

**Accounts Commission for Scotland**  
**Annual statement on sustainable economic growth for 2014/15**

1. The Public Services Reform (Scotland) Act 2010, section 32(1)(a) requires listed public bodies to publish a statement on sustainable economic growth as soon as possible after the end of the financial year.
2. The following statement sets out the steps that the Accounts Commission has taken in 2014/15 to promote and increase sustainable growth through the exercise of its functions.
3. The Accounts Commission, established in 1975, 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.
4. 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
  - co-ordinating scrutiny and inspection of councils.
5. We contribute to sustainable economic growth in Scotland by holding local authorities to account and helping them to improve. This is achieved by undertaking performance, Best Value, Community Planning Partnerships (CPP) and financial audits to provide assurance that money and resources are being used properly, efficiently and effectively and to highlight areas for improvement.
6. This year we published, alongside the Auditor General for Scotland and Audit Scotland, *Public Audit in Scotland*, in which we set out the principles and themes of how the public audit model in Scotland works, and how it supports and responds to the public policy environment in Scotland in which we operate.
7. Scotland's councils and other local authorities, including joint boards, spent £18.6 billion this year. We conducted 66 financial audits, completed and reported on four Best Value, five CPP and six performance audits. We also overseen the publication of a national scrutiny plan and local scrutiny plans for 32 councils.
8. Our annual overview report, *An overview of local government in Scotland 2015*, published in March 2015, concluded that councils had managed financial pressures well to date largely by cutting staff numbers, but this alone is not sustainable in the longer term. More councils are now reporting funding gaps. Funding in 2013/14 from the Scottish Government was 8.5 per cent lower in real terms (allowing for inflation) than in 2010/11. At the same time, demand for council services is rising, mainly because we are all living longer. We stressed the challenge for councillors was to make best use of the money that is available and to take difficult decisions now to avoid storing up problems for the future
9. Our annual financial audit reports – published for each audited body - cover the full range of audit work done in the year, providing the audited bodies and stakeholders with a comprehensive and independent view of financial management, governance and performance

in public bodies. Auditors review the financial position and sustainability of public bodies and promote good financial management and planning.

10. We carry out performance audits to help public bodies improve the quality of their services, do more with their money, and find lower-cost ways of working to the same or better standards. Our audit reports carry recommendations for public bodies to help them improve, and we publish good practice checklists and case studies. These also identify potential savings.
11. This year we published in conjunction with the Auditor General *Community planning: Turning ambition into action*, including a series of recommendations for Scottish Government, COSLA and local government. For example, we reported that while Single Outcome Agreements have improved, few are clear about how community planning will improve outcomes for specific communities and reduce the gap in outcomes between the most and least deprived groups.. Accordingly, the Scottish Government needs to demonstrate a more systematic approach to implementing its outcomes approach, by clarifying the links between its national priorities and performance measures and the achievement of longer-term local outcomes.
12. Our CPP audits provide an independent assessment of how well CPPs are planning and delivering outcomes for local communities. Each audit results in an improvement plan which we will follow up to check that adequate progress is being made locally in securing improvement. In 2014/15, we published five audits, in Orkney, Glasgow, Moray, Falkirk and West Lothian. They found a mixed picture of the impact of partnerships since their introduction more than a decade ago of CPPs.
13. Our Best Value audit reports provide assurance around the performance of councils in fulfilling their duties in relation to Best Value and thus demonstrating continuous improvement. During 2014/15, we published findings on four Controller of Audit reports on auditing Best Value. In May 2014, we highlighted significant improvements in the running of Comhairle nan Eilean Siar. In July 2014, we found that Argyll and Bute Council had responded constructively to a previous critical report but much more work was required to secure the improvements needed. In December, we voiced our growing concern over the increased level of savings required by the City of Edinburgh Council to balance its books. Although the council had made some improvements and had financial plans in place, savings in some areas had been scaled back. Also in December, we found that South Ayrshire Council had taken prompt action to address previous weaknesses but it was too early to assess the effectiveness of improvements.
14. Examples of how, through the exercise of our audit function, we help sustainable economic growth include:
  - In our April 2014 report *Procurement in councils*, we reported that councils are systematically using procurement spending to support local economic development. Councils' spending through collaborative contracts set up by the Scottish Government and Scotland Excel has increased by over 80 per cent over the past three years to £503 million, but accounts for only 9.3 per cent of their total procurement spend. This percentage is, however, likely to increase further. The Scottish Government, Scotland Excel and councils reported total procurement savings of £71 million in 2012/13. Councils are relying on procurement to generate savings to meet budget pressures, but some of their savings calculations may not be reliable or may be incomplete. Further savings are possible if councils make greater use of collaborative contracts and replace paper-based systems with 'purchase to pay' compliant ICT systems.
  - In our *Borrowing and treasury management in councils* report in March 2015, we observed that just over half of councils have increased their borrowing levels over the last decade. We found that links between capital investment and managing cash flows (treasury management) have been strengthened over recent years. We urged councils to make better use of information to clearly set out the impact of borrowing in the longer term to help councillors make informed decisions and undertake their scrutiny roles.

- Last year the Commonwealth Games brought huge international interest to Glasgow and Scotland. Our joint report with the Auditor General, *Commonwealth Games 2014: Third report*, concluded that it was a success and had strong leadership and organisations worked well together. In the long-term, clear legacy plans are in place and the Scottish Government and Glasgow City Council now need to build on these to ensure long-term benefits are achieved.
  - In June 2014, our *Self-directed support* report focused on the new legal duty on councils to offer people choice and control over the social care they receive. We found that councils spend £2.8 billion a year on social care services and although progress had been made in developing self-directed support (SDS), it was patchy across the country. We offered a series of recommendations to help councils fully implement the policy over the coming years. We recommended that the Scottish Government should have a strategy to measure and report on: what councils have achieved with Scottish Government transformation funding; the progress of SDS implementation; and the impact of SDS on people who need support.
  - In the same month we published our *School education* report which assessed how efficiently and effectively councils are using their resources to maximize pupils' achievement in schools. We found that in 2012/13, councils spent £4.8 billion on education services, of which £3.8 billion was spent on primary and secondary education. Councils' education services are likely to continue to face budgetary pressures, and they need to be alert to the potential impact of increased workloads on staff. Performance has improved against all ten of the attainment measures we examined over the last decade. However, there is significant variation in attainment between individual councils, schools, and groups of pupils; and there is a considerable gap between Scotland and the top performing countries. Our report made a key contribution to a wider national debate on schools and what they need to be delivering for the future.
15. In updating its strategy on an annual basis, the Commission will consider how to increase its efficiency and effectiveness. We want our impact to be seen in terms of how we have helped Scottish local government improve its performance and value for their citizens and communities.

**Accounts Commission  
November 2015**