

**423<sup>rd</sup> meeting of the Accounts Commission for Scotland**

**Thursday 14 January 2016, 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 12 in private (\* see note).
4. **Minutes of meeting of 10 December 2015.**
5. **Update report by the Secretary to the Accounts Commission:** The Commission will consider a report by the Secretary to the Commission on significant recent activity in relation to local government.
6. **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.
7. **Briefing: Scottish Budget 2016/17:** The Commission will consider a report by the Director of Performance Audit and Best Value.
8. **Complaints reporting:** The Commission will consider a report by the Director of Performance Audit and Best Value.
9. **Briefing: social media:** The Commission will consider a presentation by the Communications Team, Audit Scotland.

***The following items are proposed to be considered in private:***

10. **Draft report: Community planning – an update:** The Commission will consider a report by the Director of Performance Audit and Best Value.
11. **Performance audit: draft report – Changing models of health and social care:** The Commission will consider a report by the Director of Performance Audit and Best Value.
12. **Commission business matters:** The Commission will discuss matters of interest.

\* It is proposed that items 10 to 12 be considered in private because:

- Item 10 proposes a draft report, which the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.
- Item 11 proposes a draft performance audit report, which the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.
- Item 12 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:

<b>Agenda Item</b>	<b>Paper number</b>
<b>Agenda Item 4:</b> Minutes of meeting of the Commission of 12 November 2015	AC.2016.1.1
<b>Agenda Item 5:</b> Report by Secretary to the Commission	AC.2016.1.2
<b>Agenda Item 7:</b> Report by Director of Performance Audit and Best Value	AC.2016.1.3
<b>Agenda Item 8:</b> Report by Director of Performance Audit and Best Value	AC.2016.1.4
<b>Agenda Item 10:</b> Report by Director of Performance Audit and Best Value	AC.2016.1.5
<b>Agenda Item 11:</b> Report by Director of Performance Audit and Best Value	AC.2016.1.6

MEETING: 14 JANUARY 2016

**MINUTES OF PREVIOUS MEETING**

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Minutes of the 422<sup>nd</sup> meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday, 10 December 2015, at 10.15am

PRESENT: Douglas Sinclair (Chair)  
Ronnie Hinds (Deputy Chair)  
Alan Campbell  
Sophie Flemig  
Sheila Gunn  
Tim McKay  
Christine May  
Stephen Moore  
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)  
Antony Clark, Assistant Director, PABV [Item 10]  
Angela Cullen, Assistant Director, PABV [Items 12 and 15]  
Graeme Greenhill, Senior Manager, PABV [Item 15]  
David Jamieson, Senior Audit Manager, Audit Services [Item 13]  
Ursula Lodge, Audit Manager, PABV [Item 15]  
Mark McCabe, Senior Manager, PABV [Item 13]  
Fiona Mitchell-Knight, Assistant Director, Audit Services [Item 13]  
Ronnie Nicol, Assistant Director, PABV [Items 11 and 13]  
Fiona Selkirk, Audit Manager, PABV [Item 13]  
Kathrine Sibbald, Audit Manager, PABV [Item 11]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 12 November 2015
5.	Minutes of Financial Audit and Assurance Committee of 26 November 2015
6.	Minutes of Performance Audit Committee of 26 November 2015
7.	Minutes of meeting of Audit Scotland Board of 29 October 2015
8.	Update report by the Secretary to the Commission
9.	Update report by the Controller of Audit
10.	Statutory Performance Information: 2015 Direction
11.	The new approach to auditing Best Value: progress report
12.	Draft work programme
13.	Audit of Best Value: progress – Argyll and Bute Council
14.	Audit of Best Value: progress – Argyll and Bute Council[private]
15.	Performance audit: draft report – Major capital investment in councils
16.	Commission business matters

1. Apologies for absence

It was noted that apologies for absence had been received from Sandy Cumming and Graham Sharp.

2. Declarations of interest

Christine May declared an interest in items 11 and 12 as the Vice-Chair of Fife Cultural Trust.

3. Decisions on taking business in private

It was agreed that items 14, 15 and 16 should be taken in private for the following reasons:

- Item 14 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 15 proposes a draft performance audit report, which the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.
- Item 16 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.

4. Minutes of meeting of 12 November 2015

The minutes of the meeting of 12 November 2015 were submitted and approved, subject to noting that the meeting took place on 12 November and Pauline Weetman had submitted apologies for absence from the meeting.

5. Minutes of Financial Audit and Assurance Committee of 26 November 2015

The minutes of the meeting of 26 November 2015 were submitted and approved.

6. Minutes of Performance Audit Committee of 26 November 2015

The minutes of the meeting of 26 November 2015 were submitted and approved.

Arising therefrom, the Committee:

- In relation to item 7, noted advice from the Director of PABV that he would update the Commission at future meetings on the future of Scotland Excel.
- In relation to item 9, noted advice from the Secretary that he would include in his next report to the Commission information on the Scottish Government's announcement on an independent review of Scotland's planning system.

7. Minutes of meeting of Audit Scotland Board, 29 October 2015

The minutes of the meeting of Audit Scotland Board of 29 October 2015 were noted.

8. Update report by the Secretary to the Accounts Commission

The Commission considered a report by the Secretary to the Commission 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 agreed:

- In relation to paragraph 4, to note advice from the Director of PABV that he would give further thought to any implications for audit work arising from the report on the Lennoxton Initiative.
- In relation to paragraph 5, to note advice from the Director of PABV that he would clarify the obligations of Audit Scotland in relation to its accreditation as a Living Wage Employer.

*Action: Director of PABV*

- In relation to paragraph 48, to note advice from the Director of PABV that he was liaising with the National Audit Office around the audit of City Deals.
- In relation paragraph 32, that a briefing be presented on the forthcoming Community Justice Act.

*Action: Secretary*

Thereafter, the Commission agreed to note the report.

9. Update report by the Controller of Audit

The Controller of Audit provided a verbal update on his recent activity including meetings and discussions with stakeholders.

10. Statutory performance information: 2015 Direction

The Commission considered a report by the Director of PABV proposing a draft Statutory Performance Information Direction 2015.

Following discussion, the Commission:

- Agreed the 2015 SPI Direction, subject to reflecting points raised in discussion.
- Gave the Chair delegated authority to finalise the content of the Direction.
- Agreed that the Director report back on the implications of the Direction on alternative models of service delivery such as City Deals.

*Actions: Director of PABV*

- Agreed that the 2015 Local Government Benchmarking Framework annual report be circulated.

*Action: Secretary*

11. The new approach to auditing Best Value: progress report

The Commission considered a report by the Director of PABV updating the Commission on the work underway to develop and implement the new approach to auditing Best Value.

Following discussion, the Commission agreed:

- To note the progress made on the new approach to auditing Best Value.
- To note the plans for further engagement with stakeholders and agree that the Commission host stakeholder seminars in 2016.

- In relation to paragraph 22 of the report, that the proposed reference group of senior officers reflect chief executive to head of service input.
- Further in relation to paragraph 22, that internal auditors be involved in engagement.
- In relation to paragraph 5, to note advice from the Director that joint responsibility for auditing, between auditors in PABV and local audit teams, was intended to lead to an integrated approach.
- Further in relation to paragraph 5, to note advice from the Director that an important feature of the new approach would be more regular assurance to the Commission about council performance, and thus not solely through a formal report of a Best Value audit.
- Note that the Director would bring reports to the Commission in April 2016 setting out for approval:
  - The framework of the planned arrangements for the new approach
  - An initial proposed rolling programme of annual and BV public reports.

*Actions: Director of PABV*

## 12. Draft Work Programme

The Commission considered a report by the Director of PABV proposing the Commission's draft work programme.

Following discussion, the Commission:

- approved the attached draft work programme as a basis for consultation with stakeholders, subject to the following:
  - That thought be given to featuring work around shared services
  - That a specific performance audit around arm's length external organisations be included, but not as a *How Councils Work* report.
  - That a *How Councils Work* report be developed around internal audit and scrutiny.
  - That an audit on waste management be deferred until later in the programme.
- approved the proposed consultation arrangements.
- noted that the Secretary would report back on the outcome of the consultation.

*Actions: Director of PABV and Secretary*

## 12. Audit of Best Value: Argyll and Bute Council

The Commission considered a report by the Secretary to the Commission seeking its consideration of the Controller of Audit's report of the Best Value audit of Argyll and Bute Council and seeking direction on how to proceed.

Following questions to the Controller of Audit, the Commission agreed to consider in private how to proceed.

13. Audit of Best Value: Argyll and Bute Council [in private]

The Commission discussed how to proceed in relation to the statutory report by the Controller of Audit on the audit of Best Value in Argyll and Bute Council.

Following discussion, the Commission agreed:

- To make findings, to be published on 17 December 2015.
- As part of those findings, to note that it will maintain its interest in the progress made by the Council and that the Controller of Audit will continue to monitor progress through the annual audit process

*Actions: Secretary*

14. Performance Audit – draft report: Major capital investment in councils – follow-up [in private]

The Commission considered a report by the Director of Performance Audit and Best Value seeking approval of and proposing ways of promoting the draft performance audit report *Major capital investment in councils – follow-up*.

Following discussion, the Commission agreed:

- To approve the draft report subject to the audit team considering points raised in discussion in conjunction with the sponsors of the report, Graham Sharp and Sandy Cumming.
- To approve the publication and promotion arrangements for the report.

*Actions: Director of Performance Audit and Best Value*

16. Commission business matters

There being no further business, the meeting was closed.

MEETING: 14 JANUARY 2016

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

UPDATE REPORT

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**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**

4. On 17 December the report on [The Audit of Best Value and Community Planning: Argyll and Bute Council](#) was published. The report recognised the progress made by Argyll and Bute since the Commission's first report in 2013. However, it highlighted a need for greater transparency and a sustainable approach to the financial challenges it faces. The report also commented on some long standing political and personal differences between a small number of individuals which are played out in public and damage the council's reputation. The report has been downloaded 1179 times. Members of the Commission will be meeting representatives of the Council in coming weeks.
5. On 3 December the report on [Health and Social Care Integration](#) was published. The report found that all 31 integration authorities are expected to be operational by the 1 April 2016 deadline, but that significant risks must be addressed if integration is to provide the substantial changes needed to health and social care. The report has been downloaded 2394 times with the podcast downloaded 411 times.
6. The formal consultation on the Code of Audit Practice ended on the 3 December 2015. There were 39 external responses to the draft Code which is comparable to the consultation for the 2011 Code when 41 were received. Of these, 11 came from councils (seven responded to the 2011 Code). The following councils responded:
  - Aberdeen City Council
  - East Ayrshire Council
  - Falkirk Council
  - Fife Council
  - Glasgow City Council
  - North Ayrshire Council
  - Renfrewshire Council
  - Shetland Islands Council
  - South Lanarkshire Council
  - The Highland Council

7. The responses from councils were, generally, very supportive of the new Code. In particular, councils responded that the Code was:
  - clear on its status and application
  - had the right general principles that auditors should follow
  - clear on roles of appointed auditors and Audit Scotland specialists such as the PABV team (other sectors' responses indicated that this was less clear, probably due to the contact and impact of that PABV specialists have had in councils, in comparison to other sectors, over a number of years)
  - clear on the appointed auditor responsibilities in respect of the wider scope areas including Best Value.
8. The area that has generated the most comment, more so in other sectors than in council responses, related to the timing of applying the wider scope audit to smaller bodies. The supplementary guidance expands on this and will be developed further to ensure that this is clear.
9. Some comments were made in relation to the audit of Best Value and these will be shared with the Best Value review team to ensure that they are taken into account.
10. The relevant changes are being made to Code arising from review of the consultation responses. It will then be returned to the Accounts Commission for consideration and formal approval.
11. The procurement exercise for the next round of audit appointments remains ongoing. The tender period closed on the 16 December 2015. There were 10 tenders submitted. These are currently being evaluated.

### **Auditor General for Scotland**

12. On 10 December the Auditor General for Scotland published an update report on [Implementing the Scotland Act 2012](#). The report reviewed the performance of Revenue Scotland in delivering the Land and Buildings Transaction Tax and the Scottish Landfill Tax. It reported that good progress had been made in implementing Scotland's new tax raising powers. The report has been downloaded 229 times since publication and the podcast has been downloaded 255 times.
13. On 18 December the Auditor General published the [2014/15 audit of the Scottish Police Authority](#), a report for the second consecutive year on significant issues arising from the annual audit of the Scottish Police Authority's accounts. The report found that incomplete records and poor financial management delayed the audit of the SPA's accounts and substantial corrections were needed before completion. There was strong national media coverage. The Chair of the SPA, Andrew Flanagan, announced as a result that a chief financial officer would be appointed for an interim period to oversee the financial management of both the SPA and Police Scotland.
14. The Auditor General submitted a [briefing paper](#) to the Public Audit Committee as an update to the May 2014 performance audit on A&E waiting times. The paper found that performance against the waiting time targets has improved in recent months, having significantly deteriorated last winter.

## Issues affecting local government

### **Scottish Government:**

15. Deputy First Minister John Swinney announced the [Draft Budget for Scotland 2016/17](#). The themes of the budgets are 'supporting inclusive growth' and protecting and reforming public services'. The highlights announced by the Deputy First Minister are:
- There will be no changes to the rate of income tax when Holyrood gain the power to vary 10p in every pound in April 2016.
  - A new 3 per cent Land and Building Tax Levy for second homes over £40,000 will be introduced from April 2016.
  - £9.5 billion for local government revenue funding. (COSLA have reported that this is a 3.5 per cent cut.)
  - An additional £55 million for Police Scotland.
  - An additional £45 million to improve and develop new models of primary health care.
  - £90 million for affordable housing.
  - A commitment to review business rates.

There is a separate briefing on the Scottish Budget on today's agenda.

16. The Scottish Government published its tri-annual [State of the Economy](#) on 18 December. It noted that although the economy grew in 2015 the rate of growth was lower than previously forecast. The overall growth for 2015 was estimated at 2 per cent compared to 2.4 per cent for the UK as a whole. This was because of a fall in global commodity prices, oil prices and a general challenging external environment.
17. On 15 December, the Guardian published the [findings of an investigation into Scottish Government borrowing](#). It concluded total public debt could be £50bn by 2020, set against a Scottish Government budget of £30bn.
18. The Short Life Working Group on community land ownership published a [strategy](#) to reach the target of one million acres on community land by 2020. The group found that there is currently 480,000 acres of land owned by the community in Scotland.
19. The Organisation for Economic Co-operation and Development (OECD) published [Improving Schools in Scotland: An OECD perspective](#), a review of Scotland's education system commissioned by the Scottish Government. The report suggests achievement in Scottish schools is above international averages but the gap is narrowing. Particular concerns are raised about maths where performance was noted as having fallen from high to average over the past decade. Although the report also found that Scotland has the opportunity to be a 'world leader' in developing a new approach to assessment and evaluation in schools. It also supported the Government's decision to introduce a National Improvement Framework, incorporating standardised assessment to develop a robust evidence base to show how children are progressing.
20. The Scottish Government has published [guidance](#) on the principles for planning the delivery of integrated health and social care.

21. I previously mentioned in my report the announcement in September by Alex Neil MSP, Cabinet Secretary for Social Justice, Communities and Pensioners' Rights of an [independent review of Scotland's planning system](#). He appointed a panel consisting of Crawford Beveridge (Chair), Petra Biberbach and John Hamilton to "provide a strategic perspective and will be open to 'gamechanging' views and ideas". The timetable for the review was revised in December, meaning that the Panel will report in May 2016, posing questions around six areas:
- Development planning: are development plans needed?; can there be a quicker, more effective, or more flexible approach?
  - Housing delivery: how does planning contribute or hinder the quality and scale of housing delivery?
  - Planning for infrastructure: how can planning better identify, co-ordinate and deliver infrastructure required to enable development (with ideas varying from from targeted interventions (for example to improve Section 75 timescales) to more fundamental changes such as more powers for land assembly)?
  - Further improvements to development management: how can it be made more efficient, such as around further extending permitted development rights; sharing development management expertise; and revisiting planning enforcement, notification and call-in procedures?
  - Leadership, resourcing and skills: are planning authorities properly resourced, equipped and skilled; and can spatial planning be better integrated with community planning and corporate priorities?
  - Community engagement: how can innovation around community engagement in planning be built upon and how do we ensure that everyone has a 'fair hearing' in the planning system; should the statutory roles for community councils be extended for example to include development planning?

The Panel has received some 350 responses, and is now considering these submissions.

### ***Scottish Parliament***

#### ***Parliamentary Committee News***

##### *Local Government and Regeneration Committee:*

22. On 9 December the Committee took evidence on the [Burial and Cremation \(Scotland\) Bill](#) from the Co-operative funeral care, Institute of Cemetery and Cremation management, the Federation of Burial and Cremation Authorities and the Inspector of Crematoria Scotland.
23. The Committee also considered its draft report on Fixed Odds Betting Terminals on 9 December.
24. At its meeting on 2 December the Committee considered the Energy Performance of Buildings (Scotland) Amendment Regulations.
25. On 2 December the Committee took evidence from the Minister for Transport and Islands, representatives from Transport Scotland and the Transport Research Institute and Sandra White MSP on the [Footpath Parking and Double Parking \(Scotland\) Bill](#).

26. On 2 December the Committee also took evidence from the Leader, Chief Executive and a member of the Health and Social Care Integration team at Aberdeen City Council as part of its inquiry into arm's length external organisations.

*Public Audit Committee:*

27. At its meetings on 9 and 16 December, the Committee considered its draft report on the Section 22 report<sup>1</sup> [the 2013/14 audit of Coatbridge College: Governance of severance arrangements](#). At both meetings various changes were proposed and the Committee agreed to consider a revised draft report and its next meeting on 6 January.
28. At its meeting on 9 December, the Committee took evidence on [the 2014/15 audit of the Scottish Government Consolidated Accounts](#) from Leslie Evans, Permanent Secretary and other representatives of the Scottish Government and further evidence from the Auditor General for Scotland.
29. On 9 December, the Committee also considered responses from the Scottish Government and the Westminster Public Accounts Committee on the Scottish Government's September 2015 Major Capital Projects progress update and they agreed to note the responses.
30. At this meeting, the Committee also considered responses from the Scottish Government, Scottish Funding Council and Audit Scotland to the Committee's report entitled 'Report on Scotland's colleges 2015'.

*Infrastructure and Capital Investment Committee*

31. On 2 December the Committee took evidence from the Minister for Housing and Welfare and the Scottish Government on the Private Housing (Tenancies) (Scotland) bill.
32. On 8 December the Committee took evidence on the Scottish Housing Regulator's annual report.
33. On 16 December the Committee considered the engineering faults on the Forth Road Bridge and agreed to hold an inquiry. At this meeting it also took evidence from Scottish Water and Business Stream on their annual report and accounts.

*Finance Committee*

34. The Finance Committee has published a [report](#) at Stage 1 of the Scottish Fiscal Commission Bill concluding that the Scottish Fiscal Commission should be given a role in producing official forecasts for devolved taxes. Under the current proposals of the Bill it is for the Scottish Government to produce the forecasts.
35. On 9 December the Committee took evidence from representatives of the Scottish Parliament on Draft Budget Scrutiny.
36. On 4 December the Committee also took evidence on the Scottish Rate of Income Tax from Scottish business representatives.

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<sup>1</sup> The Auditor General for Scotland (AGS) reports to the Public Audit Committee under Section 22 of the Public Finance and Accountability Act on the accounts of Scotland's public bodies (excluding local government).

37. On 16 December the Committee considered the Scottish Fiscal Commission Bill at Stage 1 and agreed to consider a further draft by correspondence.

*Bills – Progress Updates:*

38. The following Bills have progressed since my last report:
- The [Criminal Justice \(Scotland\) Bill](#) passed stage 3 scrutiny on 8 December.
  - An amended [Education \(Scotland\) Bill](#) was been published following stage 2 amendments.
  - The [Harbours \(Scotland\) Bill](#) received royal assent on 2 December.
39. The following Bills have not progressed further since my last report:
- The [Footpath Parking and Double Parking \(Scotland\) Bill](#) is being considered at Stage 1 by the Local Government and Regeneration committee.
  - Stage 2 scrutiny of the [Community Justice \(Scotland\) Bill](#) by the Justice and Finance committees will begin in January 2016. More detail on the Bill can be found in paragraphs 15 to 18 of the draft report *Community planning: an update* (item 10 on today's agenda).
  - The [Scottish Fiscal Commission Bill](#) is being considered at Stage 1 by the Finance Committee.
  - The [Private Housing \(Tenancies\) \(Scotland\) Bill](#) is being considered at Stage 1 by the Infrastructure Investment Committee.
  - The [Land Reform \(Scotland\) Bill](#) is being considered at Stage 1. SPICe has produced a [briefing](#) on the bill.

***Scotland Bill - Updates:***

40. The Smith Commission's proposals were considered within the Scottish and UK Parliaments, principally through the [Referendum \(Scotland\) Bill Committee](#) (previously Devolution (Further Powers) Committee) and [Scottish Affairs Committee](#) respectively. [The Scotland Bill 2015-16](#) has now been approved by the House of Commons and had its first sitting at the house of Lords on 8 December. Consideration of further amendments will continue on 19 January. The Scottish Affairs Committee launched an inquiry on 17 December on [Revising Scotland's Fiscal Framework](#). Committee members will examine progress in establishing a funding settlement to underpin new powers and will examine how the block grant will be affected by the devolution of revenue and spending powers under the Scotland Bill.

***COSLA, Improvement Service etc:***

41. COSLA held a special council leaders meeting following the announcement of the Scottish budget on 16 December. They reported that the package of measures for local government in Scotland equates to a 3.5 per cent cut. COSLA states that the cuts will lead to up to 15,000 job losses and will be felt across Scotland. A briefing on the Scottish budget is on today's agenda (item 7).
42. On 10 December, COSLA launched its [Scottish Local Government Delivery Plan](#) based on the UN Convention on the Rights of People with Disabilities and the

European Convention on Human Rights. The plan sets local government's contribution to supporting the rights of disabled people in Scotland.

43. On 16 December, the Commission on Local Tax Reform published [Just Change: A New Approach to Local Taxation](#). They examined the current system and alternative options for council tax in Scotland. The report concluded that local tax needs substantial reform. They suggested that an alternative to council tax should still include an element of recurrent tax on domestic property but should be broadened to also include an element of tax on income which they viewed as a fairer way to levy tax. The changes to local taxation will take time, a long term vision and political co-operation. Following the publication of the report the First Minister stated that the Scottish Government had guaranteed the council tax freeze for a further year and would bring forward proposals for the long term reform of council tax in advance of the 2016 Scottish Parliamentary election. Other political parties are also expected to include reference to the issue in their manifestos for the election.

### ***Current activity and news in Scottish local government:***

#### *Individual councils:*

44. On 5 January John Swinney MSP announced that councils that had been affected by the recent flooding would receive extra funding in addition to the £4m announced in the draft budget in December 2015.
45. South Lanarkshire Council has warned of an estimated £21m that it will have to make in cuts and savings next year as a result of the Scottish Budget. The amount it will receive from the Scottish Government was less than expected.
46. Clackmannanshire Council will take forward a new cluster based approach to education management and recruit a Chief Education Officer to take that forward as shared school education management services with Stirling Council are ending.

### **Scrutiny, inspection, regulatory and related bodies**

#### *Scottish Public Sector Ombudsman (SPSO):*

47. The newsletter [SPSO News – December](#) summarises November 2015 case numbers, outlines investigations 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. More detailed intelligence from the SPSO is considered on a six-monthly basis by the Financial Audit and Assurance Committee.

#### *Commissioner for Ethical Standards in Public Life in Scotland:*

48. Since the previous meeting of the Commission, two decisions on complaints relating to councillors were published by the [Commissioner](#). The Commissioner decided [Councillor Rosa Zambonini](#) at North Lanarkshire Council and [Councillor Hamish Partridge](#) at Aberdeenshire Council did not contravene the Councillors' Code of Conduct.

#### *Standards Commission for Scotland:*

49. A hearing on the 13 November into an alleged breach of the Code by Councillor Paul McLennan as mentioned in my last report, found that the East Lothian councillor had

breached the Code and was therefore suspended from attending meetings of East Lothian Council for three months.

*Care Inspectorate*

50. The Care Inspectorate has published its [Annual Report](#) for 2014-15. The report finds that the overall quality of care in services across integrated health and social care, early learning and childcare, social work and criminal justice social work remain high. The report also shows an increase in the public awareness of the complaints process.

**Other UK Audit Bodies**

*National Audit Office:*

51. The National Audit Office has set out its [strategy](#) for 2016-17 to 2018-19. The strategy focuses on the commitment to ensure value for money, planning a 10% overall reduction in costs over the next 3 years while ensuring that its statutory duties are fulfilled to a high standard.

*Public Accounts Committee*

52. On 7 December the Public Accounts Committee took evidence on the progress of the six recommendations the Committee made on Universal Credit. These recommendations aimed at improving transparency around costs and progress; developing contingency plans; and strengthening accountability arrangements to secure better value for money for the taxpayer in the future.
53. On 16 December the Committee published its [report](#) into further education colleges. The report expresses concern about the 'declining financial health of many colleges' and recommends improved oversight of the sector and intervention arrangements

**Conclusion**

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

**Paul Reilly**  
**Secretary to the Accounts Commission**  
**6 January 2015**

MEETING 14 JANUARY 2016

REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

SCOTTISH SPENDING PLANS AND DRAFT BUDGET 2016-17

**Purpose**

1. The purpose of this paper is to provide the Commission with a briefing on the Scottish Government's Spending Plans and Draft Budget 2016/17, highlighting some of the key implications for local government finances.

**Background**

2. On 16 December 2015, the Scottish Government published its spending plans and draft budget for 2016/17. This followed the UK Government's Comprehensive Spending Review published on 25 November 2015 which outlined UK spending plans, including spending allocations for Scotland, up to 2019/20.
3. The main sources for this briefing are the Scottish Government's draft budget for 2016/17 and the Scottish Parliament's associated briefing paper.<sup>1</sup>

**Scottish Government budgets to 2019/20**

4. Overall, the Scottish DEL budget will decrease in real terms by 4.8 per cent between 2015/16 and 2019/20 from £29,111 million to £27,704 million. The revenue DEL budget, used for day-to-day spending such as staff costs, will decrease by 5.6 per cent to £24,573 million between 2015/16 and 2019/20.<sup>2</sup> By contrast, the capital DEL budget, used for paying upfront construction and large-scale maintenance costs, will increase by 1.7 per cent to £3,131 million over the same period (Exhibit 1).

Exhibit 1: Scottish Government budgets, 2015/16 to 2019/20, in real terms

2015/16 prices	2015/16	2016/17	2017/18	2018/19	2019/20	Change 2015/16 to 2019/20
Revenue DEL	26,033	25,662	25,402	24,975	24,573	-5.6%
Capital DEL	3,078	3,106	3,082	3,073	3,131	1.7%
<b>Total DEL</b>	<b>29,111</b>	<b>28,768</b>	<b>28,484</b>	<b>28,048</b>	<b>27,704</b>	<b>-4.8%</b>
Capital borrowing limits	306	311	308	307	313	2.3%
Capital DEL (including maximum capital borrowing)	3,384	3,417	3,390	3,380	3,444	1.8%

\*Total DEL excludes non-cash DEL amounts (approx. £1 billion) which have yet to be confirmed by HM Treasury.

5. The Scottish Government is able to borrow up to ten per cent of its capital budget for further capital investment. If the maximum capital borrowing powers are used, this will be equivalent to £1,239 million in real terms between 2016/17 and 2019/20. If the maximum capital borrowing limits are used then the overall capital

<sup>1</sup> Scotland's Spending Plans and Draft Budget 2016/17, Scottish Government, December 2015. *Financial Scrutiny Unit briefing: Draft Budget 2016/17*, Scottish Parliament Information Centre, January 2016.

<sup>2</sup> Excludes non-cash DEL amounts which have yet to be confirmed by HM Treasury.

DEL budget will increase by 1.8 per cent from £3,384 million to £3,444 million between 2015/16 and 2019/20.

- The Scottish Government has only published detailed spending plans covering one year, 2016/17. There is no breakdown by main portfolio area for the remaining years covered by the UK spending review to 2019/20. Therefore it is difficult to know how the above annual budgets will be allocated to public bodies in Scotland beyond next year. However, it is clear that the availability of public finances will continue to tighten over the medium term.

### Draft budget 2016/17

- Exhibit 2 compares the DEL budget for each of the main Scottish Government portfolios for 2015/16 and 2016/17.<sup>3</sup> Health, Wellbeing and Sport is the only portfolio to see a real terms increase in planned spending (3.6 per cent). The newly-named Social Justice, Communities and Pensioners' Rights portfolio (which includes the allocation to local government) has the largest decrease, falling by 7.9 per cent to £8.1 billion.

Exhibit 2: Scottish DEL Budgets, by portfolio, 2015/16 and 2016/17, in real terms

Portfolio	2015/16 (£m)	2016/17 (£m)	% Change
Health, Wellbeing and Sport	12,276.0	12,722.0	3.6%
Finance, Constitution and Economy	625.0	624.6	-0.1%
Education and Lifelong Learning	2,589.1	2,433.1	-6.0%
Fair Work, Skills and Training	261.6	248.3	-5.1%
Justice	2,608.4	2,470.3	-5.3%
Social Justice, Communities and Pensioners' Rights	8,840.2	8,141.1	-7.9%
<i>Of which Local government</i>	7,957.2	7,260.4	-8.8%
Rural Affairs, Food and the Environment	566.0	551.0	-2.6%
Culture, Europe and External Affairs	255.9	239.6	-6.4%
Infrastructure, Investment and Cities	2,109.1	2,104.1	-0.2%
Administration	197.7	189.8	-4.0%
Crown Office and Procurator Fiscal Service	112.1	110.6	-1.3%
<b>TOTAL DEL (Revenue and capital)</b>	<b>30,537.0</b>	<b>29,935.2</b>	<b>-2.0%</b>

\*Total figures differ from Exhibit 1 as total DEL includes capital borrowing limits (approx £300m) and non-cash DEL amounts (approx. £1 billion) but exclude funding for the Scottish Parliament and Audit Scotland (approx. £100m).

- In addition to the DEL budget, £6,578 million of Annually Managed Expenditure (AME) is included within the overall Scottish budget in 2016/17. This covers spending which is demand-led and often difficult to predict and therefore likely to vary from year to year. The most significant elements of the AME budget relate to NHS and teachers' pensions (£3,384 million) and the redistribution of non-domestic rates income (£2,722 million).

### Local government

- The total allocation to local government in 2016/17 will be £9,982 million. This is a reduction of 7.2 per cent (or £775 million) in real terms. This includes £2,722 million from non-domestic rates income which is expected to decrease by 2.8 per cent in real terms from 2015/16.

<sup>3</sup> Totals include non-cash DEL amounts but exclude funding for the Scottish Parliament and Audit Scotland.

10. Exhibit 3 below shows how the composition of the 2016/17 local government allocation has changed from 2015/16. The Scottish Government guarantees the combined general revenue grant and non-domestic rates income figure, approved by Parliament, to each local authority. For example, a reduction in non-domestic rates income is compensated for by an increase in the general revenue grant and vice versa.

Exhibit 3: Local government funding allocation, 2015/16 and 2016/17, in real terms

Local government	2015/16 (£m)	2016/17 (£m)	% change
General Revenue Grant	7,004	6,574	-6.1%
Non-Domestic Rates (AME)	2,800	2,722	-2.8%
Support for Capital	716	473	-34.0%
Specific Revenue Grants	92	89	-3.2%
Specific Capital Grants	145	124	-14.5%
<b>Total</b>	<b>10,757</b>	<b>9,982</b>	<b>-7.2%</b>

11. Support for capital decreased by 34 per cent from £716 million to £473 million in real terms. This is partly due to a number of one-off adjustments which increased the capital budget in 2015/16 by £168.2 million, including £94.2 million added to meet an earlier re-profiling agreement. Similarly, the 2016/17 allocation has been reduced by £150 million due to a further re-profiling agreement which the Scottish Government has committed to adding back to local government capital allocations between 2017 and 2020. Adjusting for these changes means the like-for-like comparison between years results in a 7.4 per cent increase in local government capital allocation between 2015/16 and 2016/17.
12. The Scottish Government plans to freeze council tax in 2016/17 for the ninth consecutive year and has included £70 million within the local government allocation to support this. This brings the total cost of the freeze in 2016/17 to £630 million, and the total cumulative cost from 2008/09 to 2016/17 to £3.2 billion. In 2016, the Scottish Government plans to outline proposals to reform the current system in response to the report of the Commission on Local Tax Reform.
13. As in previous years, local authorities are required to agree joint priorities with the Scottish Government in order to access the full funding allocation. This includes maintaining teacher numbers at 2015 levels as well as the ongoing freeze of council tax. Discussions between COSLA and the Scottish Government about these joint priorities are ongoing. (The Scottish Local Government Partnership is not party to such discussions).
14. The Scottish Government has issued provisional funding allocations to each local authority. These provisional allocations form the basis for the annual consultation between the Scottish Government and COSLA prior to formal Scottish Parliament approval in late February 2016. The Scottish Government plans to engage with COSLA and have invited COSLA to respond to the provisional allocations by mid-January 2016. Details of the provisional allocations are at Appendix A.

## **COSLA**

15. COSLA has not yet issued an official statement on the Draft Budget 2015-16. However, following the publication of the draft budget, COSLA issued a news release requesting clarification of comments made by the First Minister during

First Minister's Questions on 17 December 2015. Clarification was sought over whether or not £250 million of funding earmarked for social care would be offset against the overall budget reduction for local government. As noted above, COSLA are invited to respond to the 2016/17 draft budget allocations for local government by mid-January 2016.

### **Additional funding for social care**

16. The draft budget makes reference to an additional £250 million in funding to support the integration of health and social care. This funding is included within the budget allocation for NHS territorial boards in 2016/17 with the intention it will be allocated to health and social care partnerships. It is as yet unclear how this funding will be allocated to partnerships over and above the anticipated funding arrangements being discussed between health boards and councils.

### **Taxation**

#### **Scottish Rate of Income Tax (SRIT)**

17. The SRIT will be introduced in Scotland from 6 April 2016. At this point, Scottish taxpayers will have their UK income tax rate reduced by 10 pence in each pound. In the draft budget, the Scottish Government outlined its intention to set the SRIT at 10 pence for 2016/17. This means that income tax for Scottish taxpayers in 2016/17 will be the same as in the rest of the UK. The Office for Budget Responsibility (OBR) forecasts that SRIT revenues for 2016/17 will be £4,900 million. This amount is deducted from the Scottish block grant (through reduced UK income tax receipts) but is then added back through the SRIT meaning the overall net effect on the Scottish budget is zero.

#### **Devolved taxes**

18. The 2016/17 draft budget includes tax rates and bands set for the devolved taxes: Scottish Landfill Tax (SLfT) and Land and Buildings Transaction Tax (LBTT). The draft budget proposes to keep the same rates and bands for LBTT for 2016-17 as for 2015-16 with the exception of a supplement on additional homes, such as buy-to-let properties and second homes. This supplement will increase current LBTT rates by three percentage points for relevant property transactions above £40,000.
19. SLfT rates will rise in line with UK landfill tax rates. This is an increase of 2.2 per cent per tonne on standard landfill waste and 1.9 per cent on less polluted landfill waste.
20. The Scottish and UK governments have agreed a one-year adjustment of £600 million to the Scottish block grant in relation to the SLfT and LBTT.

### **Public sector pay**

21. In December 2015, the Scottish Government published a new public sector pay policy for 2016/17. The policy only directly affects the pay of Scottish Government staff, and the staff of around 50 public bodies. Other parts of the public sector, such as local government and the NHS are not directly covered by the policy and determine pay separately.
22. The main features of the pay policy are:
  - One per cent cap on the cost of the increase in basic pay for staff earning above £22,000

- A minimum basic pay increase of £400 for those earning less than £22,000, before progression payments (to be awarded on a pro-rata basis for part-time staff); the costs of this are not included in the one per cent cap
- A continued commitment to paying a Scottish living wage (currently at £8.25 per hour)
- A continued suspension of non-consolidated performance related pay (bonuses)
- Discretion for individual employers to reach agreements relating to pay progression, whereby employees progress through set pay bands on an annual basis, regardless of the basic pay settlement
- A continued commitment to no compulsory redundancies, to be negotiated by individual employers in exchange for agreements on workforce flexibilities and efficiencies where appropriate.

### **Welfare reform**

23. Funding aimed at reducing the effects of UK welfare reforms totals £74 million in 2016/17. This includes:

- £38 million for the Scottish Welfare Fund (SWF). The SWF aims to provide financial support in the event of an emergency where there is an immediate threat to health and safety. It is also used for people on low incomes to access household goods to set up home or remain in their community.
- £35 million for discretionary housing payments, aimed at helping to mitigate the effects of the 'bedroom tax'.
- £1 million to establish a system for implementing new social security powers.

24. In addition, the Scottish Government announced up to £343 million for the Council Tax Reduction Scheme (CTRS). The majority of this funding comes directly from the UK Government, with the Scottish Government and local government contributing £23 million and £17 million respectively.

### **Equalities**

25. Alongside the draft budget, the Scottish Government published an Equality Statement. The Statement aims to provide an understanding of the impact of spending decisions and help provide information about how to target resources to improve equality in each of the main spending portfolios. The Scottish Government states that an equalities assessment helps them to identify mitigating actions where impacts are, or appear to be, negative for progressing equality.

26. In relation to local government, the Statement highlights equalities issues being addressed through:

- the general funding formula using needs-based indicators, such as population and relative deprivation
- maintaining teacher numbers in schools to ensure a consistent level of educational experience for all pupils regardless of background
- directing resources to Integration Authorities to ensure care is focused on prevention and early intervention as well as individuals' needs.

- The continuation of the council tax freeze aimed at supporting individuals' disposable incomes.

### **Next steps**

27. The Draft Budget will now be subject of consultation with the public and Parliamentary subject committees. The Finance Committee will take evidence from the Cabinet Secretary for Finance, Constitution and Economy in January prior to the Finance Committee's report and debate at the end of the month. The Budget Bill process and debate will take place during February with Royal Assent in March.
28. The Local Government and Regeneration Committee will also consider evidence from the Cabinet Secretary on the budget allocation to councils at its meeting on 3 February.
29. Following the publication of the Draft Budget however, the local government settlement undergoes its own parliamentary procedure in parallel with the formal budget process. This procedure is summarised below.
  - Late February 2016: Local Government Finance (Scotland) Order 2016 presented to the Scottish Parliament.
  - February / March: Individual local authorities agree their budgets.
  - February / March: Local Government Finance Amendment Order is laid before Parliament and debated in the Chamber. This Amendment Order contains the council tax freeze monies in the settlement, reflecting the decisions of local authorities regarding council tax.

### **Forthcoming related Accounts Commission reports**

30. The Accounts Commission will publish its report *Major capital investment in councils – a follow-up report* on 14 January 2016 and will consider the *Local Government Overview 2016* draft report at its meeting February.
31. In addition, the Auditor General published the report *Implementing the Scotland Act 2012: An update* in December 2015 and will continue to monitor developments around the implementation of the new powers under the Scotland Act and the proposals in the Scotland Bill 2015.

### **Conclusion**

32. The Commission is invited to note this report.

**Fraser McKinlay**  
**Director of Performance Audit and Best Value**  
**8 January 2016**

## **APPENDIX A:**

Local government total revenue allocations, 2015/16 and 2016/17, in real terms.

	Revenue		
	2015/16 (£m)	2016/17 (£m)	% change
Aberdeen City	340.3	321.5	-3.9%
Aberdeenshire	418.4	400.1	-2.7%
Angus	206.6	193.4	-4.8%
Argyll & Bute	204.7	192.4	-4.4%
Clackmannanshire	97.6	91.2	-5.0%
Dumfries & G	294.7	275.6	-4.9%
Dundee City	298.3	277.9	-5.3%
East Ayrshire	232.8	216.8	-5.3%
East Duns	188.6	178.4	-3.8%
East Lothian	173.7	163.5	-4.3%
East Renfrew	182.0	172.1	-3.8%
Edinburgh	745.7	699.3	-4.6%
Eilean Siar	102.4	95.6	-5.1%
Falkirk	285.5	266.1	-5.2%
Fife	645.2	607.4	-4.3%
Glasgow City	1,270.8	1,189.0	-4.8%
Highland	459.6	429.4	-5.0%
Inverclyde	170.9	159.6	-5.0%
Midlothian	156.3	147.3	-4.2%
Moray	161.3	152.4	-3.9%
North Ayrshire	277.5	260.2	-4.6%
North Lanarkshire	631.0	588.9	-5.1%
Orkney	70.9	66.4	-4.8%
Perth & Kinross	252.0	237.8	-4.0%
Renfrewshire	314.7	295.4	-4.5%
Scottish Borders	209.6	198.3	-3.8%
Shetland	87.0	80.8	-5.5%
South Ayrshire	206.4	193.0	-4.9%
South Lanarkshire	576.1	536.9	-5.2%
Stirling	169.0	159.5	-4.0%
West Dunbarton	192.1	179.2	-5.2%
West Lothian	312.2	297.1	-3.2%
<b>Total</b>	<b>9,933.9</b>	<b>9,322.2</b>	<b>-4.6%</b>

Source: *Local Government Finance Circular 7/2015*, Scottish Government, December 2015. Figures include general and specific revenue grants and the distribution of non-domestic rates income. There are minor differences in the figures outlined in the draft budget 2016/17 and those in the Local Government Finance Circular. This is mainly due to adjustments made to the 2015/16 baseline. A reconciliation between the two documents has been requested from the Scottish Government.

Local government total capital allocations, 2015/16 and 2016/17, in real terms.

	Capital		
	2015/16 (£m)	2016/17 (£m)	% change
Aberdeen City	25.8	18.2	-29.5%
Aberdeenshire	32.7	22.5	-31.2%
Angus	23.2	9.8	-57.6%
Argyll & Bute	14.8	10.2	-30.9%
Clackmannanshire	6.1	4.4	-27.5%
Dumfries & G	22.2	15.4	-30.5%
Dundee City	19.9	14.1	-29.3%
East Ayrshire	11.7	8.1	-31.1%
East Duns	10.5	7.4	-29.8%
East Lothian	11.6	8.2	-29.6%
East Renfrew	8.0	5.6	-29.9%
Edinburgh	87.5	67.5	-22.9%
Eilean Siar	8.9	6.5	-27.1%
Falkirk	15.1	10.4	-31.0%
Fife	39.3	26.7	-31.9%
Glasgow City	152.5	121.1	-20.6%
Highland	37.2	24.6	-33.9%
Inverclyde	10.7	6.4	-40.3%
Midlothian	10.3	7.3	-29.4%
Moray	12.1	8.6	-29.3%
North Ayrshire	14.9	11.8	-20.8%
North Lanarkshire	36.9	26.2	-29.1%
Orkney	7.1	5.2	-26.6%
Perth & Kinross	30.0	12.8	-57.4%
Renfrewshire	18.3	12.4	-32.3%
Scottish Borders	35.4	11.1	-68.6%
Shetland	7.4	5.4	-26.9%
South Ayrshire	12.6	8.8	-29.8%
South Lanarkshire	33.9	22.8	-32.7%
Stirling	11.1	7.8	-30.0%
West Dunbarton	10.0	7.0	-30.2%
West Lothian	17.6	11.9	-32.4%
Unallocated and SPT	21.9	50.7	131.7%
<b>Total</b>	<b>817.2</b>	<b>596.9</b>	<b>-27.0%</b>

Source: *Local Government Finance Circular 7/2015*, Scottish Government, December 2015. Figures include general and specific capital grants. There are minor differences in the figures outlined in the draft budget 2016/17 and those in the Local Government Finance Circular. This is mainly due to adjustments made to the 2015/16 baseline. A reconciliation between the two documents has been requested from the Scottish Government.

**MEETING: 14 JANUARY 2016****REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE****LOCAL AUTHORITY COMPLAINTS REPORTING**

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**Purpose**

1. In December 2015 the Commission requested information on the quality of complaints reporting across councils. This paper provides a summary of councils' approach to complaints reporting in line with Scottish Public Sector Ombudsman (SPSO) guidance.

**Background**

2. National performance data on complaints for 2014/15 shown below is drawn on performance analysis carried out by the Improvement Service, on behalf of the SPSO. Other information and analysis in this report is based on our own desktop review of all council's websites. This is supplemented by additional information gathered through discussions with staff from the SPSOs Complaints Standards Authority (CSA) and representatives of the local authorities' Complaints Handlers Network. We have not carried out any specific audit work with councils in preparing this report.
3. In future, Best Value will have a greater emphasis on driving continuous improvement and a strong focus on the quality of service experienced by the public. Complaints handling and reporting by councils will feature as part of the revised approach to Best Value auditing.

**Reporting requirements**

4. Under the SPSO Act 2002 (as amended by the Public Service Reform (Scotland) Act 2010), all councils have a duty to follow a model complaints handling procedure (CHP). This model CHP, which was implemented from April 2013, comprises two stages for handling complaints received from the public, as outlined in Appendix 1.
5. A key aim of the model CHP is to provide assurance in relation to council performance, to facilitate continuous improvement and to assist in benchmarking between local authorities. In September 2012, a Local Authority Complaints Handlers Network was established to create a forum to share good practice and learn from complaints handling across local government. The network has continued to grow and develop in partnership with the SPSO. It meets quarterly and all 32 councils are now members. In addition to holding meetings, the Complaints Handlers Network has developed a knowledge hub for sharing information and allowing members to peer review reports and make suggestions for improvement.
6. To help councils monitor compliance with the CHP, the CSA developed a set of eight performance indicators in association with the Complaints Handlers Network. These indicators provide the minimum requirement for local authorities to self-assess and report on performance, and to undertake benchmarking activities. Local authorities may, however, develop and report additional performance indicators considered to be relevant to the services provided. A copy of the indicators is attached at Appendix 2.

7. Where the CSA feels there are areas where the process to simplify and improve complaints handling has not yet been achieved, it will continue to raise concerns through policy work. For example, it has continuously highlighted concerns about the complexity of complaints arrangements as part of the integration of health and social care, including social work processes, which are now very outdated. The CSA anticipates significant work in this area in the coming years.

### **National performance**

8. Since the introduction of the model CHP, there have been two annual reports showing each council's progress against the indicators. For 2014/15, each local authority provided its annual complaints performance data in a standardised way to the Improvement Service (IS) for analysis and reporting. The headline figures from the IS report are:
  - 66,003 complaints were received in 2014/15
  - 62,177 complaints were closed in 2014/15
  - 81 per cent were closed at the frontline (stage one). 19 per cent were closed at stage two
  - 71 per cent of Stage one complaints and 61 per cent of stage two complaints were upheld
  - at stage one, 81 per cent of complaints were closed within the target timescale of five days
  - the average time taken to respond to stage one complaints was 4.2 days
  - at stage two, 85 per cent of complaints were closed within the target timescale of 20 days
  - the average time taken to respond to stage two complaints was 18.8 days
9. The IS concluded that 'across the local government complaints handling sector the picture is broadly positive'. Although the number of complaints in 2014/15 was up slightly on the previous year, the proportion of complaints resolved at the frontline stage one continues to remain above 80 per cent. Nationally, four of every five complaints are fully responded to within the target timescales and there has been a significant increase in the percentage of complaints fully responded to within the target timescales at each stage of the procedure.
10. A high volume of complaints can provide an early warning of failure in service delivery. However, it is not clear whether the increased number of complaints in 2014/15 represents declining performance and increasing user dissatisfaction or that information provided by councils about how to make a complaint is becoming clearer and/or councils have improved methods for recording complaints.

### **Quality of complaints reporting**

11. Councils produced their first annual complaints performance reports in 2013/14. From searching councils' websites and complaints reports, we have been able to make the following observations:
  - 30 councils have published complaints reports for 2013/14

- 15 councils have published a report for 2014/15. At present, there is no deadline for councils to publish their complaints reports, which may influence how much priority councils give to publication.
  - Only seven councils cover all eight of the SPSO's indicators in their 2014/15 reports. Five do not report performance against half or more of the indicators. In some cases, they also do not report performance against indicators as required in the guidance. For example, they report the total number of complaints received, but not the number of complaints per 1,000 population. This indicator is included in the SPSO framework so that comparisons can be made across councils.
  - 14 councils did not provide figures on the number of complaints which were escalated to the ombudsman.
12. Indicator 7 requires councils to report customer satisfaction with the complaints advice provided. 13 councils reported information on this indicator. Councils typically collect customer satisfaction information about complaints through survey. It is not clear how representative and robust customer satisfaction data is as councils generally do not indicate the number of survey respondents on which satisfaction is based. East Ayrshire Council has reported that its data is based on receiving 10 responses to a survey sent to 52 complainants. East Ayrshire was the only council that included some of the comments from survey respondents in its report. Fife Council reported that it received 94 comments relating to customer satisfaction and highlights what they relate to. For example, it reports the majority of comments identified the council as having an attitude of not caring, listening or trying to resolve people's complaints.
  13. Several councils acknowledged in their report that they had not collected information on customer satisfaction but plan to do so in the future - Aberdeenshire, Dumfries and Galloway, Falkirk, Moray and Scottish Borders Councils. In the absence of collecting satisfaction data, some councils have used proxy indicators to gauge satisfaction with the complaints process. Dumfries and Galloway Council for example, suggests that the high proportion of complaints closed at stage one, rather than going to investigation, indicates a high level of satisfaction with the process. Shetland Council used figures from the Local Government Benchmarking Framework, which measure satisfaction with public services as a measure of satisfaction. These two measures do not capture what the SPSO indicator is looking for i.e. access to the process, how complainants are treated by council staff, the empathy they are shown and the clarity of the council's decision.
  14. 21 councils reported information on Indicator 8, Learning from complaints. Councils reporting most effectively on this indicator typically publish case studies and highlight actions and improvements taken in response e.g. staff training, changes to processes and procedures. Aberdeenshire and North Ayrshire Councils in particular provide good information on learning from complaints. Aberdeenshire for example, reports a range of complaints case studies and the actions it has taken in response. It also links its learning from complaints to the SPSO guidance, and highlights for example, on how often reports go to senior management and how often outcomes are reported to the public.
  15. There are examples of complaints performance being presented well and in easy to understand ways. North Lanarkshire Council, for example, uses good presentation, such as using a clock to illustrate the proportion of cases which were answered on time. 11 councils used charts to show data, typically pie charts or bar charts.
  16. A feature of good reports is the level of commentary provided in addition to the figures required under the model CHP. The SPSO guidance states that it is important for

councils to take into consideration any contextual information when considering changes in complaints volumes. For example, the introduction of new services, policies or procedures may impact on existing services, or may generate feedback themselves. Examples of councils following this guidance include:

- East Lothian Council identified its role in the proposal for a marine energy park at the Cockenzie Power Station as being an important factor in the increased number of complaints its received in 2014/15 compared with the previous year.
  - North Ayrshire and North Lanarkshire Councils identified changes to waste collection as the reason for complaints increasing compared to the previous year.
  - North Ayrshire Council reported that its increase in average response times for stage two complaints was down to staff taking more time to investigate complaints more thoroughly.
17. Many councils comment on their overall trends in number of complaints, but there is little explanation about the factors influencing them. A small number have not provided any commentary on performance trends. As well as a lack of commentary, not all councils provide comparison data with the previous year so that overall trends can be identified.
18. A number of councils provided additional information beyond what the SPSO requires. For example, Argyll and Bute, Clackmannanshire and Falkirk Councils, broke down complaints by service area. Fife and North Ayrshire Councils included a breakdown of complaints by geographic areas - Fife Council publishes reports for each of its seven local area committees that go into a good level of detail. Seven councils produce quarterly reports on complaints - Aberdeen, Aberdeenshire, Argyll and Bute, Edinburgh, Perth and Kinross, Orkney and Shetland Councils.
19. Shetland was the only council to compare its performance to other councils (comparisons to Orkney and Eilean Siar). Several councils expressed an aim of comparing their performance to similar councils in future reports. Issues currently exist around how consistently councils categorise complaints. For example, some councils report a missed bin collection as a complaint, others as a service request if the customer only contacts the council once about the issue. As a result, councils remain concerned that they are not comparing performance on a like for like basis.

### **Future developments**

20. It is clear that many councils are still developing their approaches for responding to, monitoring and reporting complaints in line with the model CHP. The Complaints Handlers Network has a number of priorities to encourage further development. These include:
- improving information on the types of complaints they receive and how they relate to different council services
  - standardising complaints categories across local government
  - better understanding of variances in performance levels across councils to identify cause and effect and to learn from each other
  - continuing to share good practice in complaints handling.
21. The SPSO has sought assurances from local authorities (and NHS Boards) on their governance arrangements to ensure they learn from information they report and from

SPSO cases and findings generally. Focus on improvement and learning is an important part of the SPSO's work. Early in 2016 the SPSO will be considering how to better take forward its statutory role to monitor and promote best practice and trends in complaints handling.

22. Along with the SPSO, we aim to support ongoing improvement in complaints handling and reporting by establishing closer links with the local authority Complaints Handlers Network and by highlighting the importance of effective complaints reporting through the Local Government Overview report. How councils are using complaints to assess customer satisfaction and to inform improvement will be picked up through Best Value audits.
23. As councils improve their understanding of the reasons behind complaints, this will provide us with a wider source of information and intelligence on public satisfaction issues to inform our future programme of audits.

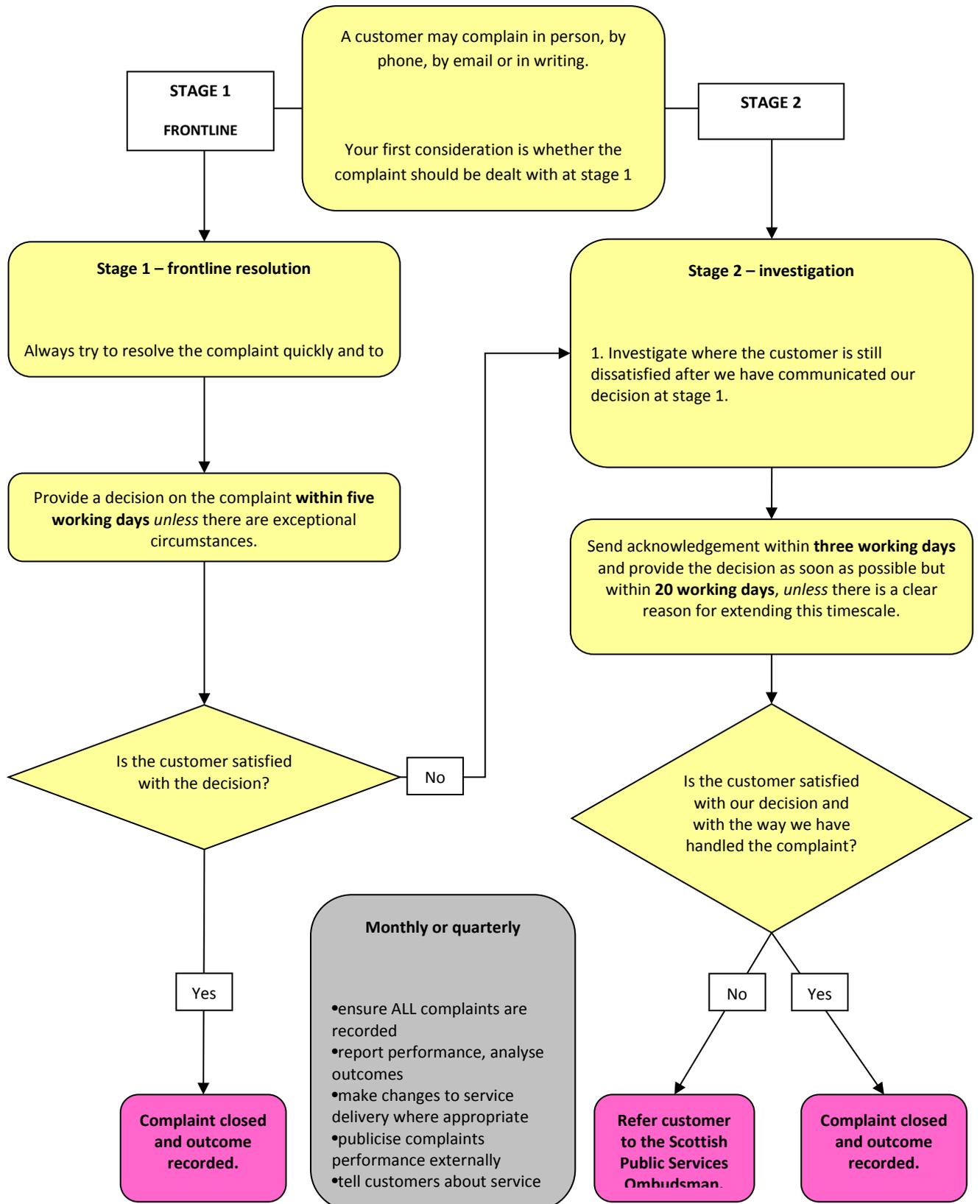
### **Conclusion**

24. The Commission is invited to note this report.

**Frasr McKinlay**  
**Director of Performance Audit and Best Value**  
**6 January 2016**

## Appendix 1

### The model complaints handling procedure



## **Appendix 2**

### **SPSO Complaints Performance indicators**

The indicators below provide a basis from which councils can monitor their complaints handling performance. Remember that one customer may raise one, or more complaints. Each complaint should be reported upon.

#### **Indicator 1 - Complaints received per 1000 of population**

**The total number of complaints received per thousand population.**

This indicator records the total number of complaints received by the council. This is the sum of the number of complaints received at stage one, (frontline resolution) and the number of complaints received directly at stage two (investigation).

In identifying the organisation's population councils should use the statistics produced by the National Records of Scotland ([www.gro-scotland.gov.uk](http://www.gro-scotland.gov.uk)) which produces population estimates for each local authority. Midyear estimates should be used.

For councils that retain housing stock, they will be required to report on similar indicators to the Scottish Housing Regulator under the Scottish Social Housing Charter on housing complaints. For clarity the complaints performance of council housing services should be included within the 'Local Government Complaints Performance Indicators' clearly explaining the proportion that relate to housing complaints.

Councils will record this information by service area. It is important that Indicator 1 reflects the total of all complaints received across all service areas of the council.

#### **Indicator 2 - Closed complaints**

**Complaints closed at stage one and stage two as a percentage of all complaints closed.**

The term "closed" refers to a complaint that has had a response sent to the customer and at the time no further action is required (regardless at which stage it is processed and whether any further escalation takes place). This indicator will report:

- > the number of complaints closed at stage one as % all complaints
- > the number of complaints closed at stage two as % all complaints
- > the number of complaints closed at stage two after escalation as % all complaints

#### **Indicator 3 Complaints upheld, partially upheld and not upheld**

**The number of complaints upheld/partially upheld/not upheld at each stage as a percentage of complaints closed in full at each stage.**

There is a requirement for a formal outcome (upheld, partially upheld or not upheld) to be recorded for each complaint. This indicator will report:

- > number of complaints upheld at stage one as % of all complaints closed at stage one
- > number of complaints not upheld at stage one as % of all complaints closed at stage one
- > number of complaints partially upheld at stage one as % of all complaints closed at stage one
- > number of complaints upheld at stage two as % of all complaints closed at stage two
- > number of complaints not upheld at stage two as % of all complaints closed at stage two
- > number of complaints partially upheld at stage two as % of all complaints closed at stage two
- > number of escalated complaints upheld at stage two as % of all escalated complaints closed at stage two
- > number of escalated complaints not upheld at stage two as % of all escalated complaints closed at stage two
- > number of escalated complaints partially upheld at stage two as % of all escalated complaints closed at stage two

#### **Indicator 4 - Average times**

**The average time in working days for a full response to complaints at each stage.**

Indicator 4 represents the average time in working days to close complaints at stage one and complaints stage two of the model CHP. This indicator will report:

- > the average time in working days to respond to complaints at stage one
- > the average time in working days to respond to complaints at stage two
- > the average time in working days to respond to complaints after escalation

#### **Indicator 5 - Performance against timescales**

**The number and percentage of complaints at each stage which were closed in full within the set timescales of 5 and 20 working days.**

The model CHP requires complaints to be closed within 5 working days at stage one and 20 working days at stage two. This indicator will report:

- > the number of complaints closed at stage one within 5 working days as % of total number of stage one complaints
- > the number of complaints closed at stage two within 20 working days as % of total number of stage two complaints
- > the number of escalated complaints closed within 20 working days as a % of total number of escalated stage two complaints

#### **Indicator 6 - Number of cases where an extension is authorised**

**The number and percentage of complaints at each stage where an extension to the 5 or 20 working day timeline has been authorised.**

The model CHP requires allows for an extension to the timescales to be authorised in certain circumstances. This indicator will report:

- > the number of complaints closed at stage one where extension was authorised, as % all complaints at stage one
- > number of complaints closed at stage two where extension was authorised, as % all complaints at stage two

### **Indicator 7 - Customer satisfaction**

**A statement to report customer satisfaction with the complaints service provided.**

In assessing customer satisfaction with the complaints service, the quality outcomes the council may consider include:

- > Access to the complaints handling procedure
- > The way in which they were treated by council staff, for example in relation to professionalism, friendliness, politeness, courtesy, communication style etc.
- > Empathy, for example understanding the customer's perspective
- > Doing what we said we would do, for example meeting timescales and providing updates
- > The clarity of the decision and the basis for reaching that decision

### **Indicator 8 - Learning from complaints**

**A statement outlining changes or improvements to services or procedures as a result of the consideration of complaints.**

This can be broken down into:

- > How often reports go to senior management
- > How often complaints outcomes, trends and actions taken are published together with a summary of information communicated to customers
- > Number of services changed, improved or withdrawn as a result of complaints together with a description of the actions taken
- > Action to reduce the risk of recurrence
- > Action taken to ensure that staff members all learn from complaints.