

**Accounts Commission for Scotland**

**Annual statement on efficiency, effectiveness and economy for 2017/18**

1. The Public Services Reform (Scotland) Act 2010, section 32(1)(b) requires listed public bodies to publish a statement in relation to efficiency, effectiveness and economy 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 2017/18 to improve its efficiency, effectiveness and economy in 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.
5. The Accounts Commission expect local authorities to manage their finances to the highest standards and achieve the best possible value for public money. The Commission expects the same of Audit Scotland. Audit Scotland provides services to the Accounts Commission and the Auditor General. Since 2010 we have implemented a strategy to reduce the cost of audit. We have been able to consistently report progress in that strategy. Audit Scotland meets its costs from audit charges to public bodies, and from the Scottish Consolidated Fund for work directly funded by the Scottish Parliament. The Accounts Commission agrees audit fee levels in local authorities.
6. In December 2016, Audit Scotland presented its 2017/18 Budget Proposal and Fee Strategy to the Scottish Commission for Public Audit (SCPA). As a member of the Board of Audit Scotland, the Chair of the Accounts Commission agreed this proposal. The SCPA also noted that Audit Scotland has recently undertaken the review of its funding and fee setting arrangements in conjunction with the Accounts Commission. In supporting the budget, the SCPA welcomed a reduction in fees and expenses being paid to external firms.
7. In December 2017, Audit Scotland presented its 2018/19 Budget Proposal and Fee Strategy to the Scottish Commission for Public Audit (SCPA). In recommending approval of this proposal, the SCPA noted that Audit Scotland expects to continue to make real terms reductions in fees across all sectors of audit activity.
8. The SCPA has previously expressed concern that such reductions could result in poorer quality audit work being undertaken. Audit Scotland has outlined measures it is taking to mitigate against any impact of this kind including a new audit quality framework with elements of independent assessment and new audit quality reporting arrangements. The SCPA has

welcomed the commitment of Audit Scotland to ensuring audit quality and extra resources proposed – funded internally - to support this.

9. The Commission works closely with the other inspectorates in Scotland to achieve sharper focus on potential risks that lie ahead so that issues facing councils can be addressed sooner and more effectively. Much has been achieved streamlining the system through a national scrutiny plan and strategic risk assessments for each council. In April 2018 we published the national scrutiny plan and 32 local scrutiny plans. This has led to much better co-ordination between the other 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.
10. Our annual overview reports of local government reports provide an overview of all of our audit work. We publish two reports: a financial overview in the Autumn and a wider overview in the spring. [Local government in Scotland: Financial Overview 2016/17](#) was published on 28 November 2017 and [Local government: challenges and performance 2018](#) was published on 5 April 2018.
11. In this year's overviews, we reported that Scotland's councils received £15.2 billion of income in 2016/17. We found that:
  - Local government in Scotland continues to operate in a complex and changing environment that involves increasing levels of uncertainty, particularly around Brexit. Meanwhile, the Scottish Government remains committed to a significant pace of public sector reform, with some major changes for local government at key stages of implementation. These events are taking place in the overall context of substantial reductions in public spending alongside increasing demand for many local public services.
  - Developing new ways of working – or transformational change – is now an essential part of the agenda for councils as they respond to these challenges. Delivering savings is becoming increasingly critical, with forecast funding gaps higher than current levels of reserves for some councils.
  - Under current arrangements, some councils can expect to see government funding fall further than others as their total population declines while their older population grows and demand for key services, such as social care, increases.
  - Councils have done a considerable amount to manage the impact of continued budget reductions, and national indicators suggest they have maintained or improved performance in a number of areas. However, there is also evidence that budget cuts are having an impact on services, and customer satisfaction levels have fallen. Some services are not keeping up with demand and there is a risk that quality is being affected. Smaller services, which often include important regulatory functions, have borne the brunt of funding reductions
12. The report makes a series of recommendations to councils and provides practical advice to elected members to help them fulfil their responsibilities.
13. The past year has seen us implementing the first year of our new approach to auditing Best Value. An important feature of the new approach is better integration between the annual financial audit and Best Value audit work. This is intended to ensure more efficient and effective approaches to our audit work.

- [Inverclyde Council](#) has made much progress since a previous report in 2005 which had identified serious failings at the council. It has changed significantly, developing a positive culture of improvement which has resulted in better service performance. However, the council still faces big challenges and needs to maintain this positive momentum.
- [Renfrewshire Council](#) started from a strong base – its last report in 2006 highlighted strong and effective leadership. Improvements have been made since then in the way it plans, manages and carries out its business. The Commission urged councillors to make new scrutiny arrangements work, ensure more constructive political arrangements and make better use of training and development opportunities.
- [East Renfrewshire Council](#) remains a high performing council but councillors need to play a more prominent role in dealing with tough challenges ahead. The council's clear vision and priorities are well supported by its councillors and officers. School education is a particular strength but performance in other areas is more varied.
- [West Lothian Council](#) had a similar conclusion – a good performing council which is reflected in improving services for local people. However, councillors need to play a more active role in responding to a major funding gap and also in scrutiny of policy priorities and performance.
- [Orkney Islands Council](#) is the smallest of Scotland's 32 councils by population. Councillors and officers work well together in providing effective leadership. The council is in a strong financial position and a focus on the differing needs of communities across the islands. It has to ensure robust, longer-term financial plans are in place to meet changing need, particularly for a growing elderly population.
- [Clackmannanshire Council](#), the smallest mainland council, prompted concern from the Commission: it must take urgent and decisive action to sort out its financial problems. Councillors and officers need to work together and bring in external support to make difficult decisions which have been put off in the past. The Commission will consider another update report on the council in 2019.

14. We also reported progress in two councils on whom we had previously reported in relation to Best Value:

- [East Dunbartonshire Council](#) has responded positively to previous concerns and needs to maintain momentum. Improvements have been made in key areas such as leadership of the transformational change programme and in financial management, but in other areas it remains too early to judge.
- [Falkirk Council](#) has also made encouraging progress over the previous year. Effective leadership needs to steer its five-year improvement programme and meet savings targets.

15. The Commission also used its powers to publish two reports bringing serious issues of wider concern to all councils and to the public. These related to a significant fraud at Dundee Council and poor building controls evident after a school wall collapsed in Edinburgh.

16. 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.

17. All of our national performance audits contain recommendations for councils and partners to improve:

- [Self-directed support](#) followed up on a previous report on the new care model that offers people more choice and control over their social care. The report found that self-directed support is not yet achieving its full potential. While many have benefitted from self-directed support, health and social care integration boards have a lot to do to provide this for everyone.
- [Equal pay in councils](#) reported on the longstanding and complex issue of pay differences in comparable roles traditionally carried out by men and women. It examined how effectively councils have implemented the 1999 Single Status Agreement to harmonise pay structures. Since 2004, around 70,000 equal pay claims have been lodged against councils. The cost of compensation agreements and settling claims, along with legal fees, amounts to around £750 million. There are nearly 27,000 outstanding claims and new ones could still be made. The report found that there was a lack of collective national leadership to overcome challenges and address equal pay issues in a timely way.
- [Early learning and childcare](#) revealed significant risks for the Scottish Government's ambition to double early learning and childcare hours by August 2020. Councils are preparing to provide 1,140 funded hours for all three and four-year-olds – and eligible two-year-olds – to improve outcomes for children and to support parents to work, study or train. They estimate they will need around £1 billion of annual revenue spending on these commitments by 2021/22. Providing those hours will require a large increase in the number of childcare staff and changes to premises. This will be difficult to achieve in the time available. Detailed planning by the government should have been started earlier and there was also a considerable gap between what local councils and the Scottish Government expect the policy to cost.

18. The Commission closely monitors its programme of national performance audits, in conjunction with the Auditor General for Scotland, to ensure that this is delivered efficiently and is reflective of issues affecting local government and the wider public sector. We also consult with stakeholders to seek their views on the areas of policy and service provision that should be considered for audit work. We consider the outcome of this consultation in public.

19. We also commit to ensuring that we better identify, promote and share good practice from across our audit work. This year, all of our published performance audits and overview reports have fulfilled this objective. Examples are:

- Our report *Local Government in Scotland: challenges and performance* has a checklist on scrutiny for councillors.
- Our website includes a hub of resources around transforming health and social care, including: exhibits that visualise complex data and processes in an accessible and informative way; a compendium of published reports and scopes for forthcoming work; background data; blogs; reports on work around sharing intelligence among scrutiny bodies; case studies of new models of health and social care; and annual audits of health and social care organisations.

20. We test the effectiveness of our audit work through Commission members meeting representatives of audited bodies on whom we have published reports. This year, members met with representatives of nine councils: Inverclyde, Renfrewshire, East Renfrewshire, West Lothian, Orkney, Clackmannanshire, East Dunbartonshire, Falkirk and Dundee. The meetings focused on key audit findings, the audited bodies' response to those issues and feedback from

the audited bodies on the audit process itself. Feedback from the audited bodies has been positive and constructive.

21. We also test the effectiveness of our work through our Engagement Strategy, which we update annually and most recently published in June 2017. The Strategy sets out a wide range of stakeholders with whom we engage around our work, in terms of planning, conducting and reporting on audit work.
22. The Commission requires councils to publish information on their performance for the public. The Commission has worked with councils to encourage them to publish their own performance information, rather than the Commission needing to prescribe the information that councils should publish. This has allowed councils flexibility in producing the right information in appropriate formats and thus find efficiencies in compiling and publishing such information. A set of benchmarking performance information across all councils was published by councils during the year and shows good progress on the quality of information being produced and published by councils.
23. We have made increasing use of electronic based formats for our publications, thus increasing the effectiveness and efficiency of our approach. We continue to develop our new website, which is intended to help improve the effectiveness of our communications with stakeholders.
24. 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.
25. Our work for the year is reported in our [annual report](#). All of our audit reports can be found on our website at [www.audit.scotland.gov.uk](http://www.audit.scotland.gov.uk).

**Accounts Commission  
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