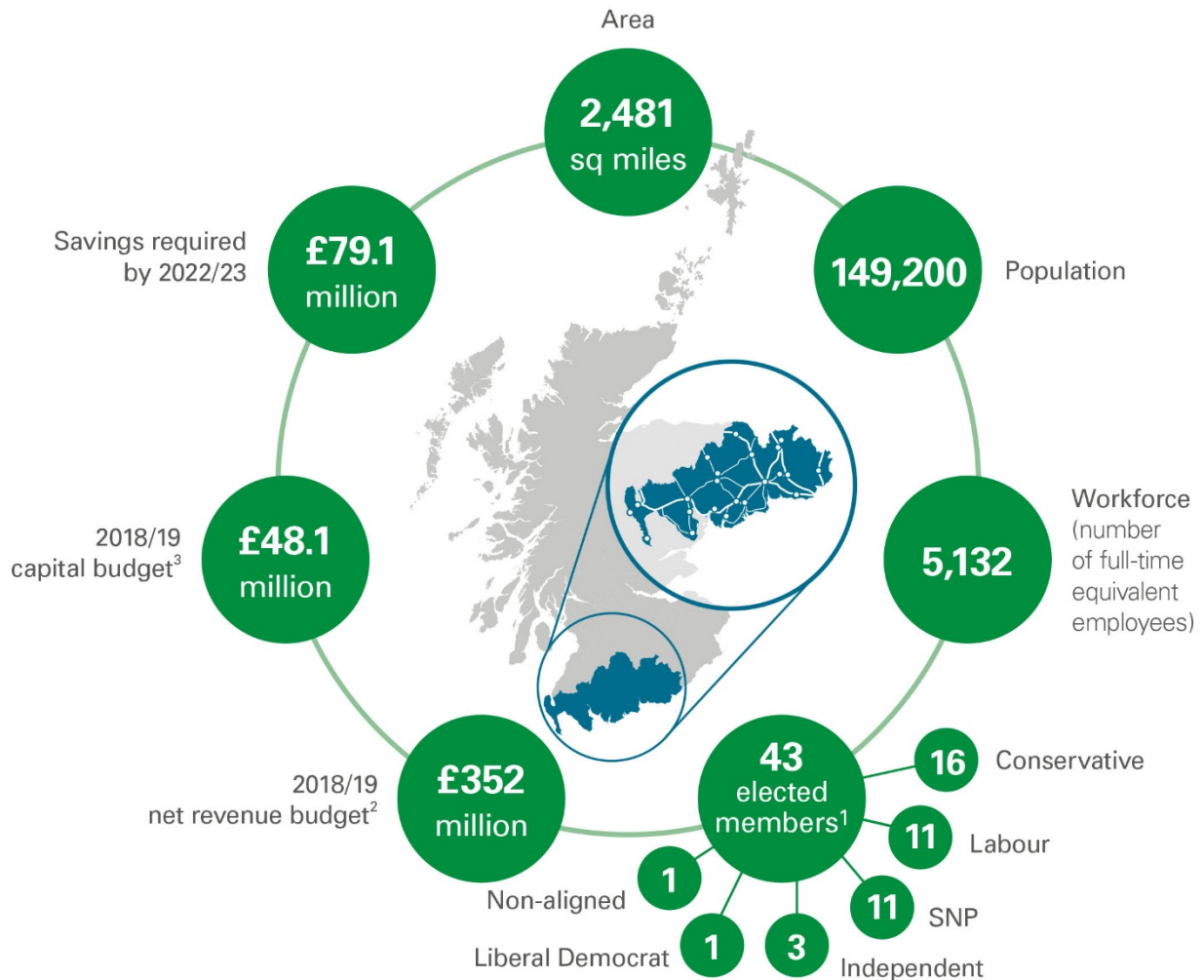
You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission

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

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Key facts



Notes:

1. Labour-SNP partnership.
2. Covers day-to-day costs like salaries.
3. Covers the cost of major projects, such as schools and roads.

Audit approach

1. The statutory duty of Best Value was introduced in the Local Government in Scotland Act 2003. The audit of Best Value is a continuous process that forms part of the annual audit of every council. Findings are reported each year through the Annual Audit Report. In addition, the Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. This is the first assurance report on Dumfries and Galloway Council. The findings from the previous Best Value report on the council in 2009 are summarised in Part 5. The council's recent history and Best Value audit timeline is outlined in Appendix 1.

2. This report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, focusing particularly on the Commission's Strategic Audit Priorities. We are looking for councils to demonstrate Best Value by showing they are continuously improving how they provide services. The pace and depth of this improvement is key to how well councils meet their priorities in the future.

3. Our audit approach is proportionate and risk-based; that is, it reflects the context, risks and performance of the individual council. It also draws on the intelligence gathered from audit and scrutiny work carried out in previous years. In keeping with this approach, we did 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 senior officers.

4. This helped us identify the key areas of focus for our audit (Exhibit 1):

Exhibit 1

Key areas of focus for our audit



The council's vision and priorities – how it aims to improve things for the people it serves in rural, remote and urban communities



Financial sustainability and planning – how well it's planning its finances now and for the future

Governance, openness and transparency – how well it's run, its checks and balances and how it's held accountable



Performance management, including outcomes and trends – how well it measures what it's doing to improve services for local people and how this has changed over time

Partnership working – how well it's working with its partners, such as other public bodies, local businesses, third sector and community groups



Community engagement and empowerment in a remote and rural context – how it consults and involves local people in providing local services, in particular to rural and remote communities



Service and improvement activity – what the council is doing to be sustainable for the future and improve how local council services are being provided

Elected member involvement and engagement – what the council is doing to ensure effective decision-making

Source: Audit Scotland

5. We did the detailed audit work for this report in June and July 2018. Our work included:

- interviewing elected members and senior officers
- focus groups with staff
- observing a range of committee meetings and community engagement events
- reviewing documents
- analysing data.

6. The audit work was carried out by a joint team from Audit Scotland and Grant Thornton UK LLP, the appointed auditor. The 2017/18 Annual Audit Report of Dumfries and Galloway Council was completed in September 2018 and will be available on Audit Scotland's website from December 2018. Where appropriate, relevant findings are included in both the annual audit report and this Best Value Assurance Report. Audit work in future years, performed as part of the annual audit, will include a follow-up on the findings from this report as well as additional 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, officers and stakeholders contacted during the audit.

Key messages

- 1.** Dumfries and Galloway council has made good progress since our last audit in 2009. It now has a clear strategic direction, underpinned by effective leadership and systems in place for planning, monitoring and continuing to improve.
- 2.** The council's priorities have been maintained over five administrations and are reflected in council plans, strategies and policies. There is a clear link between the strategic priorities and the key challenges for the region.
- 3.** The pace of improvement at the council increased from 2014 and must now increase again. The council has saved £86 million since 2010/11. Its current financial strategy estimates that it will need to make an additional £79 million savings by 2022/23. Achieving this will be challenging and elected members will need to make difficult decisions about services. Effective leadership from officers and elected members will be required so the council can transform at the pace needed.
- 4.** Workforce planning needs to develop further. The council has had a workforce strategy since 2011 but has only had workforce plans for each directorate since September 2018. It now needs an overarching workforce plan that is linked to its agreed financial strategy and savings plans.
- 5.** The 2009 report outlined community engagement as a strength. This continues to be the case. Working with local communities is part of the culture of the council and it is implementing its arrangements for community empowerment. The council works well with its partners and is committed to further developing its relations with local community councils, the third sector and other partners, including the South of Scotland Enterprise Agency and Borderlands.
- 6.** There has been a significant programme of improvement activities. Since 2010/11, the council has made savings and generally maintained or improved services to the public. However, there are some inconsistencies in how it has applied its improved processes across directorates.
- 7.** National indicators show performance is mixed but indicators measuring services to the public have generally been maintained or improved. The council's response to underperformance varies. Its reported improvement actions are not always clear. The council and its community planning partners have received some critical external scrutiny reports on services for vulnerable people in the past.
- 8.** Performance management arrangements have improved since 2009 although these should be improved further. The indicators the council uses to monitor progress against some of its priorities could be more informative, performance reports do not always show long-term trends, and some targets and indicators change. This makes it difficult to assess progress against the council's long-standing priorities.

Part 1

Does the council have clear strategic direction?



The council has a clear strategic direction and is committed to priority areas which link to the challenges it faces. The council's priorities have been maintained over five administrations and are reflected in council plans, strategies and policies.

There is effective leadership of the strategic direction and good working relationships between members and officers.

The council has made good progress since our last Best Value audit in 2009.

The council is predominantly rural and faces a number of challenges

8. Dumfries and Galloway is the third largest council area in Scotland, and it is predominantly rural with no city. Many people live closer to cities in England or Northern Ireland than to a Scottish city. Internet connectivity is poor in some parts of the area. In 2018, 11 per cent of homes and businesses in Dumfries and Galloway were unable to connect to broadband download speeds of greater than 10 megabits per second, compared to five per cent nationally.¹ Ofcom reports this is the broadband speed necessary to deliver an 'acceptable user experience'.² Dumfries and Galloway has the third largest road network in Scotland, a significant coastline and large areas of forest. Providing services that meet the needs of different remote and rural communities at a time of reducing budgets is a particular challenge for the council.

9. Dumfries and Galloway council has the lowest wage economy in Scotland and the lowest skilled workforce.³ The average gross weekly pay in Dumfries and Galloway was £460.50 in 2017, compared with £547.70 in Scotland. The council is the largest employer and most businesses in the area employ nine people or fewer. Farming is a big industry and the council area accounts for 45 per cent of Scotland's dairy cattle.⁴ Forestry and tourism are also significant employers.

10. Dumfries and Galloway is one of 11 councils in Scotland where the population is set to decrease.⁵ Projections show the number of working age people in

¹ *Superfast broadband for Scotland*, Audit Scotland, 2018.

² *UK home broadband performance: a consumer summary of fixed-line broadband performance provided to residential consumers*, Ofcom, 2016.

³ *Official labour market statistics: earnings by residence*, NOMIS, 2017.

⁴ *Agriculture statistics: cattle*, The Scottish Government, 2016.

⁵ *Local Government in Scotland: Challenges and performance 2018*, Audit Scotland, April 2018.

Dumfries and Galloway will fall by almost 12 per cent between 2016 and 2041, compared to a one per cent increase nationally. In line with the rest of Scotland, the population is ageing, bringing additional demands for some services. As the Accounts Commission highlighted in [Local government in Scotland: Challenges and performance 2018](#), these factors have financial implications for councils:

- there will be fewer people to pay council tax
- a dwindling local workforce may make the area less attractive to businesses
- low population figures may make some services harder to sustain
- under current funding arrangements, councils with a projected decrease in population can also expect greater reductions to their national funding compared to councils with increasing populations.

The council has clear strategic priorities based on the needs of the area, underpinned by effective leadership

11. The council plan for 2017-22 sets out the council's vision, 'Dedicated to creating opportunity for all. We'll support ambition, promote and establish Dumfries and Galloway as the best place to live, work and learn.' This vision is supported by four priorities which are its strategic outcomes:

- build the local economy
- provide the best start in life for all children
- protect the most vulnerable people
- be an inclusive council.

There is a clear link between the strategic priorities and the key challenges for the region, such as the geography, low wage and skill economy and rural poverty.

12. Effective leadership and good working relationships from senior officials and elected members have ensured consistency in council priorities and direction over five different political administrations (Appendix 1). The council agreed its priorities in 2010 and these have been refined over time and largely reconfigured into the four priorities that were agreed in 2014. These priorities are supported by a number of commitments. Members and officers are committed to the council's strategic priorities which are reflected in council plans, strategies and policies.

13. The council structure changed during 2014/15, reducing from six departments to four directorates. The Strategic Leadership Team (chief executive and the four directors) work effectively as one team rather than individual directorates. This approach means they jointly agree plans and priorities and demonstrate shared ownership of decisions and effective leadership. This is a marked improvement since 2009 when we found a lack of strategic direction and leadership.

The council has successfully maintained a clear strategic direction through a series of political and structural changes.

Part 2

How well is the council performing?



National indicators show performance is mixed. Indicators measuring services to the public have generally been maintained or improved.

Performance management arrangements have improved since 2009 although these should be improved further. The indicators the council uses to monitor progress against some of its priorities could be more informative, performance reports do not show long-term trends, and targets and indicators change. This makes it difficult to assess progress against long-standing priorities.

The council's response to underperformance varies and reported improvement actions are not always clear. The council and its community planning partners have received some critical external scrutiny reports on services for vulnerable people in the past.

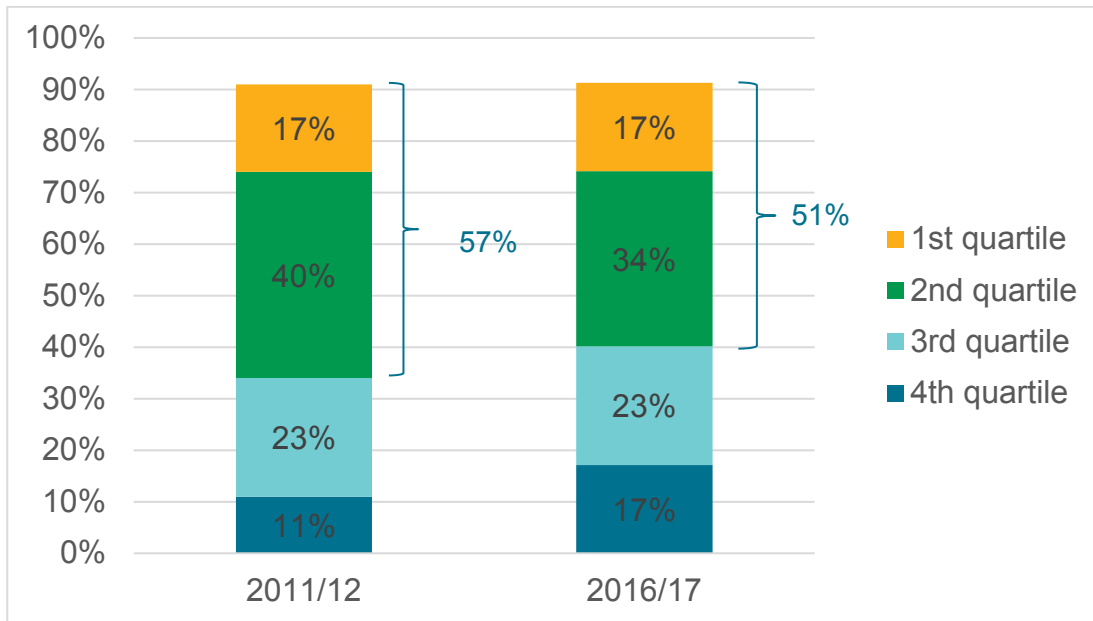
National indicators show performance is mixed

14. The Local Government Benchmarking Framework (LGBF) allows councils to compare their performance to the Scottish average for a variety of indicators. Dumfries and Galloway Council's performance compared to other councils fell slightly between 2011/12 and 2016/17. Over the six-year period the percentage of indicators where Dumfries and Galloway Council's performance was poor compared to other councils in Scotland increased by six percentage points. The percentage of indicators where its performance was above average (in the top two quartiles) reduced by six percentage points (Exhibit 2). Indicators measuring services to the public were generally maintained or improved.

Exhibit 2

Comparing Dumfries and Galloway Council's performance over time

The percentage of indicators where the council's performance was above average decreased from 57 per cent in 2011/12 to 51 per cent in 2016/17.



Notes:

1. Measuring council performance involved considering how all councils are performing, from lowest to highest, for each indicator. From this, it is possible to see how one council compares to all councils. Relative performance against other councils is divided into four equal bands, or quartiles. The first quartile contains the best-performing councils for that indicator and the fourth quartile includes the poorest performing councils.

2. This analysis is based on 35, single-year, mainly outcomes-based, indicators which were reported on as part of the Local Government Benchmarking Framework every year within the six-year period. Where the council does not hold data for indicators we have excluded these from our analysis, which is why the total is not 100 per cent.

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

15. The Accounts Commission's report, *Local government in Scotland: Challenges and performance 2018* selected eight indicators from the LGBF likely to be of significant interest to the public as they relate most directly to service performance. In line with national trends, Dumfries and Galloway Council has generally improved its performance against these indicators (Exhibit 3). Performance fell in one indicator, the percentage of adults with intensive care needs receiving care at home. However, in 2016/17 the council was the third best performing council in Scotland for this indicator. Performance improved in the remaining seven indicators, but the council is one of the poorer performing councils for recycling.

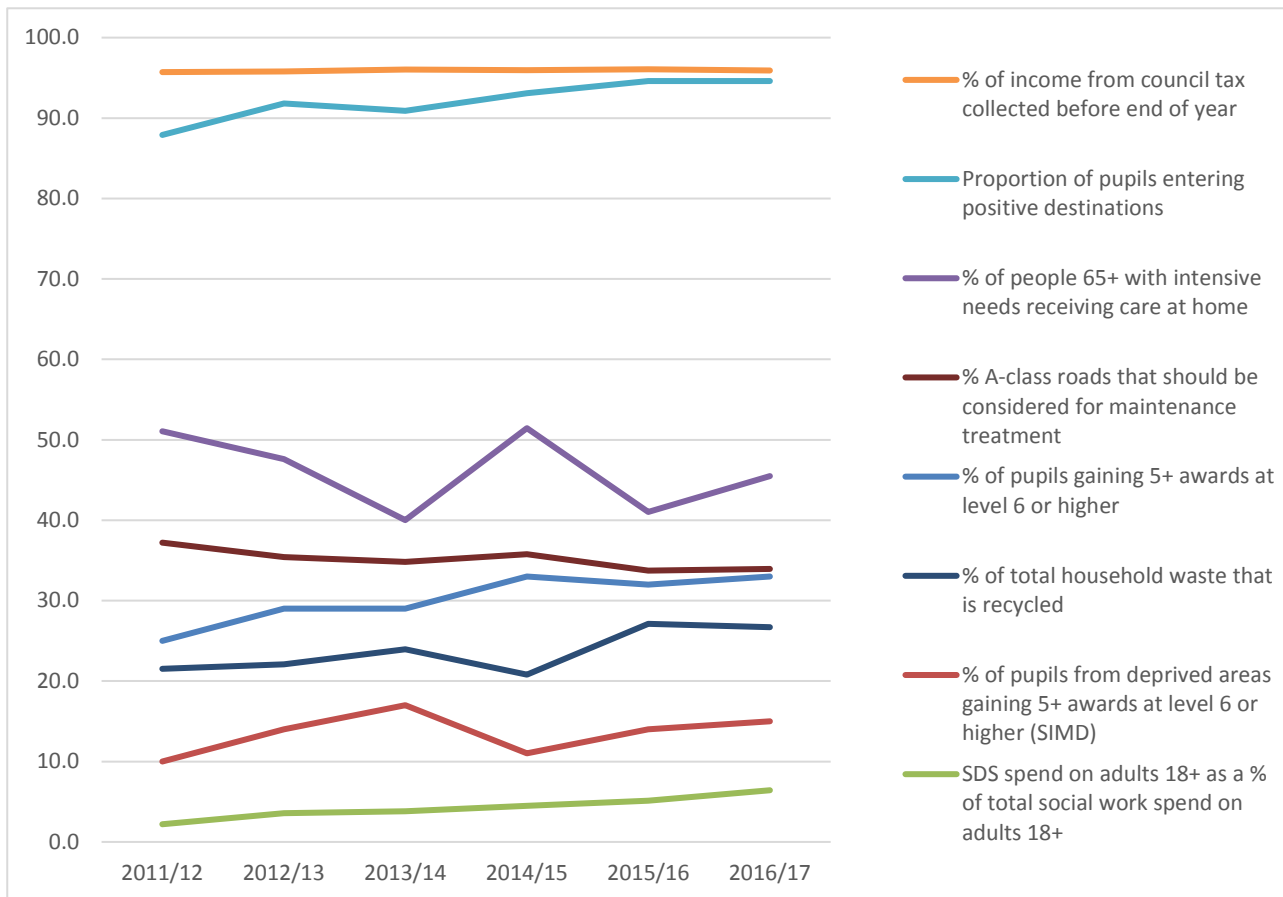
16. The council's poor performance in recycling is related to long-standing issues with its waste management contract. In 2004, the council signed a 25-year waste management contract that required all household waste to be collected in a single bin. Waste was taken to a central site and then sorted for recycling, composting and landfill. In 2012, the Scottish Government introduced new waste regulations that required recycling to be separated at the individual household level.⁶ As a result of the changing legislation the council has been reviewing its options in respect of the waste contract. In September 2018 it agreed to end the contract and bring the service back in-house, at a cost of £6.5 million. The appointed auditor will follow this up as part of the 2018/19 annual audit.

⁶ *The Waste (Scotland) Regulations 2012*, Scottish Government, 2012.

Exhibit 3

Performance against selected indicators, 2011/12 to 2016/17

Performance has improved on seven of the eight indicators over the last five years.



Notes:

1. The percentage of A class roads that should be considered for maintenance treatment indicator is measured over two-year periods. For example, 2012-2014 is plotted as 2013/14

2. Self-directed support (SDS) aims to give individuals who receive social care support, along with their carers and families, more choice over how their social care support is delivered. This is intended to improve outcomes for the individual.

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

17. The LGBF also shows that, in line with the national trend, satisfaction with most council services (except parks and open spaces) has declined over time. Satisfaction with leisure facilities has seen the biggest drop, falling by almost a fifth between 2014 and 2017. Less than half the population of Dumfries and Galloway are satisfied with their leisure facilities compared to three-quarters nationally. The council's own data also shows citizen satisfaction with council services has fallen in recent years, from 94 per cent in 2014/15 to 83 per cent in 2017/18.

The council should improve its performance management arrangements to make it easier to monitor progress against its long-standing priorities

18. In the 2009 Audit of Best Value and Community Planning, the Accounts Commission criticised the council's performance management arrangements. The council has made progress improving its performance management arrangements.

Performance indicators were agreed in 2010 and the council established an organisation-wide business planning and performance management framework in 2011. The council plan outlines clear links between the council's priorities and how it targets improvement projects to improve performance in these priority areas.

19. The council uses around 160 indicators and 50 improvement projects to monitor its performance. Progress against these is reported, by directorate, each month to the chief executive and twice a year to service and area committees. The council also reports some performance data at a local level to area committees.

20. Each year the council uses a subset of indicators and improvement projects to report progress against the priorities and commitments set out in the council plan. These performance reports are intended to summarise performance each year. They are clearly set out and include useful narrative. Since 2009, the council has also made progress in its public performance reporting and now has a useful online interactive tool.

21. However, the indicators the council uses to monitor progress against some of its priorities could be more informative. Council performance reports do not show long-term trend information, and targets and indicators change. For example, in the priorities and commitments reports for 2015/16 and 2016/17:

- 12 indicators (25 per cent) were removed
- four indicators (10 per cent) were added
- 14 targets (35 per cent) changed; nine were made more stretching and five were reduced. For example, the target for the percentage of homeless households permanently rehoused was reduced from 40 per cent of all social rented lets in 2015/16, to 20 per cent in 2016/17 and was increased back to 40 per cent in 2017/18.

There will be times when there is good reason for changes, but these should be clearly reported and kept to a minimum to allow for consistent reporting. These changes are confusing and make it difficult to assess progress in performance. The council should be able to maintain consistent performance indicators given the consistency of its strategic direction.

22. Given all the changes to measures and lack of trend information, it is difficult to come to a clear judgement on the council's performance. The council reported significant progress towards all its priorities in its 2016/17 annual priorities and commitments report. Our examination of the full set of indicators included in all directorate reports suggests that performance, although generally improving, is mixed.

23. The council should streamline all internal and public facing performance reporting to focus on fewer but better key measures. This would make it easier to monitor progress against long-standing priorities. Given the remote and rural nature of the council, it could also consider whether there is scope to report variation in local performance data to service committees to ensure they have that oversight. The council is facing a significant financial challenge and clearer reporting should help elected members better understand trends in performance and make informed decisions.

The council should streamline all internal and public facing performance reporting.

The clarity and speed of the council's response to underperformance varies

24. As part of its performance management arrangements, the council uses exception reporting for areas of significant underperformance. This ensures that the council identifies failing performance and agrees how to respond. There is evidence of the council taking improvement action to address some performance issues. For example, the council is well below its target for Community Payback Orders that start within seven days. In response it is working to improve information systems

and is piloting having social work staff in court to allow them to engage with the offender straight after sentencing.

- 25.** However, exception reports vary by directorate. Some of the improvement actions in the reports are unclear and some do not give reasons for failing performance, meaning lessons for the future may not be shared. For example:
- reports often cite recruitment as a reason for failing performance but do not make clear how the council will resolve the specific recruitment problem
 - there are significant delays in some improvement projects, but reports do not always give reasons for delays or improvement actions
 - sometimes the council reduces failing targets downwards, or removes them as not relevant, despite previous strong council performance. For example, growth in registered small and medium businesses was 255 in 2015/16 and fell to 150 in 2016/17 when the council discontinued the target. The council gave no explanation of why performance had fallen and removed the target, stating it was not a measure of solely council performance. Other measures that the council still monitors, such as number of VAT registered companies, are also not measures of solely council performance.

The council has received two critical inspections on services for vulnerable people

26. The council has been subject to a range of external inspections and scrutiny activity since 2009. In 2014, the Care Inspectorate published a highly critical report on services for vulnerable children provided by community planning partners in Dumfries and Galloway. The inspectorate reported that the council and its community planning partners had ineffective performance management arrangements and were not getting assurance that children and young people at risk of abuse and neglect were protected. The inspectorate recommended urgent action to ensure the protection of vulnerable children.⁷ In 2016, the inspectorate concluded that there had been progress in all areas for improvement and that a culture change was evident across all services.⁸

27. In 2014, the Scottish Housing Regulator raised concerns about the council's housing options and homeless service. The council took longer to respond effectively to these concerns. By 2016/17, the council had improved how quickly it responded to homeless applications. In 2017 the council allocated additional staff to its homeless service. It implemented a temporary housing options and homeless service improvement team to deliver improvements. One priority identified for improvement was to reduce the time that homeless households spend in temporary accommodation. Between 2016/17 and 2017/18 performance in this indicator improved from 108.6 days to 89.3 days. While the council has made improvements to the service, areas of risk remain. These include an increase in rough sleeping, repeat homeless applications and repeat homeless assessments. The regulator continues to monitor the service and work with the council to further improve it.

28. The improvements in performance in these services since the reviews in 2014 are positive, but the council and its partners were not sighted on the need for improvement in these services until this was raised by external scrutiny.

⁷ *Services for children and young people in Scotland*, Care Inspectorate, 2014.

⁸ *Services for children and young people in Dumfries and Galloway: progress review following an inspection*, Care Inspectorate, 2016.

Part 3

Is the council using its resources effectively?



The council has successfully identified and delivered savings, making over £86 million of savings between 2010/11 and 2017/18. Over the medium term the position is challenging, with the council estimating that it needs to make further savings of £79 million by 2022/23.

Given the financial pressures, elected members will need to make difficult decisions and demonstrate effective leadership and direction so that the council can transform at the pace needed to deliver the savings required.

The council has a transformation board that will be key in identifying savings options and business cases for change for members to discuss and approve. Members will need to make key decisions on the savings options, so they can agree the budget in February 2019.

In April 2018 the independent inquiry into DG One, the council's leisure complex in Dumfries, outlined a series of areas for improvement. The council has taken steps to learn lessons for future capital projects. In September 2018, the council took the decision to close the new North West Community Campus in Dumfries until independent assurances could be given on its safety.

Workforce planning needs to develop further. Although the council has delivered specific initiatives to address problems of an ageing workforce and to recruit the right talent, it has only had workforce plans for all directorates since September 2018. It now needs an overarching workforce plan that is linked to its agreed financial strategy and savings plans to deliver transformation.

Financial management arrangements have effectively supported the council to deliver savings

29. The council has managed its finances well and delivered £86 million savings between 2010/11 and 2017/18. Service committees and the council's Policy and Resources Committee monitor financial performance effectively.

30. Financial performance reported throughout the year is in line with the approved budget. The council has maintained its uncommitted general fund balance at two per cent of annual expenditure (£6.8 million). It had a general fund balance of £49 million as at 31 March 2018. Of this, £43 million is committed or earmarked for specific purposes. This includes £3.5 million in a corporate change fund to help deliver additional in-year changes, savings and efficiencies linked to member priorities over and above those built into the approved budget.

31. The council's five-year financial strategy 2018/19 to 2022/23 highlights the financial challenges it is facing. Between 2018/19 and 2022/23 the council will have a funding gap (the difference between its income and spending) of £79.1 million, approximately 22 per cent of its annual revenue budget. The funding gap reduces to £56.1 million when the anticipated annual increase in council tax of three per cent per annum is built into financial plans.

32. On 27 February 2018, the council agreed measures to reduce the three-year funding gap to £30.2 million, predominantly supporting the delivery of the financial plan in 2018/19 (Exhibit 4). The three-year funding gap is also based on an anticipated annual three per cent increase in council tax.

Exhibit 4

Budget gap over the next three years

	£ million
Underlying budget gap 2018/19 to 2020/21	47
Agreed savings measures	(16.8)
Budget gap requiring new savings measures	30.2

Source: Dumfries and Galloway Budget Paper, February 2018

33. The council acknowledges that delivering the savings required means it will not be able to deliver the same services at current levels. This will result in elected members needing to make difficult decisions. The council will need to make these decisions in early 2019 as planned so there is enough time to implement the plans.

34. The council has recognised the scale of the future financial challenges and established a transformation board to lead its modernisation programme. The membership and remit of the transformation board has evolved since it was originally established in 2014.

35. The transformation board includes elected members, trade unions and senior officers to provide strategic oversight. It will develop savings options and business cases for consideration and approval through the budget process in early 2019.

The council has a framework in place to identify and deliver savings, but elected members will need to make difficult decisions to agree where the savings will come from

36. The council has a framework in place to evaluate and manage transformational activity to achieve financial savings. As part of the budget process for 2018/19, it is producing information packs of savings options and business cases that will go to all members in December 2018 for their consideration. The options will also go out for public consultation before full council agrees the 2019/20 budget in February 2019. As part of this process the council will seek to get agreement for a three-year budget (2019/20 to 2021/22).

37. There is a risk that the plans prepared by officers through the transformation programme may not be accepted by members, and the council recognises that members will need to make difficult decisions related to future service provision. The savings options being identified will be evaluated against the council priorities and assessed based on the potential impact on services.

38. Recognising the level of savings required, it may be difficult for the council to maintain its focus on the strategic priorities without making compromises and changing the nature of the services provided by the council across diverse rural communities. Strong political leadership is required.

The council's capital investment strategy is aligned to key priorities

39. The council has a ten-year capital investment strategy up to 2025/26 which is updated annually. The strategy is developed around the council's strategic priorities and is effectively linked to its treasury management strategy and future costs of borrowing.

40. The focus continues to be investment in the council's education facilities contributing to the Dumfries Learning Town project. While some individual projects have been delayed, the overall capital programme has been delivered, with over 97 per cent of available funding used during the year.

The independent inquiry into DG One identified lessons for the council when undertaking major projects

41. In July 2017 the council commissioned an independent inquiry to examine its DG One leisure facility in Dumfries. This was in response to significant building safety concerns and construction failures. The report identified major problems with the design and construction of the building, and council failings in leadership and project management, both through the duration of the original project which started in 2006 and a subsequent remediation project.⁹

42. When the project was first approved by the council in 2006 construction costs were estimated to be £12.5million. DG One subsequently opened in 2008 and was then closed by the council in 2014 due to building defects. In 2015/16 the council reached a settlement with the contractor for £9.5 million. At that point this was based on the £11.4 million cost of remedial work to make the facility fully operational. At April 2018, the final cost of the DG One Project was estimated to be £33 million.¹⁰

43. The independent inquiry concluded that the council acted reasonably in accepting this offer, based on information available at the time, analysis and legal advice received. The inquiry sets out that given the circumstances and under the procurement strategy adopted, it would have been 'impossible' for the council to have foreseen the level of unidentified latent defects that were subsequently discovered. However, the inquiry did highlight that the council had missed opportunities to identify these.

44. The council has established an Executive Working Group to address the inquiry recommendations and has an action plan to deal with the issues it raised. While some of the project management and procurement issues reflected historic practices dating back to 2006 that the council no longer follows, it recognises there is scope for strengthening future project governance and decision-making. The appointed auditor will keep this under review in 2018/19.

The North West Community Campus in Dumfries was closed in September 2018 following safety concerns

45. In September 2018, the council took the decision to close the new North West Community Campus in Dumfries until independent assurances could be given on its safety. Members considered reports on the issue at the Children, Young People and Lifelong Learning Committee on 13 September 2018 and at full council on 25 September 2018. The Scottish Futures Trust is in the process of appointing a consultant to carry out root cause analysis of construction quality failure at North West Community Campus. This report will be due within two months of the consultants being appointed. In October 2018 the contractors indicated they plan to

⁹ *Report of the Independent Inquiry into the Construction of the DG One Complex in Dumfries*, Professor John Cole, April 2018

¹⁰ *Ibid*

complete necessary remedial works in December 2018. The council is continuing to keep this under review.

The council needs to further develop workforce planning

46. Workforce planning ensures councils have the right people with the right skills to deliver their priorities within their budgets. In 2009, we reported that the council had been slow to develop a workforce strategy. In 2011 it developed a strategy, and this was refreshed in 2015. The strategy required each directorate to produce a workforce and succession plan by 2016 which would be reviewed annually. Only one directorate, Corporate Services, had published a detailed directorate plan until September 2018, when workforce plans for all four directorates were published.

47. As the majority of council spend is on staff, it is likely that a significant proportion of its savings over the next few years will come from staff reductions and changes. In order to manage these changes effectively, the council needs an overarching workforce plan that is aligned and integrated to its financial strategy and savings plans.

48. Workforce and succession planning are particularly important for Dumfries and Galloway as the council has an ageing workforce, with over 44 per cent of staff aged over 50 years. Dumfries and Galloway Council runs a number of schemes to attract new talent and improve the skills of its current workforce. The council's 'Grow Your Own' scheme is retraining staff in areas that are struggling to recruit new staff, for example, it has been successful in filling teacher vacancies, something other councils struggle with. The scheme also attracts and trains new staff in posts that previously required professional qualifications at entry level, for example trading standards officers.

49. Improving employee engagement, for example by better communication and consultation, is one of the main themes identified in the 2015 workforce strategy. The council runs monthly staff surveys and each directorate regularly publishes staff newsletters and holds focus groups, engagement and feedback sessions across a range of services. In 2016/17, 84 per cent of responses in monthly surveys were positive. However, response rates to monthly surveys are generally low, at around 12 per cent.¹¹ There is evidence the council uses feedback from surveys and engagement sessions to share good practice and inform its decision-making. However, feedback from the selection of frontline staff we spoke to suggested that the extent to which staff feel engaged varies by directorate and area. There is also wide variation by directorate in the response rate to the monthly staff survey.

50. In 2017/18, the completion rate for annual staff performance development reviews ranged from 97 per cent in the Communities directorate to 62 per cent in the Economy, Environment and Infrastructure directorate. The council plans to refresh its performance development review policies and procedures in 2018/19 to improve staff engagement and completion rates across the council.

¹¹ Teaching staff do not complete the monthly staff surveys. They feedback through other routes.

Part 4

Is the council working well with its partners?



The council works well with its partners.

The council has embraced community engagement. Working with local communities is part of the culture of the council and it is implementing its arrangements for community empowerment.

Arrangements for integrated health and social care services are progressing well. The Community Planning Partnership has a clear focus on reducing inequalities.

The council is committed to wider, more strategic partnership working, with neighbouring councils and enterprise agencies, to support its priority of building the local economy.

The council is working to develop its partnerships with community councils and the third sector.

Working with local communities is part of the culture of the council

51. Listening to and working with communities is part of the culture of the council. It has established a community planning and engagement team and has a comprehensive community participation and engagement strategy.¹² Over 100 council officers, community planning partners and elected members have received training on best practice in community engagement since 2015. The council uses a range of ways to ensure communities are involved in decision-making. It holds public consultations on major policy decisions, involves communities in decisions about services, targets specific, seldom heard groups and uses the results to make change happen. For example, its Tackling Poverty Reference Group includes 30 people who have lived in, or are living in, poverty. The council uses their feedback to improve services by removing barriers for those living in poverty. The group has been involved in developing council and community planning partnership strategies, such as the homeless strategy and locality plan. It has also influenced the council's approach to tackling fuel poverty.

52. In 2016, the council created a new ward officer role for each of its 12 wards. Ward officers talk to and work with local communities, councillors and partners such as the third sector. They are located in wards and organise events for communities to engage with elected members on topics chosen by the communities. In May and June 2018, the council piloted 'community conversations' to encourage communities to influence spending and delivery of its 'Streetscene' services, which include grass cutting, floral displays, school crossing patrols, litter picking and burials. Ward officers led on these conversations. The council is

The council uses a range of ways to involve communities in decision-making.

¹² Community Participation and Engagement Strategy, Dumfries and Galloway Council, March 2017.

exploring how it can use community conversations in the future to gather feedback on other council services and budget decisions.

53. The council has made progress implementing the requirements of the **Community Empowerment (Scotland) Act 2015**. In 2017/18:

- nine **community asset transfers** had been completed. There were also 20 indications of interest (stage one applications) and four formal applications in progress (stage two)
- the council funded 20 **participatory budgeting** projects. These were all focused on efforts to tackle poverty
- the council received five expressions of interest for **participation requests** but did not receive any formal requests.

54. Supported by ward officers, communities are playing a greater role in prioritising and providing council services, building on the area's traditionally strong sense of community. In 2016/17, over 1,200 volunteers and 330 community groups helped to deliver the council's services. For example, the council has provided training and equipment to communities in Kirkconnel, so they can cut the grass within their community. Cuts are now alternated between the community and the council.

55. Despite significant efforts in community engagement, results of the 2016 Scottish Household Survey imply that the council could do more to help communities feel empowered. Of 250 respondents from Dumfries and Galloway only 11 per cent felt that they could influence decisions in the area (compared to 23 per cent nationally). This is a decrease of seven per cent compared to 2012, although it is based on small numbers.

The council is developing its partnerships with the community councils and the third sector

56. Community councils are statutory voluntary organisations run by local residents who represent their local area in dealings with the council.¹³ In April 2016, Dumfries and Galloway Council disestablished 36 community councils, following their failure to comply with the scheme of establishment, which sets out how they operate. In response to a number of complaints from community councils on the clarity of the process, the council carried out a series of public consultations to review the scheme between 2016 and 2018. Members agreed to implement the revised scheme in September 2018. The council hopes this will clarify relationships and help community councils in their role of coordinating communication between the council and local communities.

57. The council is also developing its relationship with the third sector. For example, in January 2018 Education Scotland reported that there was scope for improving the voice of community organisations in the area, and that while good informal networks exist, it was not always clear where the third sector should go for advice.¹⁴ In response, the council and its Community Learning and Development partners plan to improve the support they provide to the third sector and develop a more coordinated approach to volunteering. It is particularly important given the remote and rural nature of the region, and the reduced budgets, that the council works effectively with other organisations and groups such as community councils and the third sector to help achieve its priorities.

The Community Empowerment (Scotland) Act 2015 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:

Community asset transfers – where communities can take responsibility for land and buildings.

Participatory budgeting – where communities can have a say in how the council should spend money locally.

Participation requests – where people can ask to take part in decisions about council services.

¹³ *Community councils*, The Scottish Government, 2018.

¹⁴ *Inspection of Community Learning and Development in Dumfries and Galloway Council*, Education Scotland, January 2018.

The community planning partnership is working to reduce inequalities

58. The 2009 Best Value report found that the council and community planning partners shared a clear vision for the area. This continues to be the case. The Community Planning Partnership's (CPP's) vision is 'working together to create an ambitious, prosperous and confident Dumfries and Galloway where people achieve their potential'. The CPP has a good understanding of local needs and issues. Plans are based on research, data analysis and feedback from a range of CPP and other stakeholders, including third sector organisations and individuals with experience of inequality. The CPP plans to invite community council representatives to meetings once their scheme of establishment has been finalised.

59. The CPP has produced a single Local Outcomes Improvement Plan (LOIP) which links to the four priorities outlined in the council plan (paragraph 11). The LOIP 2017-27 sets out eight outcomes (such as reducing health and wellbeing inequalities) which the CPP is working to improve. The CPP used local data to identify groups most at a disadvantage and directs its efforts towards these under each LOIP outcome. The LOIP performance management framework draws on performance reported against strategies and projects of the council and other partners, alongside case studies. At the time of our report, the CPP partners and other interested groups were developing their first performance report.

60. The CPP has also developed a single locality plan to tackle food poverty. This innovative approach is based on academic research which recognised that there are pockets of poverty in Dumfries and Galloway that are not always represented by national measures. The CPP also sought feedback from the Tackling Poverty Reference Group. This highlighted gaps in food bank provision across the region and a need for more coordinated arrangements to make it easier for people in poverty to access help.¹⁵ The locality plan for Dumfries and Galloway aims to achieve four outcomes by 2027, for example providing support to people who need help with food where, when and how they need it. The CPP recognises the challenges of tackling food poverty in remote and rural areas, such as the presence of stigma in small communities. It is aiming to raise awareness of this through training officers, board and elected members, teachers and others.

Arrangements for integrated health and social care services are progressing well

61. The **Integration Joint Board (IJB)** was established in October 2015. It includes all acute health board services, such as hospitals, along with community health and social care, mental health and information management services.

62. Building on the historically good relationships with the NHS in Dumfries and Galloway, the IJB has a culture of open and effective communication between partners. It has made good progress in developing its governance arrangements. It has set up three committees to support its work and performance is reported quarterly to the Finance and Performance Committee. Dumfries and Galloway IJB held its performance reviews in public in 2017 and 2018. These reviews look at where the IJB is in terms of delivering its strategic plan.

The council demonstrates a commitment to wider, more strategic partnership working

63. The **Borderlands Inclusive Growth Deal** and **South of Scotland Enterprise Agency** are two developments that should directly help support the council's

Community Planning Partnerships (CPPs) are statutory forums for councils, NHS boards and other public and third sector bodies, such as charities and voluntary groups, to work with local communities to plan and deliver better services.

Integration Joint Boards include council, the NHS board and other stakeholders, such as the third sector. They are responsible for planning the delivery of health and social care services. Councils and health boards delegate budgets to the IJB and the IJB decides how to use these funds to achieve its planned objectives. The IJB then directs the NHS board and council to deliver services.

¹⁵ *Poverty and deprivation in Dumfries and Galloway*, The Crichton Institute, 2015.

priority of economic growth. While both initiatives are in the early stages and plans still need to be clarified, officers, members and the CPP are supportive of the developments. The council is playing a key role in developing plans and priorities for them both.

The **Borderlands Inclusive Growth Deal** involves a partnership between Dumfries and Galloway Council and Scottish Borders, Cumbria County, Northumberland County and Carlisle councils. The partnership has proposed projects intended to transform the economy of the five councils. The outline business case was submitted to the UK and Scottish Governments in September 2018.

In June 2017, the Scottish Government announced that it would establish a **South of Scotland Enterprise Agency**, as part of its [Enterprise and skills review: report on phase 2](#). The agency aims to enable the area to grow in ways that benefit all sectors of society in the region. In January 2018, 20 representatives from the public and private sector formed a partnership to support the development of the enterprise agency which is expected to be operational by 2020/21.

64. It will be important that the council continues to work with a wide range of partners, including the third sector and local business, to maximise the impact of these, and other, developments. This is particularly important given the remote and rural nature of the region and the future financial pressures the council faces.

Part 5

Is the council demonstrating continuous improvement?



The council has made good progress since 2009. The pace of improvement increased from 2014 and now must increase again.

There has been a significant programme of improvement activities. Since 2010/11, the council has saved £86 million and generally maintained or improved services to the public. However, there are some inconsistencies in how it has applied its improved processes.

The council needs to make £79 million savings by 2022/23. Achieving this will be challenging and elected members will need to make difficult decisions about services. The council will then need to implement plans to make the savings. Effective leadership from officers and elected members will be required so the council can transform at the pace needed.

Decision-making is open and publicly available but there are some risks around arrangements for scrutiny by elected members

65. Council business is transparent. Agendas and reports are available on the council's website before committee meetings, decisions are clearly documented, meetings are recorded, and the recordings are publicly available.

66. We observed scrutiny and challenge taking place across all service committees. In 2017 the council established an Audit, Risk and Scrutiny Committee. Prior to 2017 it had a separate Scrutiny Committee and an Audit and Risk Committee. This is a new development for the council and there are risks in how it balances the priorities between risk, audit and scrutiny. The appointed auditor will continue to monitor the impact of this change.

67. The council has worked with elected members over a number of years to develop member training. In 2017/18 the council offered training for members on 40 different topics, including scrutiny, planning, participatory budgeting and capital investment. This programme is closely aligned to the Improvement Service's political skills framework and was considered and agreed by members.¹⁶ However, attendance was low. In 2017/18, 37 per cent of elected members attended the face-to-face training courses and nine per cent attended the e-learning courses. This low uptake poses a risk that members will not have the skills and knowledge

¹⁶ CPD Framework for Elected Members in Scottish Local Government, Improvement Service.

required to effectively scrutinise options and plans, including crucial savings options and workforce plans.

68. Some elected members we spoke to said that the quality and suitability of reports for consideration at committees was mixed and that some reports were too long and detailed to be used effectively. Officers told us that the length of reports reflected members asking for more information and that sometimes members delayed making committee decisions until further information was detailed in the reports. Members and officers should work together to agree what information is required. Officers should then ensure all required information is provided as clearly and concisely as possible.

The pace of improvement increased from 2014 and now must increase again to meet the challenges the council faces

69. The Strategic Leadership Team has invested significantly in self-evaluation and improvement exercises at strategic and service levels. Following our 2009 Best Value report the council focused on developing key building blocks, it:

- agreed it's priorities (2010)
- introduced self-evaluation using the Public Service Improvement Framework and identified priority areas for improvement (2010)¹⁷
- developed a performance management system and introduced business plans (2011), which clarified how the council reported and used performance information
- carried out assessments on individual services (2011)
- introduced service reviews involving staff and community input (2013)
- trained staff to enable and empower them to improve day-to-day processes (ongoing from 2013).

70. These developments happened during a period of political change for the council (Appendix 1) and provided a good base for more significant structural changes. From 2014, there was greater political stability and the pace of improvement activity increased, with the introduction of the Business Transformation Board and the council's first major programme of change 'Reshaping the Council'. The council revised its structure, reducing from six departments to four directorates, reduced its workforce by seven per cent to 5,132 full time equivalent employees and undertook a programme of 18 service reviews. The relevant service committees considered comprehensive reports of each review, including savings options, and decided on specific improvement activities.

71. Business plans for each new directorate were refreshed in 2015 to give closer alignment with the council's priorities. All directorates have business plans that include improvement plans that are linked to the strategic priorities and service reviews. Between 2015 and 2016 the council finalised a number of key strategies and plans, for example, its regional economic strategy (2016-2020) and its workforce strategy (2015-2020). It also introduced a three-year financial strategy in 2016/17 which was then replaced with a five-year strategy in 2018/19. In September 2017, the council produced its Council Plan 2017-2022. In September 2018 the council refreshed its business plans. The council plan and business plans clearly link the council's vision to its four priorities and supporting plans and strategies.

¹⁷ *Public Service Improvement Framework*, Improvement Service, 2010.

72. The council's approach to risk management has evolved since 2009. The council is able to articulate the strategic risks it faces which may result in a failure to achieve the council's priorities. The key risk highlighted in all workforce plans is recruiting and retaining staff with the appropriate skills.

73. Since 2010/11 the council has saved over £86 million and generally maintained or improved services to the public. The council has made clear progress in many areas but there is some evidence of inconsistencies. For example, the quality of exception reports (paragraph 25) and the proportion of staff having annual performance development reviews varies by directorate (paragraph 50). The council needs to ensure all parts of the council apply developments consistently.

74. The council is in a much stronger position than it was in in 2009 (Exhibit 5). It has made considerable progress in leadership, strategic direction and improvement activities. It has systems in place for planning, monitoring and continuing to improve. The scale of the budgetary challenge means the council must now increase its pace of improvement. Members have still to agree where savings will come from. The council also lacks comprehensive plans detailing what the workforce will look like in terms of numbers and skills in the medium or long term. These are key risks to the council's ability to meet the financial challenge it is now facing whilst trying to meet the needs of remote and rural communities. The council needs effective leadership from officers and elected members, so it can transform at the pace needed.

The council has made good progress since 2009

Exhibit 5

Comparing selected Best Value judgements, 2009 and 2018.

Dumfries and Galloway Council has improved, particularly in those areas where it was previously weak.

Controller of Audit judgement 2009	Controller of Audit judgement 2018
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<p>Strategic direction</p> <p>There is insufficient leadership and clarity on the strategic direction of the council. Political leadership has not provided sufficient strategic direction and senior managers have not provided clarity or coordination in the delivery of corporate objectives.</p>	<p>Strategic direction</p> <p>The council has made significant progress since 2009. It now has a clear strategic direction, underpinned by effective political and officer leadership.</p>
<p>Performance</p> <p>Performance management is poor. The council's reporting on its performance to the public and its own committees is not systematic or balanced. Performance lags behind that of many other councils and the rate of improvement is slower.</p>	<p>Performance</p> <p>National indicators show performance is mixed but indicators measuring services to the public were maintained or improved. The council has made progress in developing its performance management arrangements, but performance reports could be improved to focus consistently on key measures. This would make it easier to monitor progress against long-standing priorities.</p>
<p>Resources</p> <p>The council does not manage its resources effectively to deliver best value and continuous improvement. Its approaches to managing risk, asset management and corporate workforce planning and management are all poor or underdeveloped. Financial and service planning are insufficient and despite significant financial challenges, the council does not undertake longer-term financial planning.</p>	<p>Resources</p> <p>The council manages its financial position well and has delivered over £86 million of savings since 2010/11. It faces increased financial challenges and its medium term financial plan forecasts that it needs to make £79 million savings over five years. Work is underway to identify savings options but delivering these will be a significant challenge whilst maintaining a focus on strategic priorities and being responsive to local needs.</p>
<p>Working with partners</p> <p>The council and its partners demonstrate a strong commitment to achieving the priorities and vision set out in the Single Outcome Agreement. Joint working is effective but there is room for improvement in the working relationship between the council and the sizeable third sector.</p>	<p>Working with partners</p> <p>The council works well with its partners. The CPP has a clear focus on reducing inequalities. Arrangements for integrated health and social care services are progressing well. The council is further developing its relations with local community councils, the third sector and other partners, including the South of Scotland Enterprise Agency and Borderlands.</p>
<p>Community engagement</p> <p>The council engages well with local communities but lacks a co-ordinated approach to ensure the best use of resources. The council has a good range of approaches for engaging with different population groups and with groups who are sometimes excluded or disadvantaged.</p>	<p>Community engagement</p> <p>Community engagement continues to be a strength and the council is building on this through the Community Empowerment Act. It has made progress in transferring assets and giving communities a greater role in prioritising and providing services.</p>
<p>Continuous improvement</p> <p>Managerial leadership has not driven change or fostered a culture of continuous improvement in services. The council does not have an effective approach to continuous improvement. Its financial focus has put greater emphasis on securing budget savings than on carrying out reviews with wider objectives of improving service quality or reconfiguring services.</p>	<p>Continuous improvement</p> <p>There has been a significant programme of self-evaluation and improvement activities. There are some inconsistencies in how the improved processes are applied across directorates. The council has laid strong foundations for change and now needs to build on these to address the significant funding gap it faces, while meeting the needs of remote and rural communities.</p>

Source: Audit Scotland.

Recommendations



The council should:

Finalise and agree its long-term savings plans and move to delivering the savings, given the increasing scale of the financial challenge.

Develop its first organisation-wide workforce plan which details the numbers and skills of staff required in the medium and longer term.

Ensure all staff engagement, performance management and improvement processes and practices are applied consistently across the council area and directorates.

Review its performance management arrangements and refine its performance indicators to focus on fewer but better indicators which demonstrate progress against priority areas over time. Given the large number of remote and rural communities throughout the council area, consideration should be given to indicators that demonstrate variation at local levels. More consistent reporting will allow trends to be easily assessed, ensure performance reports are balanced and aid elected members in making difficult decisions as budgets tighten.

Work with community councils to implement improved ways of working together to maximise the input and added value community councils can bring.

Work with members to understand reasons for low attendance at training courses and agree action to improve current rates.

Work with members to agree what level of information is required in committee reports and ensure reports to members are as clear and concise as possible.

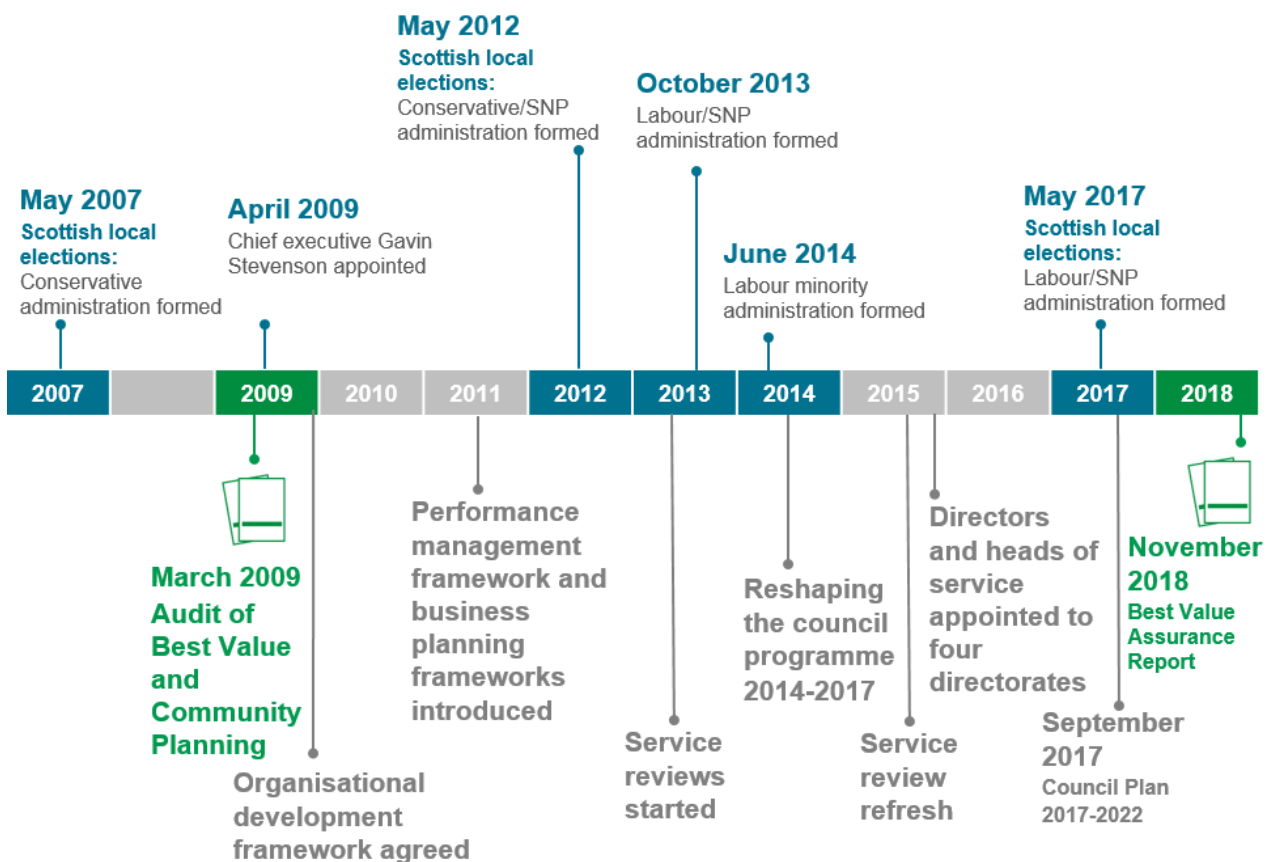
Endnotes

Appendix 1

Best Value audit timeline



The council's recent history



March 2009 – The audit of Best Value and Community Planning:

The Accounts Commission (the Commission) published its last Best Value report on Dumfries and Galloway council in March 2009. The Commission highlighted weaknesses in leadership and direction by both elected members and senior management. It also highlighted weaknesses in financial planning and performance management, preventing the council from delivering Best Value.

November 2018 – Best Value Assurance Report:

The Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. The report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, with a focus on the Commission's Strategic Audit Priorities.

Dumfries and Galloway Council

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk