

## **Accounts Commission for Scotland** **Annual statement on sustainable economic growth for 2015/16**

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 2015/16 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.

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.
4. The Accounts Commission contributes 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.
  5. Scotland's councils and other local authorities received £18.3 billion of income in 2014/15. In 2015/16 we oversaw 66 financial audits and completed and reported on six Best Value, five national performance audits, and two impact reports of previous performance audits. Three performance audits were joint reports with the Auditor General.
  6. Annual financial audit reports 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.
  7. We carry out performance audits to help councils 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 councils to help them improve, and we publish good practice checklists and case studies. These also identify potential savings.
  8. This year we reported on the progress of community planning. *Community Planning: an update* (published 3 March 2016) followed up two previous reports and found a gap still

exists between national expectations of Community Planning Partnerships and how they plan and deliver services.

9. Our annual overview report of local government reports on the sustainability of councils. Our *Overview of local government in Scotland 2015* (published 17 March 2016) found that:
  - Councils have continued to balance their budgets each year by reducing their spending. The majority underspent their 2014/15 budgets and increased their reserves in anticipation of future funding reductions.
  - Local Government Pension Scheme funds report shortfalls between the value of funds and the future pension commitments to be paid. This does not create immediate problems. Pension funds have plans in place to reduce any deficits within a 20-year period.
  - Councils' debt has been increasing since 2011/12, although it decreased slightly in 2014/15. In addition, many councils predict gaps between their income and spending in future years. This may threaten their financial sustainability if risks are not well managed.
  - The challenging financial environment, together with changing demographics and rising demands on services, means that effective medium-term (three to five years) and longer-term (five or more years) financial planning is critical for councils. This is more challenging for councils when they do not know what their future funding and income will be, meaning that they need to plan for a range of possibilities.
10. All of our national performance audits contain recommendations for councils and partners to improve. Examples of how these reports have helped sustainable economic growth include:
  - Our report *Major capital investment in councils: follow-up* found that over the last three years councils spent £7 billion on capital investment – more than half of all Scottish public sector capital expenditure. The report found councils need to improve further the way they manage major projects like schools, roads, housing and flood prevention. Councils need to improve the quality of their capital investment strategies and plans. The strategies which exist demonstrate how planned capital investment is expected to contribute to councils' overall strategic priorities. But only just over a third of councils have a long-term capital investment strategy in place and these do not identify opportunities for collaboration with other bodies. All councils have a capital plan outlining expected programme and project costs. The plans do not set out the rationale for prioritising and progressing major projects, and the expected benefits of these projects. Some councils choose to not have a separate capital investment strategy and plan. Instead they combine the features of both in a single document but these rarely demonstrate how capital investment contributes to councils' strategic objectives. We set out a range of recommendations to help councils improve.
  - Our report *Health and social care integration* (published 3 December 2015) looked at preparations for the new bodies and found significant risks over budgets and time to get established. The Public Bodies (Joint Working) (Scotland) Act 2014 introduces a significant programme of reform affecting most health and care services and over £8 billion of public money. The reforms aim to ensure services are well integrated and that people receive the care they need at the right time and in the right setting, with a focus on community-based and preventative care. The reforms are far reaching,

creating opportunities to overcome previous barriers to change. Stakeholders are putting in place the required governance and management arrangements and, as a result, all 31 integration authorities (IAs) are expected to be operational by the statutory deadline of 1 April 2016. Despite this progress, there are significant risks which need to be addressed if integration is to fundamentally change the delivery of health and care services. There is evidence to suggest that IAs will not be in a position to make a major impact during 2016/17. Difficulties in agreeing budgets and uncertainty about longer-term funding mean that they have not yet set out comprehensive strategic plans. There is broad agreement on the principles of integration. But many IAs have still to set out clear targets and timescales showing how they will make a difference to people who use health and social care services. These issues need to be addressed by April 2016 if IAs are to take a lead in improving local services. There are other important issues which also need to be addressed in relation to governance arrangements, significant long-term workforce issues, different terms and conditions for NHS and council staff, and difficulties in recruiting and retaining GPs and care staff. We set out a range of recommendations to help progress.

- Our report *Changing models of health and social care* (published 10 March 2016) found some small-scale innovative practice around Scotland but lack of national leadership and clear planning meant transformational change to make a real difference was not happening fast enough. The growing number of people with complex health and social care needs, particularly frail older people, together with continuing tight finances, means that current models of care are unsustainable. New models of care are needed. The Scottish Government has set out an ambitious vision for health and social care to respond to these challenges. There is widespread support for the 2020 Vision, which aims to enable everyone to live longer, healthier lives at home or in a homely setting. There is evidence that new approaches to health and care are being developed in parts of Scotland. But the shift to new models of care is not happening fast enough to meet the growing need, and the new models of care that are in place are generally small-scale and are not widespread. The Scottish Government needs to provide stronger leadership by developing a clear framework to guide local development and consolidating evidence of what works. NHS boards and councils, working with integration authorities, can do more to facilitate change.
11. The *National Scrutiny Plan for Local Government* (published 31 March 2016) shows the strategic scrutiny work for the financial year 2016/17. This plan is our fifth and is based on risk assessments of each council and agreed local and national priorities. This has led to much better co-ordination between scrutiny bodies, including Education Scotland, Care Inspectorate, Scottish Housing Regulator, Her Majesty's Inspectorate of Constabulary for Scotland, Fire and Rescue Service Chief Inspector and Health Care Improvement Scotland. It has also helped the Commission target its Best Value work and reduce the overall burden of scrutiny on councils.
  12. All of our audit reports can be found on our website at [www.audit.scotland.gov.uk](http://www.audit.scotland.gov.uk).
  13. The Accounts Commission also contributes to sustainable economic growth by engaging firms of accountants to undertake audits and in sustaining the market for the supply of these services. During 2015/16 we undertook a procurement exercise to secure a round of auditor appointments for all of our audit work for a five-year period from 2016/17.