

MEETING: 7 DECEMBER 2017

REPORT BY: SECRETARY TO THE COMMISSION

UPDATE REPORT

Introduction

1. The purpose of this report is to provide a regular update to the Accounts 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 Accounts Commission which updates the Commission on his activity complements this report. The Commission's Financial Audit and Assurance Committee (FAAC) 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 Commission members' extranet portal, which provides more detailed news coverage of a range of local government related issues.
3. The information featured is also available on the Accounts Commission members' portal. Hyperlinks are provided in the electronic version of this report for ease of reference.

Commission business

Publications

4. On 16 November, the Accounts Commission published [East Dunbartonshire Council Best Value follow-up audit 2017](#). In its findings, the Commission stated that it is encouraged by the council's positive response to its findings from December 2016 and that it encourages the council to maintain momentum and continue to demonstrate effective leadership in taking improvements forward. The report prompted two articles in online specialist journals.
5. On 23 November, the Accounts Commission published [Best Value Assurance Report: West Lothian Council](#). In its findings, the Commission noted that the council's services perform well and that outcomes for people are improving. It also highlighted the importance of elected members playing a more prominent and leading role in responding to substantial budget challenges. The report attracted substantial pieces in The Herald and The National as well as local papers.
6. On 28 November, the Accounts Commission published [its annual financial overview of local government](#). It states that funding from the Scottish Government has reduced while costs and demands have increased, and more councils are using reserves to fund services. It highlighted councils are showing increasing signs of financial pressures and facing even tougher challenges ahead.
7. The overview report stimulated extensive national and local coverage both in broadcast and print media. The Cabinet Secretary for Finance and the Constitution, Derek Mackay welcomed the report on the radio. The Scottish Government stated that "we have treated local government very fairly despite the cuts to the Scottish Budget from the UK Government." It stated that for the 2017/18 financial settlement, including the increase in council tax and Health and Social Care Integration funding,

“local government have an extra £383 million, or 3.7 per cent, in support for services compared to 2016/17.” COSLA [stated](#) the overview report as “a timely and accurate reflection of the precarious financial position Scotland’s councils finds themselves in”, underlining the need for fair funding from the Scottish Government.

8. The download statistics (with the increase from last month) for the reports published by the Commission over the last 12 months (as at 23 November) are shown below:

Report	Date	Report downloads	Report podcasts
East Dunbartonshire Council Best Value follow-up audit 2017	16 Nov 2017	126 (+126)	35 (+35)
East Renfrewshire Council Best Value Assurance Report	07 Nov 2017	519 (+519)	112 (+112)
Equal pay in Scottish councils	7 Sep 2017	825 (+172)	190 (+26)
Best Value Assurance Report: Renfrewshire Council	31 Aug 2017	698 (+209)	0
Self-directed support: 2017 progress report	24 Aug 2017	2426 (+433)	78
Best Value Assurance Report: Inverclyde Council	1 Jun 2017	1154 (+85)	276
Accounts Commission annual report 2016/17	25 May 2017	889 (+30)	
Accounts Commission strategy and annual action plan 2017-22	25 May 2017	658 (+37)	
Accounts Commission engagement strategy and engagement plan 2017/18	25 May 2017	317 (+28)	
Accounts Commission engagement plan 2016/17	25 May 2017	133 (+21)	
Accounts Commission action plan 2016/17	25 May 2017	135 (+20)	
Local government in Scotland: Performance and challenges 2017	7 Mar 2017	4992 (+95)	45
East Dunbartonshire Council: Best Value audit report	15 Dec 2016	989 (+36)	86
Falkirk Council: Best Value audit report	1 Dec 2016	1155 (+35)	170

Other business

9. On 29 November, the Commission’s Deputy Chair Ronnie Hinds, Controller of Audit Fraser McKinlay, and Tim Bridle, Manager, Local Government (Technical), Audit Scotland, gave evidence to the Local Government and Communities Committee on the Commission’s financial overview report, as part of its scrutiny of the Draft Budget 2018/19.

Audit Scotland

10. An internal Audit Scotland Islands Forum has been established with the purpose of enhancing the quality and impact of audit through knowledge exchange. In its first meeting in October, the forum made decisions as to the design and use of the Forum to support audit work. Agreed actions include setting up internal communications focused on islands; creating links to programme development work; and producing an Islands Key Facts paper. The forum will meet again in January and April. The latter will focus on the Islands Bill, with invited speakers from the Scottish Government and islands councils. The forum will report to the Commission as appropriate, for example, around the progress of the Islands Bill.

11. On 18 January, Audit Scotland will hold its staff conference at the Dunblane Hydro. The theme of the conference is Challenge and Transformation. Speakers include the Commission's Chair, Graham Sharp.

Issues affecting local government

Scottish Government

12. On 2 November, the Scottish Government published [The Role of Income Tax in Scotland's Budget](#). It outlines four "tests" which the Government believes any new policy must meet: maintaining and promoting public services; protecting the lowest earners from any increase; making the system more progressive and reducing inequality; and supporting the economy. It also includes the income tax proposals that each of the parties represented in the Scottish Parliament had in their 2016 manifestos and an analysis of these proposals.
13. On 2 November, the Scottish Government launched a consultation on [Excellence and Equity for All: Guidance on the Presumption of Mainstreaming](#) (to be closed on 9 February). The document aims to bridge the gap between legislation, policy and day-to-day experience, to ensure that local authorities have the guidance required to help their decision making in applying the presumption of mainstreaming. It is proposed that the Commission does not respond to this consultation.
14. On 7 November, the Scottish Government launched [Empowering Schools: A consultation on the provisions of the Education \(Scotland\) Bill](#) (to be closed on 30 January). The Bill will give more power to head teachers to make decisions on curriculum choices, funding, and the staff and management structure. It will also see the establishment of Regional Improvement Collectives. The consultation seeks views on whether these changes will deliver the empowered school and teacher-led education system which the Scottish Government aims to achieve. It is proposed that the Commission and the Auditor General for Scotland will jointly respond to this consultation. The Commission will consider a draft response at its January meeting.
15. On 7 November, the Scottish Government launched a consultation on the (to be closed on 5 February). The consultation seeks comments on the usefulness and content of a revised volume of practical fire safety guidance, which was agreed by the Ministerial Working Group on Building and Fire Safety in Scotland, formed in the wake of the Grenfell Tower tragedy. It is proposed that the Commission does not respond to this consultation.
16. On 7 November, the Scottish Government published its [public sector cyber resilience action plan](#). It will require public bodies to put in place common cyber security measures across their organisations. The plan lists eleven actions, most of which are required to be in place by June 2018, including developing a "common, effective, risk-based approach" to cyber resilience across the public sector. While the plan's focus is on public bodies, the Scottish Government intends to work with the wider public sector, including councils, colleges and universities. Audit Scotland is responding to the Scottish Government by committing to aligning its internal approach to the action plan wherever possible, reserving the right to abstain or take different actions to maintain its independence, particularly in areas that may come under future scrutiny. Audit Scotland's 2018 – 2021 Digital Services Strategy has a "security first" priority, with a commitment to increase the security of all its digital systems, improve existing malware protection and network security, and implement advanced threat management systems.
17. On 8 November, the Scottish Government announced [the establishment of the Scottish Education Council](#). The council will be chaired by the Deputy First Minister John Swinney and include young people, education leaders and representatives

from local authorities and the teaching profession (the membership list is included in the hyperlink). It will be a forum for open discussion and provide advice and guidance and oversee progress implementing improvement priorities.

18. On 9 November, the Scottish Government launched a consultation on [its Fuel Poverty Strategy](#) (to be closed on 1 February). It seeks views on an approach that brings together actions from across government, and across society, to create a comprehensive strategy to deliver reductions in fuel poverty. The responses to the consultation will inform the new strategy and the development of a Warm Homes Bill, due to be introduced in 2018, which will enshrine the proposed new fuel poverty target in legislation. It is proposed that the Commission does not respond to this consultation.
19. On 10 November, the Scottish Government published its [State of the Economy](#) report (it is published three times a year). It sets out the key trends in the economy in the first half of 2017 and the outlook for the coming year. The report highlights a strong economic performance in the first half of 2017 and that Brexit continues to present a significant risk to the Scottish economy. It also states that the Scottish Fiscal Commission will provide the first forecasts, including its official assessment of the outlook for key macroeconomic and fiscal indicators for Scotland, which will be accompanied with the Scottish Government's draft budget on 14 December.
20. On 10 November, the Scottish Government published [Evaluating Participatory Budgeting \(PB\) Activity in Scotland \(Year 2\)](#). The interim report presents the initial findings of an academic evaluation study of PB activity in Scotland, with a particular focus on local authorities. It finds that councils have taken a wide range of approaches to PB, resulting in a number of differences, including in levels of participation, and the processes for community engagement; participatory decision-making can be limited and challenging for both local authorities and communities; and strategic capacity and intent require to be more clearly articulated, resourced and reflected in the structures and operations of local authorities. The research has been extended for a third year to October 2018.
21. On 12 November, the Scottish Government announced plans to increase the number of people benefitting from [the real Living Wage](#) by at least 25,000. Measures being announced include launching a regionally-focused accreditation scheme to create the UK's first Living Wage towns, cities and regions.
22. On 13 November, the Scottish Government announced [a new GP contract](#). Patients will be supported by multi-disciplinary community health team, which will reduce GPs' workload. It also announced an additional £30 million funding over three years to help reduce the risks to GPs of leasing or owning premises and improve practice sustainability.
23. On 14 November, the Economy Secretary Keith Brown announced the leaders of [the new South of Scotland interim Economic Partnership](#). Professor Russel Griggs OBE will be the private sector chair and Rob Dickson will be a lead officer. The body will be established by the end of 2017.
24. On 14 November, the Scottish Government launched a consultation on [Scotland's Energy Efficiency Programme \(SEEP\): Second Consultation on Local Heat & Energy Efficiency Strategies \(LHEES\), and Regulation of District and Communal Heating](#). LHEES would set a framework and delivery programme for how each local authority would both reduce the energy demand and decarbonise the heat supply of buildings in its area. Building on the previous consultation (January to April 2017), this consultation includes more specific proposals, such as the creation of a statutory framework for LHEES, to support a coordinated approach to the local planning and delivery of energy efficiency and heat decarbonisation programmes within SEEP. It is proposed that the Commission does not respond to this consultation.

25. On 15 November, the Scottish Government published [Review of Targets and Indicators for Health and Social Care in Scotland](#). The independent national review was commissioned, with the support of COSLA, following a Programme for Government commitment to ensure the approach to performance is outcomes-based. It concludes that the current system can be improved on in terms of its effectiveness in improving services and recommended a move towards a system of indicators and targets which allow improvements across a whole system of care to be tracked.
26. On 15 November, the Scottish Government published [Respect for All: The National Approach to Anti-Bullying for Scotland's Children and Young People](#). The guidance provides an overarching national framework and context for all anti-bullying work that is undertaken in Scotland. All organisations providing services to children and young people across the public, voluntary or private sector are expected to develop an anti-bullying policy that reflects this guidance.
27. On 16 November, the Scottish Government published [Rent Pressure Zone Requirements for Local Authorities](#). The document specifies the requirements that a local authority must meet for a Rent Pressure Zone (RPZ) application to be valid in terms of the Private Housing (Tenancies) (Scotland) Act 2016. Section 35 of the Act enables a local authority to apply to the Scottish Ministers to ask that all or part of the authority's area be designated as an RPZ. Local authorities can use the RPZ provisions of the Act to protect existing tenants who have a Private Residential Tenancy from rents rising by too much.
28. On 16 November, the Deputy Prime Minister confirmed that Gayle Gorman, currently Director of Education and Children's Services with Aberdeen City Council, will be appointed as [Chief Inspector of Education and Education Scotland Chief Executive](#) from 4 December.
29. On 19 November, the Scottish Government [announced the creation of the Advisory Council on Women and Girls](#) to advise the Scottish Government on the action needed to tackle gender inequality. The group, which will be chaired by Louise Macdonald OBE, Chief Executive of Young Scot, includes members from the third sector, government and business, including three aged under 20 years old. The first term lasts for three years. The first meeting will be on 6 December.
30. On 20 November, the Scottish Government published [Research Project to Identify and Assess the Options for the Introduction of an Infrastructure Charging Mechanism in Scotland](#). The research was commissioned, following the publication of the independent review of the Scottish planning system in 2016. It considers the advantages and disadvantages of identified options for an infrastructure charging mechanism to be applied through the Scottish planning system. The research will be used to help inform future decisions on this subject area.
31. On 21 November, the Scottish Government published three Core Facts guidance for local authorities regarding the School Estate. [The overview Core Facts](#) complements the School Estate Strategy (2009). [The sustainability Core Facts](#) and [the condition Core Facts](#) are for reporting on sustainability and condition of the School Estate, respectively. Data included in the guidance is collected annually as part of the performance management regime for the School Estate Strategy.
32. On 23 November, the Scottish Government published [the first annual progress report on the Fairer Scotland Action Plan](#). The Plan includes 50 actions to tackle poverty and inequality. The progress made to date includes funding of £29 million to address poverty and the creation of a national Poverty and Inequality Commission.
33. On 27 November, the Scottish Government [announced the members of the](#)

[Enterprise and Skills Board](#), including a representative from COSLA. The advisory panel, which will hold the first meeting on 13 December, aims to create a new strategy for enterprise and skills support in Scotland.

34. On 29 November, the Scottish Government [announced](#) that leisure and cultural venues currently run by council arm's-length bodies will continue to benefit from charity relief from non-domestic rates. Finance Secretary Derek Mackay confirmed that the Scottish Government will not be accepting the recommendation of the Barclay Review to end this benefit. He did however also announce that he will take steps to offset the charity relief benefit to councils "to deter" any new ALEO expansion in future.

Scottish Parliament

General:

35. On 6 November, following [the announcement](#) by the Living Wage Foundation that the new rate of the Living Wage for 2017/18 is £8.75, the Scottish Parliament Information Centre (SPICe) published [The Living Wage: facts and figures 2017](#). In 2017, there are 430,000 employees in Scotland earning less than the Living Wage (about 18 per cent of all employees aged 18 and over in Scotland). While this is lower than the UK average of 22 per cent, it is a decrease from around 20 per cent in 2016.
36. On 16 November, the SPICe published a briefing paper on [the Housing \(Amendment\) \(Scotland\) Bill](#). The Bill, introduced in the Parliament in September, aims to enable the Office for National Statistics (ONS) to reclassify Registered Social Landlords (RSLs) as private sector bodies for the purposes of the national accounts. Following the ONS' review in 2016, the status of the RSLs in Scotland has changed from private sector bodies to public sector bodies. As for English housing associations, on 16 November 2017, the ONS [announced](#) that it has reclassified them to the private sector, following passage of the Regulation of Social Housing (Influence of Local Authorities) (England) Regulations 2017, made under provisions in the Housing and Planning Act 2016.
37. On 17 November, the SPICe published [Non-domestic rates and operating surplus 2010-2015](#). Non-domestic rates (NDR) as a share of operating surplus (Gross Value Added (GVA) minus wages) has remained relatively constant between 2010 and 2015 (on average, over that period, it was 3.6 per cent). Regional differences in the cost of NDR for businesses relative to their performance mainly reflect structural, non-policy factors such as productivity and property portfolios.
38. On 21 November, the SPICe published [Earnings in Scotland 2017](#). Based on the Annual Survey of Hours and Earnings 2017 published by the ONS, the paper provides an overview of earnings in Scotland. It stated that in April 2017, the median, gross salary in Scotland for all employees was £23,150, which was an about two per cent decrease in real terms compared to April 2016. Over the last ten years, among the Scottish four largest cities, Dundee has seen the highest growth in gross week pay (in real terms) while Edinburgh has the highest level of pay.
39. On 28 November, the SPICe published [Local Government Finance: Fees and Charges 2011-12 to 2015-16](#). The paper was produced in collaboration with Audit Scotland and intended to complement the financial overview (see paragraphs 23-26 of [the overview](#)). It aims to show the recent trends in local authorities charging for services. The analysis, based on the Local Financial Returns (LFRs) councils provide annually to the Scottish Government, found that councils-raised £544.2 million from fees and charges to service users in 2015/16, accounting for less than four per cent of councils' total income. This has decreased from £569.7 million in

2011/12 (4.5 per cent, real terms) but totals have been effected by the use of Arm's Length Organisations and how income councils' have recorded elements of income in their LFRs. Social Work (44 per cent), Roads (12 per cent) and Education (11 per cent), combined, represented around two thirds of income from fees and charges to service users in 2015/16.

Parliamentary Committees:

Local Government and Communities Committee

40. At its [meeting](#) on 1 November, the Committee took evidence on homelessness from the Scottish Government and considered the evidence heard. It also took evidence on City Region Deals from the academics and businesses.
41. On 6 November, the Committee [heard directly](#) from local businesses and communities about Glasgow City Region Deal. It asked about their expectation from the deal and their involvement in the development of the deal.
42. At its meetings on [8](#), [15](#) and [22](#) November, the Committee continued to hold evidence sessions on City Region Deals from councils, the Scottish and UK government and others. On 8 November, it agreed to write to the local authorities on their approach to inclusive growth in City Region Deals.
43. On 15 November, the Committee also took evidence on Scottish Housing Regulator Annual Report and Accounts 2016/17 from the Scottish Housing Regulator.
44. On 22 November, the Committee also took evidence on Scottish Government's Draft Budget 2018/19 from COSLA and the Improvement Service.
45. At its [meeting](#) on 29 November, the Committee took evidence on the Housing (Amendment) (Scotland) Bill from the Scottish Housing Regulator and others.

Public Audit and Post Legislative Scrutiny Committee

46. At its meeting on [2](#) and [9](#) November, the Committee took evidence on the Auditor General for Scotland's NHS workforce planning report, from NHS Scotland and Scottish Government. It took further evidence from Caroline Gardner, Auditor General for Scotland and Audit Scotland (Richard Robinson, Audit Manager and Nichola Williams, Auditor). The Committee agreed to consider at a future meeting whether to take any further action on the report.
47. At its [meeting](#) on 16 November, the Committee took evidence on the Auditor General for Scotland's report, NHS in Scotland 2017, from Caroline Gardner, Auditor General for Scotland and Audit Scotland (Claire Sweeney, Associate Director and Kirsty Whyte, Audit Manager). The Committee agreed to follow up with the Scottish Government issues in the report and in the Auditor General's NHS workforce planning report. It also took evidence on the Auditor General for Scotland's section 22 report, The 2016/17 audit of NHS Tayside, from Caroline Gardner, Auditor General for Scotland and Audit Scotland (Fiona Mitchell-Knight, Assistant Director of Audit, and Bruce Crosbie, Senior Audit Manager). The Committee agreed to await the publication of a report by the NHS Tayside Assurance and Advisory Group before deciding whether to take any further action on the audit report.
48. At its [meeting](#) on 23 November, the Committee took evidence on the Auditor General for Scotland's report, Transport Scotland's ferry services, from Audit Scotland (Fraser McKinlay, Director of PABV, and Graeme Greenhill, Senior Manager). It agreed to take evidence on the report from Transport Scotland.

Finance and Constitution Committee

49. At its meetings on [8](#) and [15](#) November, the Committee continued to take evidence on legislative consent memorandum for the European Union (Withdrawal) Bill (UK Parliament Legislation) from the UK Government and academics.
50. At its [meeting](#) on 29 November, the Committee will continue to take evidence on legislative consent memorandum for the European Union (Withdrawal) Bill (UK Parliament Legislation) from the Scottish Government. It will also take evidence on the Impact of Brexit on the Scottish Budget from the academics and think-tank. Finally, it will take evidence on the administration and collection of Scottish income tax from HM Revenue & Customs (HMRC).

Others

51. On 20 November, the Equalities and Human Rights Committee published [Stage 1 report on the Gender Representation on Public Boards Bill](#). The Bill sets a 'gender representation objective' for public boards to have half of women non-executive members by 2022. The Committee supported the general principles of the Bill and made a number of recommendations to strengthen the Bill. The Committee will continue to make the case for other protected characteristics to benefit from similar measures. Also, it is asking reassurances from the Scottish Government that this law will not have any unintended consequences for other protected characteristics.

Current activity and news in Scottish local government

COSLA

52. On 27 October, COSLA reported that discussions with the Scottish Government over [the local government settlement for 2018/19](#) are underway and, in its announcement, COSLA stated its view that pay inflation will be an important part of this.
53. On 1 November, COSLA announced that at least one per cent of local government budgets will be subject to [participatory budgeting](#) by the end of 2021, giving communities more choices to make decisions on how funding is spent in their localities.
54. On 2 November, COSLA welcomed [the Scottish Government's consultation on mainstreaming in education](#). It stated that it works to develop a better understanding of experiences of inclusion and mainstreaming in Scottish schools.
55. On 12 November, COSLA attended the Local Climate Summit for Regional and Local Leaders and stated that all levels of government must work together to address [climate change](#), if we are to meet the Paris CO2 target. The Summit was organised in Bonn Germany where the United Nations COP (Conference of the Parties) 23 meeting was held.
56. On 16 November, COSLA called for the Chancellor of the Exchequer, Philip Hammond, to deliver [a fair funding settlement for local government](#) as part of the Autumn Budget. The document stated that, in 2018/19, to continue the current services, local government would need a revenue funding of £10,185 million, an increase of 5.7 per cent (if considering inflation and demand) from £9,640 million for 2017/18.
57. On 22 November, following [the UK Government's budget announcement](#), COSLA commented that it is delighted to see the UK Government has brought changes in the budget to address concerns about the delivery of universal credit. It stated that it will continue to work with the government to improve the design of Universal Credit.

58. On 24 November, COSLA announced that, in response to [the Scottish Government's consultation on education bill](#), it is writing to the Deputy First Minister outlining their concerns around a number of issues included in the consultation and to seek a meeting with him as soon as possible.
59. Following a [Herald report](#) on 27 November that Edinburgh City Council has asked the Mayor of London's office to join it to lobby together for increased discretionary tax-raising powers, COSLA confirmed that it is to make a similar request to the Scottish Government on behalf of Scottish councils.

Improvement Service

60. In November, the Improvement Service announced that [Tellmescotland](#), Scotland's national public information notices portal, has been renewed. The portal provides public information notices issued by local authorities across Scotland, such as planning, licensing and road restrictions in each area. The Improvement Service has operated the site for a decade with support from the Scottish Government.

By-elections

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

Other local government developments

62. In its Budget announcement on 22 November (see paragraph 68), the UK Government advised that it has begun negotiations on a growth deal for the Borderlands, a cross-border initiative involving joint proposals put forward by Dumfries and Galloway Council and the Scottish Borders Council, together with Northumberland and Cumbria County Councils and Carlisle City Council. The UK Government also said it was continuing to make good progress towards a city deal for Stirling and is in negotiations for a Tay Cities deal. It also announced an allocation of £20 million per year between 2018/19 and 2020/21 to support the Edinburgh and South Scotland City Region Deal.

Scrutiny, inspection, regulatory and related bodies

Care Inspectorate

63. On 31 October, the Care Inspectorate published [the joint inspection of services for children and young people in Inverclyde](#). It found that notable improvements in the wellbeing and life chances of children and young people, with a commendable focus on those who were most vulnerable. Areas for improvement include further strengthening joint risk assessment and decision making in response to child protection concerns and developing joint quality assurance systems and processes to achieve high standards of practice in key processes more consistently.

Scottish Public Sector Ombudsman (SPSO)

64. The SPSO's [newsletter – November](#) 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 FAAC meeting will consider more detailed intelligence from the SPSO six-monthly.

Commissioner for Ethical Standards in Public Life in Scotland

65. Since my last report, the Commissioner published one decision on complaints relating to councillors. The Commissioner decided that [Councillor Tim Brett](#), Fife

Council breached the Councillors' Code of Conduct.

Standards Commission for Scotland

66. There has been no hearing by the Standards Commission since my last report:

UK Government

67. On 7 November, the UK Government published a [policy paper](#) with further details of the UK's proposed administrative procedures for EU citizens obtaining settled status after Brexit. The application will be made to the UK authorities, within a period of time after Brexit. It stated that the process should be simple for those who already have permanent residence.
68. On 22 November, the Chancellor of the Exchequer, Philip Hammond, delivered the [Autumn Budget](#). Between 2017/18 and 2020/21, the Scottish Government will receive about additional £2 billion. £1.6 billion (around 80 per cent) of this is capital spending with more than £1.1 billion from financial transactions (funding for loans or equity). The extra funding for the resource budget from 2017 to 2020/21 is projected to around £350 million. His announcement also included VAT liability for the Scottish Police and Fire services to be lifted (worth £35 million per year, although with no reimbursement for VAT already paid). 'For further details on the impact on Scotland, please see [the SPICe briefing](#).
69. On the same day, the Office for Budget Responsibility published updated forecasts in its [economic and fiscal outlook](#). It has revised down forecasts for the UK's GDP from two per cent to 1.5 per cent in 2017.
70. On 27 November, the UK Government published [its Industrial Strategy](#). The strategy sets out the Government's plan to address four major challenges (artificial intelligence, clean growth, mobility and an ageing society). The Government has committed to investing £725 million to the [Industrial Strategy Challenge Fund \(ISCF\)](#) over the next three years.

UK Parliament

Communities and Local Government Committee

71. On 2 November, the Committee launched [an inquiry into the impact of the longer implementation period for 100 per cent retention of business rate revenue](#) amid uncertainty for councils about what happens when their current funding settlements come to an end in 2020 (to be closed on 14 December). The new funding system was originally due to be implemented in 2019/20, with the Revenue Support Grant phased out and councils taking on new responsibilities in return for the increase in their business rate revenue. However the Local Government Finance Bill, which contained provision for 100 per cent retention, fell when the Parliament was dissolved for the General Election. The inquiry will assess the implications of the extended implementation period and how it is affecting councils' financial planning.
72. On [13](#) and [20](#) November, the Committee continue to take evidence from experts and providers of specialist retirement housing, as part of its inquiry in to housing for older people, examining whether the housing on offer for this group of people is sufficiently available and suitable for their needs and, in doing so, considering how older people wish to live.
73. On 16 November, the Committee announced that it will hold [a draft Tenant Fees Bill inquiry](#) next year. It will conduct pre-legislative scrutiny of the Government's proposals to prohibit letting fees imposed by landlords and letting agents on tenants,

in relation to the draft Bill. The Bill aims to deliver 'a fairer, more competitive, and more affordable lettings market.

74. On 27 November, the Committee held a one off session as part of [its inquiry into the Homelessness Reduction Act](#), to examine the guidance issued to local authorities ahead of the Act coming in to force in April. The Committee questioned the Local Government Minister along with representatives from local authorities and homelessness charities.
75. On 28 November, the Committee published [Reforming Local Authority Needs Assessment](#). The independent research is aimed at contributing to the Government's Fair Funding Review and the work implementing 100 per cent retention of business rates for local authorities. It suggests that ways in which the current needs and funding assessments for councils could be made simpler and more transparent.

Scottish Affairs Committee

76. On 6 November, the Committee held evidence sessions in Stirling as part of [its inquiry into sustainable employment](#). It heard from three panels of representatives from the Scottish Government, third sector groups, and Scottish agencies and the Fair Work Convention.
77. On 14 and 27 November, the Committee held evidence sessions as part of [its inquiry into immigration and Scotland](#), to examine how well the UK's immigration system meets Scotland's needs. It heard from academics about what future immigration rules for EU citizens might apply post-Brexit as well as business and sectoral organisations about their labour requirements, and the relationship between immigration and the Scottish economy. The meeting on 27 November took place in Glasgow.
78. On 19 November, the Committee published its report on [the European Union \(Withdrawal\) Bill](#). It called for further efforts to end the "devolution stalemate" between the UK and devolved administrations through cooperation.

Public Accounts Committee

79. On 14 November, the Committee published its report on [Brexit and the future of Customs](#). Under current plans, the UK is set to leave the European single market and the customs union in March 2019. It reported that it would be catastrophic if viable custom system is not in place. It stated that the UK Government must do more to work with businesses and ensure contingency options are in place well before January 2019.
80. On 15 November, the Committee started to hold evidence sessions as part of [its inquiry into teacher development and retention](#). It heard from teachers and former teachers about their experiences of teacher development and retention.
81. On 20 November, the Committee started to hold evidence sessions as part of [its inquiry into Brexit and the borders](#), to examine how arrangements around the enforcement of the UK border will change. It heard from the Home Office, UK Border Force and HM Revenue and Customs.
82. On 27 November, the Committee started to hold evidence sessions as part of [its inquiry into homeless households](#). It heard from councils and the local government ombudsman about authorities' progress with combatting homelessness. It also heard from the UK Government about their work in reducing the number homeless households and whether benefit reform is contributing to the problem.

83. On 29 November, the Committee will launch [an inquiry into the Government's borrowing and accounts](#). It will hear from officials at HM Treasury, Debt Management Office and National Savings & Investments about the management of risks associated with government borrowing and about the overall health of the government's accounts.

UK local government

84. On 10 November, the Local Government Association published [a new analysis](#) ahead of the Autumn Budget, showing the strain being placed on council budgets as a result of the rising demand for adult social care and children's services. It predicted that for every £1 of council tax, almost 60 pence could be spent on social care by 2020, taking away from "vital day-to-day services". It urged that local government must be allowed to keep all of the business rates it collects locally while the Local Government Finance Bill, which will enable local government to do this, was passing through parliament before the election and was not reintroduced in the Queen's Speech.
85. On 10 November, the County Councils Network, cross-party special interest group of the Local Government Association, representing England's county authorities, published [New Deal for Counties: Our plan for Government](#). It stated that there are large disparities between resources allocated to rural public services and their urban counterparts. Collectively, England's 37 county areas, received £3.2 billion less than the English average (including London and towns and cities outside rural areas) this year. The organisation asked the government to address the 'postcode lottery' of government funding.
86. In its 22 November [analysis of the 2017 Budget](#), the Office for Budget Responsibility has reported that English upper-tier councils have eaten into their reserves due to social care pressures. It reports that upper tier authorities drew down £1.4 billion from their reserves in 2016-17 - much higher than the £200 million figure in the previous year. This formed the bulk of English councils' use of reserves, which was £1.5 billion in total in 2016-17 - up from £400 million in all in 2015-16. Prior to 2015-16, English local authorities last drew down from their reserves in 2009-10 - using £300 million in total.
87. On 24 November, CIPFA and local government consultancy firm Peopletoo published their [Changing Children's Lives](#) report which stated that children's social care has become the chief concern of upper tier council chief finance officers (CFOs). Adult social care – the top concern for CFOs for the past four years – has now dropped one spot to number two. The report – which reports upon a survey of 73 CFOs in England, states that pressure on children's social service budgets and growing demand is driving this concern.

Other UK Audit Bodies

National Audit Office (NAO)

88. On 7 November, the NAO published a [report](#) about the UK Government's borrowing. Whole of Government Accounts for 2015/16 reported net liabilities of £1,986 billion, of which £1,261 billion was debt from borrowing. This is the equivalent of £47,000 for every household in the UK and debt has increased by 61 per cent since 2009/10, with interest costing £222 billion.
89. On 17 November, the NAO published a briefing on [the UK Government's preparations for Brexit](#), with a particular focus on the coordination role of the Department for Exiting the European Union.

90. On 24 November, the NAO published [Implementing the UK's exit from the European Union: Infrastructure and Projects Authority](#). The briefing examines how the Infrastructure and Projects Authority is supporting government departments as they prepare for implementing EU Exit.
91. On 27 November, the NAO published [The administration of the Scottish Rate of Income Tax 2016-17](#). It stated that maintaining accurate address records of the 2.6 million Scottish taxpayers remains the largest risk facing HMRC in ensuring that Scottish income tax is assessed and collected properly while it recognized good progress HMRC has made.

Northern Ireland Audit Office (NIAO)

92. On 21 November, the NIAO published [Homelessness in Northern Ireland](#). It said that the growing homelessness trends reflected in official Departmental statistics indicate that the aim of reducing homelessness over the course of the Homelessness Strategy 2012-17 has had limited success.

Others

93. On 24 October, Deloitte published [the State of the State report 2017/18](#). The annual report, informed by interviews with public sector leaders and a survey of citizen and business as well as analysis of government data, looks at the current state of the UK public sector. It highlights local and immediate challenges for public services to address rising demand, continuous budget pressures and pressing concerns over social inequality.
94. On 20 November, the Scottish Futures Trust (SFT) published its [2016/17 Annual Business Review](#). For the 2016/17, the SFT benefit estimate is £138 million. Highlights include £400 million additional investment into affordable-rent housing.

Conclusion

95. The Commission is invited to:
- agree the proposal to respond to the Scottish Government consultation on Empowering Schools: A consultation on the provisions of the Education (Scotland) Bill (paragraph 14).
 - agree the proposal not to respond to the Scottish Government consultations on:
 - Excellence and Equity for All: Guidance on the Presumption of Mainstreaming (paragraph 13)
 - Practical Fire Safety Guidance for Existing Premises with Sleeping Accommodation (paragraph 15)
 - Fuel Poverty Strategy (paragraph 18).
 - consider and note this report.

Paul Reilly
Secretary to the Commission
29 November 2017