

427<sup>th</sup> meeting of the Accounts Commission for Scotland

Thursday 12 May 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 16 to 18 in private (\* see note).
  4. **Minutes of meeting of 14 April 2016.**
  5. **Minutes of meeting of Financial Audit Assurance Committee of 28 April 2016.**
  6. **Minutes of meeting of Performance Audit Committee of 28 April 2016.**
  7. **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.
  8. **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.
  9. **Commission Annual Report 2015/16:** The Commission will consider a report by the Secretary to the Commission
  10. **Draft Commission Strategy 2016-21:** The Commission will consider a report by the Secretary to the Commission.
  11. **Commission engagement strategy:update:** The Commission will consider a report by the Secretary to the Commission.
  12. **Strategic scrutiny update:** The Commission will consider a report by the Director of Performance Audit and Best Value.
  13. **Briefing: City deals:** The Commission will consider a report by the Director of Performance Audit and Best Value.
  14. **Local Government Overview Report: Initial impact of the 2016 report and approach for 2017:** The Commission will consider a report by the Director of Performance Audit and Best Value.
- The following items are proposed to be considered in private:\**
15. **Performance audit: draft report: Roads maintenance – follow-up:** The Commission will consider a report by the Director of Performance Audit and Best Value.
  16. **Procurement of audits: appointments:** The Commission will consider a report by the Assistant Auditor General.
  17. **Commission business matters:** The Commission will discuss matters of interest.

\* It is proposed that items 15 to 17 be considered in private because:

- 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 will require discussion of issues involving commercial confidentiality
- Item 17 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 14 April 2016	AC.2016.5.1
<b>Agenda Item 5:</b> Minutes of meeting of Financial Audit Assurance Committee of 28 April 2016	AC.2016.5.2
<b>Agenda Item 6:</b> Minutes of meeting of Performance Audit Committee of 28 April 2016	AC.2016.5.3
<b>Agenda Item 7:</b> Report by Secretary to the Commission	AC.2016.5.4
<b>Agenda Item 9:</b> Report by Secretary to the Commission	AC.2016.5.5
<b>Agenda Item 10:</b> Report by Secretary to the Commission	AC.2016.5.6
<b>Agenda Item 11:</b> Report by Secretary to the Commission	AC.2016.5.7
<b>Agenda Item 12:</b> Report by the Director of Performance Audit and Best Value	AC.2016.5.8
<b>Agenda Item 13:</b> Report by the Director of Performance Audit and Best Value	AC.2016.5.9
<b>Agenda Item 14:</b> Report by the Director of Performance Audit and Best Value	AC.2016.5.10
<b>Agenda Item 15:</b> Report by the Director of Performance Audit and Best Value	AC.2016.5.11
<b>Agenda Item 16:</b> Report by the Assistant Auditor General	AC.2016.5.12

MEETING: 12 MAY 2016

**MINUTES OF PREVIOUS MEETING**

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Minutes of the 426<sup>th</sup> meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday, 14 April 2016, at 10.15am

PRESENT: Douglas Sinclair (Chair)  
Ronnie Hinds (Deputy Chair)  
Sandy Cumming  
Sheila Gunn  
Christine May  
Stephen Moore  
Alan Campbell  
Pauline Weetman  
Geraldine Wooley  
Sophie Flemig  
Tim McKay

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 8]  
Mark McCabe, Senior Manager, PABV [Item 8]  
Ronnie Nicol, Assistant Director, PABV [Item 12]  
Kathrine Sibbald, Senior Manager, PABV [Item 12]  
Mark Taylor, Assistant Director, ASG [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 10 March 2016
5.	Minutes of meeting of Audit Scotland Board 26 February 2016
6.	Update report by the Secretary to the Commission
7.	Update report by the Controller of Audit
8.	National Scrutiny Plan 2016/17
9.	Draft Commission annual report
10.	Commission engagement strategy: report and update
11.	New financial powers update
12.	New approach to auditing Best Value
13.	Commission business matters

1. Apologies for absence

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

2. Declarations of interest

The following declarations of interest were made:

- Sophie Flemig, in item 7, as a resident and council tax payer in the City of Edinburgh Council area
- Sheila Gunn, in item 7, as a non-executive Director of the Wheatley Group, in relation to its relationship with the Scottish Housing Regulator
- Ronnie Hinds, in item 9, as a former chief officer of City of Edinburgh Council
- Tim McKay, in item 7, as a former elected member of City of Edinburgh Council
- Geraldine Wooley, in item 7, as a council tax payer in the City of Edinburgh Council area and having had previous business dealings with Miller Construction
- Christine May, in item 12, as a former leader of Fife Council, and in item 13, as Vice-Chair of Fife Cultural Trust, in relation to references to arm's length external organisations
- Pauline Weetman, in item 7, as a resident and council tax payer in the City of Edinburgh Council area.

3. Decisions on taking business in private

It was agreed that items 12 be taken in private as it would require discussion of proposals in relation to auditing Best Value before they are published, including consideration of comments thereon from councils and other stakeholders.

4. Minutes of meeting of 10 March 2016

The minutes of the meeting of 10 March 2016 were submitted and approved, subject to, in relation to item 9, noting advice from the Controller of Audit that police and fire pension liabilities passed to the new national police and fire bodies at reorganisation.

5. Minutes of meeting of Audit Scotland Board 26 February 2016

The minutes of the meeting of the Audit Scotland Board of 26 February 2016 were submitted and noted.

6. 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.

Following discussion, the Commission agreed:

- In relation to paragraph 20, in response to a query from Tim McKay, that further information be provided on longer term trends within the Scottish Social Attitudes Survey.

- In relation to paragraph 22, to respond to the Scottish Government consultation on the Scottish Household Survey.
- In relation to paragraph 24, in relation to a query from Stephen Moore, that further information be provided on longer-term trends in relation to the report Government Expenditure and Revenue Scotland 2014/15

*Actions: Secretary*

- In relation to paragraph 50:
  - to note advice from the Controller of Audit on the proposed redesign of Highland Council
  - that further information in this regard be circulated.

*Action: Controller of Audit*

Thereafter, the Commission agreed to note the report.

#### 7. 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. His report included an update on the situation in relation to schools construction issues in the City of Edinburgh Council area.

#### 8. National Scrutiny Plan 2016/17

The Commission considered a report by the Director of PABV introducing the National Scrutiny Plan for Local Government 2016/17 and its related commentary report.

Following discussion, the Commission:

- Agreed to endorse the published National Scrutiny Plan and the commentary report.
- Noted advice from the Director that:
  - there was another paper on the agenda relating to 2016/17 Best Value related audit activity in councils.
  - he would report further on auditing integration joint boards.
  - he was discussing with Her Majesty's Inspectorate of Constabulary about its plans for work around scrutiny of local accountability arrangements in relation to Police Scotland.
  - he would be reporting to the next meeting of the Commission to provide an update on the progress of the Local Government Strategic Scrutiny Group.
  - further to this, he would in future report to the Commission on the conclusion of the currently ongoing development work being undertaken by the Group.
  - he would report further on the reasons, if any, behind the fluctuating levels of scrutiny work throughout the year, particularly around November and December.
- Noted that ongoing discussion with strategic scrutiny partners includes work around citizen and service user experience, to be reflected in the National Scrutiny Plan.

*Actions: Director of PABV*

## 9. Draft Commission Annual Report

The Commission considered a report by the Secretary to the Commission on the proposals for the Commission's annual report and accompanying progress report against the Commission's annual action plan.

Following discussion, the Commission:

- Noted advice from the Director of PABV, in relation to a query from Sophie Flemig, in relation to engaging with the public in audit work.
- Approved the progress report against its annual action plan, to be published on 26 May, subject to the following revisions:
  - A revised date for considering the audit on Social Work
  - Changing to 'complete and continuing' the status of work in relation to good practice.
- Noted that an accompanying draft annual report will be submitted for approval to the next meeting of the Commission.
- Noted that draft updated Commission Strategy and annual action plan for next year will be submitted for approval to the next Commission meeting.

*Actions: Secretary*

## 10. Commission Engagement Plan: report and update

The Commission considered a report by the Secretary to the Commission proposing for publication a paper setting out progress against the Commission's Engagement Plan.

Following discussion, the Commission:

- Approved the progress report for publishing alongside the Commission's annual report and action plan update, subject to including more information on the Commission's digital and social media engagement activities.
- Noted that next year's update to the current engagement plan would be submitted for approval to the next Commission meeting in May.

*Action: Secretary*

Thereafter, the Commission noted the report.

## 11. New Financial Powers Update

The Commission considered a report by the Assistant Director of Audit Services providing an update on key developments surrounding further financial devolution, including Audit Scotland's organisational arrangements in this area.

During discussion, the Commission:

- Noted advice from the Assistant Director on the implications of the issue for Audit Scotland in relation to resources, staffing and audit activity.
- Agreed that the Assistant Director provide more information on the Scottish Fiscal Commission.
- Agreed that the Assistant Director further consider the potential interest of the Commission in capital allocations to councils.

- Noted advice from the Assistant Director in relation to ongoing discussions with the Scottish Government on the potential role of audit in relation to compliance with the limits set out in the fiscal framework agreement and the overall sustainability of the Scottish public finances.
- Noted advice from the Assistant Director that he would continue to update the Commission on developments.

*Action: Assistant Director ASG*

Thereafter, the Commission noted the update report.

12. New Approach to Auditing Best Value [in private]

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

During discussion, the Commission:

- Noted the progress made on developing the new approach to auditing Best Value.
- Noted the results of discussions on the exercise to refresh the Statutory Guidance and agree that the Commission meet the Scottish Government and COSLA to press the case for the exercise to be expedited.

*Action: Secretary*

- Agreed that further consideration to the paper be given at a workshop event involving Commission members, with focus on specific aspects of the papers as raised in discussion.

*Action: Secretary and Director of PABV*

Thereafter, the Commission noted the report.

13. Commission business matters

There being no further business, the meeting was closed.



1. Apologies

It was noted that no apologies for absence had been received.

2. Declarations of interest

The following declarations of interest were made:

- Sheila Gunn, in items 4 and 6, as a non-executive Director of the Wheatley Group, in relation to its relationship with Glasgow City Council and Glasgow Housing Association
- Tim McKay, in item 5, as a former elected member of City of Edinburgh Council
- Douglas Sinclair, in item 5, as a former chief executive of Fife Council and of the Convention of Scottish Local Authorities.
- Geraldine Wooley, in item 4, as a previous member of Madras School parent council, and in item 6, having a close family member with a professional interest in housing matters.

3. Minutes of meeting of 25 February 2016

The minutes of the meeting of 25 February 2016 were noted and approved, subject to, in item 2, correcting the misspelling of Geraldine Wooley's name.

Arising therefrom, the Committee:

- In relation to item 4, last bullet (Dunfermline Flood Prevention Scheme), noted advice from the Controller of Audit on progress with his investigating issues around the scheme, including dialogue between the local external auditor and the Council.
- In relation to item 12, first bullet (Scottish Road Works Commissioner), heard from the Controller of Audit on the progress of the review into the office and function of the Scottish Road Works Commissioner, and noted that further information would be provided on the Commission members' portal.

*Action: Secretary*

4. Current issues from local authority audits

The Committee considered a report by the Controller of Audit outlining emerging issues, recurring themes and individual issues of interest in Scottish councils.

During discussion, the Committee agreed:

- That information previously provided to the Commission on the attribution of roads assets in financial statements be provided on the Commission members' portal.

*Action: Secretary*

- To note advice from the Director of Audit Services on the ongoing monitoring by the local external auditor of the proposed joint venture model between Glasgow City Council, Wheatley Group and City Building.
- That more comprehensive information be provided on all integration joint boards, in relation to budgets, reserves and staff information.

- That more information be provided on costs and benefits associated with the Reclaiming Social Work model as adopted by Aberdeen City Council and developed by the London Borough of Hackney.
- That consideration be given to incorporating council budget information into the local government overview report, the approach of which is to be considered by the Commission at its next meeting.

*Actions: Controller of Audit*

- To note advice from the Controller of Audit that he is retaining a watching brief on press reports in relation to allegations of corrupt practices in North Lanarkshire Council.
- To note advice from the Controller of Audit that he is retaining a watching brief on issues around the construction of schools in City of Edinburgh.

5. Briefing: Equal Pay – options for further work

The Committee considered a report by the Director of Performance Audit and Best Value, providing a background to equal pay related issues, explaining the potential risks in more detail and setting out proposals for delivering this work.

Following discussion, the Committee:

- Noted the background to equal pay issues in local government in Scotland.
- Approved the proposed approach to the audit, subject to points raised in discussion being addressed by the audit team in conjunction with the audit sponsors.

*Action: Director of PABV*

- To this end, noted that sponsors would be appointed to the audit in early course.
- That further discussion take place between the Commission committee chairs, Commission Chair and Secretary regarding committee oversight of this work.

*Actions: Secretary*

6. Draft report: Housing benefit audit: emerging messages – initiatives which deliver continuous improvement

The Committee considered a draft report by the Assistant Auditor General on the draft report *Housing Benefit good practice guide: initiatives which deliver continuous improvement*.

Following discussion, the Committee agreed:

- To approve the report for publishing and sharing with councils, subject to a renaming of the report to include reference to Best Value.

*Action: Assistant Auditor General*

- To note advice from the Secretary that he would discuss with Audit Scotland the appropriate positioning of this report, and related such reports, on the Commission website.

7. Any other business

There being no further business, the meeting was closed.

MEETING: 12 MAY 2016

**MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 28 APRIL 2016**

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Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of Audit Scotland, 102 West Port, Edinburgh on Thursday, 28 April 2016, at 2pm.

PRESENT: Ronnie Hinds (Chair)  
Alan Campbell  
Sandy Cumming  
Sophie Flemig  
Christine May  
Stephen Moore  
Douglas Sinclair

OTHER MEMBERS PRESENT: Pauline Weetman

IN ATTENDANCE: Rikki Young, Business Manager, PABV  
Fraser McKinlay, Director of PABV  
Russell Frith, Assistant Auditor General [Item 4]  
Anne Cairns, Manager, Benefits (Technical), Audit Strategy [Item 4]  
Angela Canning, Assistant Director, PABV [Item 9]  
Angela Cullen, Assistant Director, PABV [Item 6]  
Emily Gleeson, Audit Manager, PABV [item 6]  
John Lincoln, Audit Manager, PABV [Item 7]  
Mark McCabe, Senior Manager, PABV [Item 6]  
Tricia Meldrum, Senior Manager, PABV [Items 7 and 9]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 26 November 2015
4.	Draft report: Housing benefit audit: emerging messages – initiatives which deliver continuous improvement
5.	Work programme and scrutiny work update
6.	Briefing: Equal pay – options for further work
7.	Performance audit: emerging messages – Social work
8.	How councils work: emerging messages – Roles and relationships
9.	Policy briefing: Justice, education and lifelong learning
10.	Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Paul Reilly.

2. Declarations of interest

The following declarations of interest were made:

- Christine May, in items 5,6 and 8, as Vice-Chair of Fife Cultural Trust and former Leader and Deputy Leader of Fife Council.
- Douglas Sinclair, in item 6, as former Chief Executive of CoSLA and former Chief Executive of Fife Council.
- Sophie Flemig, in item 5, as a current employee of the University of Edinburgh, and member of the board of the Office of the Scottish Charity Regulator (OSCR).
- Stephen Moore, in item 6 and 7, as a former Director of Social Work at Fife Council and East Ayrshire Council, and Interim Director of Health and Social Care Integration at Fife Council.
- Ronnie Hinds, in item 6, as a former Chief Executive of Fife Council

3. Minutes of meeting of 25 February 2016

The minutes of the meeting of 25 February 2016 were approved.

Arising there from, in relation to item 6 (Performance audit: emerging messages – Roads maintenance), the Committee noted advice from Christine May that:

- she was meeting with the audit team following this meeting to discuss the draft report in advance of it being considered at the May meeting of the Commission.
- a revised publication date for the report of 28 July had been agreed.

4. Draft report: Housing benefit audit: emerging messages – initiatives which deliver continuous improvement

The Committee considered a draft report by the Assistant Auditor General on Housing Benefit good practice guide.

Following discussion, the Committee agreed:

- To endorse the draft report, subject to further refinement of the appendix to increase its visual appearance and reduce length.
- To agree to the recommendation from the Financial Audit and Assurance Committee that the report be presented as an Accounts Commission publication.
- To recommend to the Commission that it be published.

*Actions: Assistant Auditor General*

- To note advice from the Business Manager that the Secretary is liaising with the Communications team to ensure the report and related reports are positioned appropriately on the Audit Scotland website.
- That the Secretary write to council leaders, Chief Executives and audit committee chairs alerting them to the publication of this report.

*Actions: Secretary*

5. Work programme and scrutiny work update

The Committee considered a report by the Director of PABV providing an update on progress with the range of work carried out by the Performance Audit and Best Value Group on behalf of the Accounts Commission and Auditor General.

During discussion, the Committee agreed to note advice from the Director:

- In relation to local police and fire scrutiny, that any work in this area would be joint work between the Commission and the Auditor General.
- In response to a query from Sandy Cumming in relation to the timing of audit work on City Deals, that a briefing on this topic will be brought to the May Commission meeting.
- In response to a query from Stephen Moore in relation to activity around community justice, that the Justice, education and lifelong learning cluster are considering issues around court reform and that future programme updates will reflect this work.

*Actions: Director of PABV*

Thereafter, the Committee noted the report.

6. Briefing: Equal Pay – options for further work

The Committee considered a report by the Director of PABV, providing a background to equal pay related issues, potential risks associated with audit work in this area and proposals for delivering this work.

Following discussion, the Committee:

- Noted the background to equal pay issues in local government in Scotland.
- Approved the proposed approach to the audit, subject to points raised in discussion being addressed by the audit team in conjunction with the audit sponsors.

*Action: Director of PABV*

- To this end, noted that sponsors would be appointed to the audit in early course.
- That further discussion take place between the Commission committee chairs, Commission Chair and Secretary regarding committee oversight of this work.

*Actions: Secretary*

7. Performance audit: emerging messages – Social work

The Committee considered a report by the Director of PABV advising of emerging messages from the performance audit *Social work in Scotland*.

Following discussion, the Commission agreed:

- To endorse the emerging messages, subject to a small number of revisions and other points to be addressed by the audit team in conjunction with the audit sponsors.
- That a draft report be taken to the Commission meeting in August, prior to publication in September 2016.

*Actions: Director of PABV*

8. How councils work: emerging messages – Roles and relationships

The Committee considered a report by the Director of PABV providing an update on the progress with the follow-up work on *How councils work: Roles and working relationships*.

Following discussion, the Committee agreed:

- The key messages arising from the second round table event.
- To approve the guidance materials resulting from the round table events, subject to a number of revisions and other points to be addressed by the audit team in conjunction with the audit sponsors.
- That further consideration be given to the proposed timing for the publication and promotion of outputs between May and the end of 2016.
- That these outputs be considered for formal approval at the May Accounts Commission meeting.

*Actions: Director of PABV*

9. Policy briefing: Justice, education and lifelong learning cluster

The Committee considered briefing from the Director of PABV on the Justice, education and lifelong learning cluster. The presentation was delivered by Angela Canning, Assistant Director, PABV and Tricia Meldrum, Senior Manager, PABV.

During discussion, the Committee agreed:

- To note the continuing high quality of policy briefings presented to the Committee.
- That the team make more explicit the impact and interdependencies between justice, education and lifelong learning.

*Action: Director of PABV*

10. Any other business

There being no further business, the meeting was closed.

MEETING: 12 MAY 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 receive 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 members' portal, which provides more detailed news coverage in certain areas.
3. The information featured is also available on the members' portal. Hyperlinks are provided in the electronic version of this report for ease of reference.

**Commission business**

4. [The National Scrutiny Plan](#) was published on 31<sup>st</sup> March; it was accompanied by Local Scrutiny Plans for individual councils.
5. Due to the Holyrood elections there has been a moratorium on publications since 23 March.
6. Over the last 12 months the following reports have been published by the Commission the download statistics and increase from last month are shown below.

Report	Date	Report downloads	Podcast downloads
<a href="#">Local Government Overview 2016</a>	17 Mar 2016	911 (+493)	253 (0)
<a href="#">Changing Models of Health and Social Care</a>	10 Mar 2016	2947 (+742)	810 (+158)
<a href="#">Community Planning update</a>	3 Mar 2016	1254 (+294)	88 (0)
<a href="#">Procurement in Councils – impact report</a>	8 Feb 2016	542 (+141)	-
<a href="#">City of Edinburgh Council Best Value</a>	25 Feb 2016	349 (+102)	165 (0)
<a href="#">Major Capital Investment in Councils - Follow Up</a>	14 Jan 2016	1094 (+134)	167 (0)
<a href="#">Argyll and Bute Best Value Audit</a>	17 Dec 2015	677 (+195)	<30 (0)
<a href="#">Health and Social Care Integration</a>	3 Dec 2015	5150 (+779)	453 (0)
<a href="#">The Moray Council: Audit of Best Value and Community Planning Follow Up</a>	29 Oct 2015	968 (+53)	182 (0)

Report	Date	Report downloads	Podcast downloads
<a href="#">Falkirk Council: Audit of Best Value and Community Planning</a>	27 Aug 2015	1174 (+70)	243 (0)
<a href="#">Scotland's Public Sector Workforce – Impact report</a>	4 Aug 2015	837 (+85)	-
<a href="#">Aberdeen City Council Best Value Audit</a>	2 Jul 2015	1323 (+117)	35 (0)
<a href="#">East Dunbartonshire: Audit of Best Value and Community Planning Follow Up</a>	4 Jun 2015	1255 (+78)	41

7. A housing roundtable event was held in Audit Scotland on 19 April. Chaired by Tim McKay, the discussion brought together key stakeholders across housing and health, including the Scottish Government, to consider the housing and wellbeing, and in particular the role of housing in the integration of health and social care. The output of this event will be used to inform future work across housing.
8. Tim Mackay attended a governance forum event hosted by the Scottish Government on 26 April. The event was for non-executive directors and chief executives of Non-Departmental Public Bodies and focused on the role that excellent governance has for public bodies in challenging financial times. Topics on the day included:
  - Governance – a high performing team,
  - Leading through change – board development and succession planning,
  - The role of non executive directors in managing challenges and risks, presented by Fraser McKinlay and Angela Cullen from Audit Scotland.
  - Making best use of the audit committee.

Material from the event will be made available on the Commission members' portal.

### **Audit Scotland**

9. At its meeting on 3 May, the Board of Audit Scotland approved the 2016/17 update of the Audit Scotland's Corporate Plan 2015-18, subject to some minor revisions. The plan reflects the draft Accounts Commission strategy (and will incorporate any further significant changes agreed by the Commission at its meeting today). The plan will be published on 28 May, after publication of the Commission's strategy on 26 May.
10. Pay negotiations between Audit Scotland's Management Team and PCS have concluded. They agreed a 1 per cent basic increase and £429 per annum pay progression for all staff. This reflects a straw poll of Audit Scotland staff who voted on options during Building a Better Organisation (BABO) events in the autumn.

### **Issues affecting local government**

#### ***Scottish Government:***

11. The Scottish Government entered a moratorium on publications on 23 March in advance of the Holyrood elections on 5 May. Since then it has not published any new reports or initiatives.

12. All parties have published their manifestos for the upcoming elections on 20 April; summary documents are saved on the members' portal.
13. Changes to rules on public procurement rules in Scotland came into force on 18 April. The new rules are based upon a series of EU Directives which involve a mixture of mandatory and discretionary elements. The Scottish Government's response to the flexible elements of those directives has been branded the Scottish Model of Procurement. This places an emphasis on value for money being a result of an appropriate balance between cost, quality and sustainability, and thus the public sector can no longer award contracts on the sole basis of lowest price or lowest cost. The Scottish Government has provided [further information](#) on the changes.

### ***Scottish Parliament***

14. The current Scottish Parliament session drew to a close on 23 March. The first meeting of the new session will be on 12 May 2016 after the Holyrood elections. The Queen will address the new Parliament on 2 July.
15. The Scottish Commission for Public Audit published its [legacy report](#). It contains recommendations to its successors on monitoring Audit Scotland's budget and governance arrangements.

### ***SOLACE***

16. On 11 April, SOLACE published a [guidance note](#) for chief officers on the upcoming EU referendum. The guidance provides advice on the rules surrounding publicity in the run up to the referendum.

### ***CIPFA***

17. CIPFA published [a call to the new Scottish Government](#) on 29 April. In its view the priorities of the new administration should be:
  - The alignment of public services in Scotland
  - A citizen centred approach to Scottish public services
  - Financial planning to meet outcomes in Scotland
  - Improved financial info for the people of Scotland.

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

#### *Individual councils:*

18. On 8 April, City of Edinburgh Council took the [decision](#) to close 17 schools across the city as a result of safety concerns. The 17 schools were built by Edinburgh Schools Partnership (ESP) between 2001 and 2005 through the Council's PPP1 scheme. The schools were found to have issues with wall ties and wall head restraints that meant they were unsafe. All 7,000 pupils were relocated to temporary accommodation by 19 April. The Controller of Audit has been monitoring further developments and will keep the Commission updated as appropriate.
19. North Lanarkshire Council has [launched an investigation](#) into former Leader Jim Logue after serious allegations of corruption were made anonymously to the Council and the Herald newspaper. The allegations are in relation to procurement at the Council.

20. Argyll and Bute Council has appointed Clelland Sneddon, the current Director of Communities, to the role of Chief Executive. He will replace Sally Louden when she becomes Chief Executive of COSLA in May.
21. On 22 April, John Mundell, Chief Executive of Inverclyde Council announced that he would retire in September. He has been Chief Executive of the Council since 2006.
22. On 7 April, Conservative candidate Kathleen Baird was elected as a councillor for the Almond and Earn ward of Perth and Kinross Council. She replaced Alan Jack (Independent) who died earlier in the year. The council is now made up of: 18 SNP councillors, 11 Conservative councillors, five Liberal Democratic councillors, four Labour councillors and three independent councillors.

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

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

23. Since the previous meeting of the Commission, two decisions on complaints relating to councillors were published by the [Commissioner](#). The Commissioner decided that in both complaints the councillors did not contravene the Councillors' Code of Conduct. The complaints were against
  - [Councillors Len Scoullar, Ellen Morton, Gary Mulvaney, John McAlpine, Dick Walsh, Aileen Morton and Roddy McCuish](#), Argyll and Bute Council
  - [Craig Fotheringham](#), Angus Council

#### *Standards Commission for Scotland:*

24. There have been no hearings by the [Standards Commission for Scotland](#) since my last report.

#### *Scottish Information Commissioner*

25. On 15 April, the Scottish Information Commissioner wrote to public bodies to inform them of changes to the Model Publication Scheme (MPS). The scheme was changed after an internal review highlighted a need for more advice and support to authorities. It also found that checking compliance is more effective than administering notifications. From now on authorities will no longer need to notify the commissioner every four years that they have adopted the MPS and there will no longer be annual schemes published.

#### *Other UK Audit Bodies*

26. On 20 April, the National Audit Office (NAO) published a report on [English devolution deals](#). They found that the government has announced £2.86 billion over five years for the first six mayoral deals. These deals offer opportunities to stimulate economic growth and reform public services. But the arrangements are complex and there needs to be greater clarity around responsibilities and accountability.
27. The Auditor General for Wales is consulting on a [new approach to audit](#) in response to the Wellbeing of Future Generations Act which places new statutory duties on him. The consultation seeks views from audited bodies on:
  - The principles underpinning audit work
  - The criteria against which to test the new audit approach

- Whether the Wales Audit Office should explore integrated reporting with public bodies, and
- The choice of approaches proposed.

### **Other general**

28. The Secretary of State for Culture Media and Sport has appointed new Gambling Commissioners, including the former Chair of the Accounts Commission and Audit Scotland, John Baillie

### **Conclusion**

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

**Paul Reilly**  
**Secretary to the Commission**  
**4 May 2016**

MEETING: 12 MAY 2016

REPORT BY: SECRETARY TO THE COMMISSION

COMMISSION ANNUAL REPORT 2015/16

---

### **Purpose**

1. This report proposes for publication the Commission's annual report 2015/16.

### **Background**

2. At its last meeting, the Commission approved a progress report against its annual action plan, to be published on 26 May. The Commission noted that its annual report, which complements the progress report and provides a rounded perspective of the Commission's activities over the year, would be submitted for approval at its next meeting.

### **Annual report**

3. The proposed annual report is attached in the Appendix. It is still in draft, with some material, such as the graphics on page 4 ('Our year') to be added.
4. The Commission's views on the draft are sought.

### **Publication arrangements**

5. It is proposed that the annual report, and the accompanying annual action plan progress report, be published on 26 May 2016. A series of Commission strategic documents is being published on that day, thus:
  - Annual report 2015/16
  - Annual action plan 2015/16 progress report
  - Engagement strategy 2015/16 progress report (approved at the previous meeting)
  - Strategy 2016-21 (on today's agenda)
  - Engagement strategy 2016/17 (on today's agenda)

### **Conclusion**

6. The Commission is invited to consider and approve the attached annual report.

**Paul Reilly**  
**Secretary to the Commission**  
**6 May 2016**

# Annual report

2015/16



# Who we are

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance, financial stewardship and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about our role, powers and meetings on the Accounts Commission [web pages](#) .

The current members of the Commission are listed on [page 14](#).

# Contents

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# Our year

# Chair's foreword



While it may be an overused cliché that councils 'face significant challenges' that does not detract from the truth of the statement underlined by the pressure of reduced resources, of an ageing and more costly population, and the legitimate expectations of the public for high-quality local services.

The key priorities facing councils are firstly the effective management of resources, and secondly, improvement in the use of those resources not only in either reducing costs or increasing outputs but also in ensuring that money is well spent – for example in preventing or mitigating known problems before they arise. The third priority is ensuring that councils have all the necessary skills and capacity to manage an increasingly complex provision of services.

I have heard it argued that reduced resources make continuous improvement – the duty of Best Value – harder to achieve. But the opposite is the case. Councils currently spend over £20 billion pounds each year. Cutting costs before cutting services is a legitimate expectation of the public as is the need to demonstrate that every pound represents a pound well spent.

The Commission also faces new challenges as well as our continuing responsibility of providing assurance to the public, not least, in shining a light on where accountability lies in the increasingly complex world of public services.

“  
need to  
demonstrate  
that every pound  
represents a  
pound well spent  
”

The Scottish Government has given us the additional responsibility to audit the new integrated joint boards – the Health and Social Care Partnerships between councils and health boards responsible for some £9 billion annual spending. These new bodies also have a duty of Best Value and the challenge of building a shared culture of trust and acting always in the best interests of the joint board.

We enjoyed the opportunity to celebrate 40 years of the Commission and the continuing importance of our values of independence, impartiality and the integrity of our evidence-based work.

I offer my thanks to my fellow Commissioners for the commitment and the thoroughness of their contributions, to our Secretary for his sound advice and management of the Commission's business, and to the Controller of Audit and staff in Audit Scotland for their continuing high standard of work for the Commission.

**Douglas Sinclair**

Chair of the Accounts Commission

# Summary



## Overview of local government

Our annual overview report (March 2016) said cuts alone in jobs and services were no longer enough to meet increasing financial pressures.

Scotland's 32 councils managed to balance their books effectively in 2014/15, but face a five per cent real terms reduction in Scottish Government revenue funding for local government in 2016/17.

Councils need to be more ambitious in their plans, better at longer-term planning, and willing to appraise all practical options for delivering services more efficiently and effectively.

Despite spending reductions, improvements were shown in educational attainment, the quality of council housing and waste recycling, although customer satisfaction with social work, libraries and leisure services declined.

Most councils have reduced their workforces to save money and many are planning further staff reductions. In doing so, they need to ensure they have people with the knowledge, skills and time to design, develop and deliver effective services in the future.

Councils also need to involve local people more in making decisions about services that are sustainable and meet local needs.

Councillors need to keep updating their skills and knowledge to do their jobs so they can challenge and scrutinise decisions and performance, and fully assess options for new and different ways of delivering services.



An overview of  
local government  
in Scotland 2016

March 2016

# Our work



## Accounts Commission business

Our role as the public's watchdog is founded on the annual financial audits we carry out on Scotland's 32 councils.

This is how we check to ensure public money is spent effectively and wisely. We work closely with scrutiny partners to coordinate work at each council, as set out in our [National Scrutiny Plan \[PDF\]](#) .

In recent years, councils have made increasing use of arm's-length external organisation (ALEOs) to provide leisure and other services. In August 2015, we reviewed the Following the Public Pound Code and found it was still valid but it should be embedded into our new approach for Best Value.

As well as helping councils improve we also apply that lesson to ourselves, looking closely at what we do and how we can do better.

In March 2016, the Commission approved a new [Code of Audit Practice \[PDF\]](#)  to improve how audits are carried out, including greater transparency to show the public how money is spent. Clearer information means people have a greater say in decisions that affect them. This was underlined in our annual statutory direction to councils on the performance information they produce.

We also looked hard at our own recruitment policies to attract a broader range of candidates. Three new Commission members were appointed in September 2015. We were keen to reflect the Scottish Government's equality ambition for a 50/50 gender balance on public sector boards by 2020. The appointment of three new female Commission members



represented significant progress towards that goal.

## Best Value

Best Value is a legal duty on councils to deliver continuous improvement in what they do. It has been in place since 2003. A lot has changed since then but Best Value remains as relevant and important as ever.

All councils have an annual financial audit but only a few are specifically examined on their performance – usually when it is showing signs of failing. Some have not had a Best Value audit for five years or more.

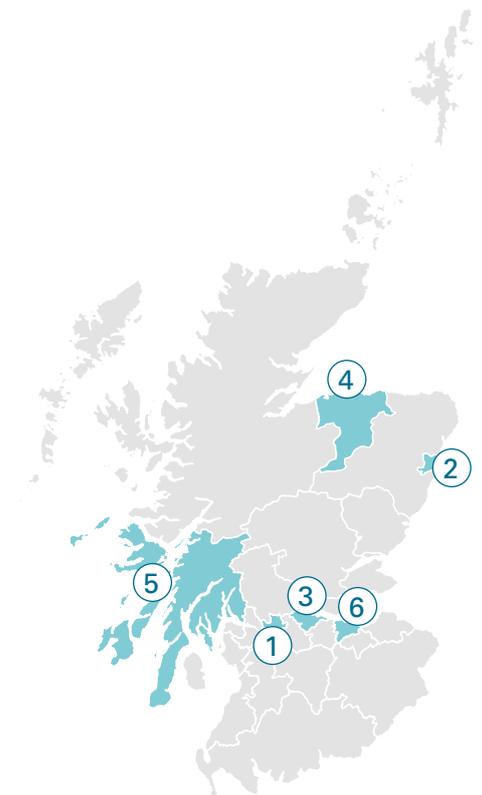
The Commission has set out a fresh approach to give the public more assurance on how their councils are doing. We want this to capture good performance as well as where they are doing badly or falling behind other councils.

The aim is to provide a much clearer and up-to-date picture for the public so that can make informed judgements on how services are run.

This requires a more streamlined service through integrating audit processes to capture richer intelligence – of good as well as poor practice – and achieve more effective reporting on each council.

The plan is to bring in the key elements of the Commission's new approach from October 2016 but with flexibility for the arrangements to evolve and adapt to meet future challenges.

Six Best Value performance audits were carried out in 2015/16. The Commission issued findings on each council:



1. East  
Dunbartonshire

↓ June 2015



2. Aberdeen  
City

↓ July 2015



3. Falkirk

↓ August 2015



4. The Moray

↓ October 2015



5. Argyll  
and Bute

↓ December 2015



6. The City  
of Edinburgh

↓ February 2016

## National reports

We published five national reports, three of them jointly with the Auditor General in areas where there are common interests between councils and other public bodies.

Two were about health and social care integration, the most far-reaching public service reform since the establishment of the Scottish Parliament.

Councils and health boards, through health and social care partnerships, now jointly have the legal responsibility to make a significant start in the shift from hospital care to care at home and care in the community. The Commission has been given the responsibility of auditing the new joint partnerships.

*Health and social care integration* looked at preparations for the new bodies and found significant risks over budgets and time to get established. *Changing models of health and social care* found some small-scale innovative practice around Scotland but lack of national leadership and clear planning meant transformational change to make a real difference was not happening fast enough.

*Community Planning: an update* followed up two previous reports and found a gap still exists between national expectations of community planning partnerships and how they plan and deliver services.

The importance of what local government provides was highlighted not only in the overview but also *Major capital investment in councils: follow-up*. Over the last three years councils spent £7 billion on capital investment – more than half of all Scottish public sector capital expenditure. The report found councils need to improve further the way they manage major projects like schools, roads, housing and flood prevention.



Health and social care integration

↓ December 2015



Major capital investment in councils: follow-up

↓ January 2016



Community Planning: an update

↓ March 2016



Changing models of health and social care

↓ March 2016



An overview of local government in Scotland 2016

↓ March 2016

# Looking back



## 40 years of the Accounts Commission

Last year was also a time for looking back further – over our first four decades. The Accounts Commission came into being in 1975 as a part of major reforms of local government. A new post of Controller of Audit was created to lead the audit work for the Commission.

The guest of honour at a reception to mark the first 40 years was James Dargie, the first Controller of Audit. Now 98, he spoke of the early days when he started with a blank sheet, effectively building the organisation up entirely from scratch in just three months.

Mr Dargie pioneered the professional code for public sector auditors and the mixed system which is still in operation today – where around half the audits are carried out by staff working directly for the Commission and the other half by private firms of accountants on its behalf.

Speaking at the reception, Local Government Minister Marco Biagi welcomed the announcement of the Commission's most gender balanced line-up to date and applauded it for staying "true to its principles" over the last 40 years.



## Controllers of Audit

 (L>R):

Robert Black (2003-04)

Ronnie Hinds (2000-03)

James Dargie (1974-82)

Caroline Gardner (2004-10)

Fraser McKinlay (2010-present)

John Broadbfoot (1989-94)

Harris Wells (2000)

# Engagement

## Working with others

The Commission belongs to the wider local government community in Scotland. Our role as independent watchdog is not simply a narrow financial one.

The chair and Commission members followed up reports with meetings either at a council's headquarters or in Edinburgh. Direct feedback and exchange of views provide insight both for us as well as councils.

The Commission provided briefings to Parliamentary committees. It has also had regular informal discussions and meetings with Scottish ministers, MSPs, and key figures from local government.

Auditors spoke at various conferences and seminars over the year. The reports on *Health and social care integration* and *Major capital investment in councils* stimulated a great deal of interest, much of which was promoted on social media.

The **Commission's web presence**  received a significant boost in traffic with a relaunched website in November. Our top five report downloads of 2015/16 showed the ongoing impact of previous reports. Health inequalities, school education, and criminal justice were the top three followed by two from 2015 – the local government overview and health and social care integration.



## Parliamentary committees

XX committees attended



We are also making more use of background information from some of our reports. This is now presented in the interactive Tableau format, providing useful insights and allowing comparisons to be made over time and by council area.

Tableau

Text to follow...

The first to go online was based on data from the *Major capital investment in councils* report. Initial feedback has been positive and we hope this will prove a valuable resource in addition to the Improvement Service's benchmarking framework. Better information helps better decision-making.

# Our members

The Accounts Commission currently has 12 members, all of whom are appointed by Scottish ministers. The Commission meets monthly and its meetings are open to the public.

In October 2015, we said farewell to three members, Colin Peebles, Linda Pollock and Colin Duncan who reached the end of their terms of office. We welcomed new appointments Dr Sophie Flemig, Sheila Gunn and Geraldine Wooley.



**Douglas Sinclair**

Chair



**Alan Campbell**



**Sandy Cumming**



**Sophie Flemig**



**Sheila Gunn**



**Ronnie Hinds**

Deputy chair



**Christine May**



**Tim McKay**



**Stephen Moore**



**Graham Sharp**



**Pauline Weetman**



**Geraldine Wooley**







# Annual report

2015/16

This report is available in PDF and RTF formats,  
along with a podcast summary at:

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

If you require this publication in an alternative  
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discuss your needs: 0131 625 1500

or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk) 

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and updates, follow us on:



ACCOUNTS COMMISSION 

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MEETING: 12 MAY 2016

REPORT BY: SECRETARY TO COMMISSION

**COMMISSION STRATEGY 2016-21**

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**Purpose**

1. This report proposes a Commission Strategy 2016-21.

**Background**

2. The Commission currently has in place a three-year rolling Strategy, updated annually. Part of the Strategy is an annual action plan, setting out detailed commitments, against which the Commission reports annual progress. This year's Strategy and action plan, covering the year to 31 March 2016, was published on 22 September.
3. The Commission uses its Strategy Seminar to consider how it may wish to update or revise its Strategy and action plan.
4. In a private session following the last Commission meeting on 14 April, members gave initial consideration to outputs from this year's Strategy Seminar, which took place on 15-16 March. Principally, those outputs are a set of proposed changes to the Commission's Strategy, but there were also outputs resulting in proposed changes to the Commission's Engagement Plan, and proposed changes to the Commission's governance (e.g. how meetings are organised and how members fulfil their responsibilities).
5. A very strong theme in discussions was a strong desire for the Commission to get more out of its relationships with its stakeholders, particularly councils, government and Parliament. This will therefore be seen in a revised Engagement Plan.
6. This paper deals with the first of these outputs, namely a series of proposed changes to the Commission's Strategy and a new annual action plan.

**Proposed revisions**

7. **Appendix 1** sets out a proposed revised Strategy. This reflects members' views as reflected at the Strategy Seminar and subsequently at their recent session, thus:
  - Overall, members concluded that there is no need for radical change to the Strategy, although they have agreed that it would be sensible to make a clearer read-across between the Strategy and our new five-year approach to work programming. It is proposed, therefore, that the Strategy becomes a five-year rolling strategy, updated annually.
  - There was also a feeling that we need to be clearer in our messages in what we are actually asking of councils. This would seem to present the opportunity of making more prominent the messages in our annual Overview report, which is regarded as the 'flagship' report of the Commission, summarising all of our work over the year. The main messages of the Overview report, particularly in what we expect from councils in responding to the Overview, are now reflected in the proposed Strategy.
  - Linked to this, there is a clear and growing appetite for the Commission to be clearer on its impact. Commission members therefore expect the direction of travel in this regard to continue in relation to our performance audit work: being

clearer in setting out the impact we wish to achieve in our performance audits, and in reporting on the impact actually achieved. It also has relevance to how we engage with our stakeholders, by seeking their views on our work and impact.

- Specifically, there was discussion about the desire to clarify our position in relation to 'transformation'. The discussion concluded that there is no strong need to address the specific term 'transformation' as we are clear in our expectations of councils' performance in terms of better services and outcomes for communities. There was, however, a desire to ensure that the issue is addressed appropriately in our audit work, in our performance audit work and particularly in the increasingly integrated approach to Best Value and financial audit. Equally important is a need to engage more effectively with council stakeholders in exploring the issue.
- In terms of the Commission's priorities, there have been two significant additions to reflect discussions. Firstly, members wanted to underline the Commission's commitment to better reflecting the citizen and service user perspective in our work. Secondly, and related to this, members thought that it is important to set out an enhanced interest in how councils are reporting performance to their citizens.
- Members also wanted to ensure a better reflection of the inequalities agenda. This now features prominently in our 'expectations of councils' in relation to the context in which we operate.

### Consultation with Audit Scotland

8. The Commission has committed to ensure in its strategic planning good dialogue with Audit Scotland. To this end, I have consulted with two groups of stakeholders in Audit Scotland: firstly, the Assistant Directors; and secondly, the Management Team.
9. **Appendix 2** sets out the views from this exercise, and the Commission's proposed response. **NB: At the meeting, it was noted by the Commission that these points do not reflect the formal position of Audit Scotland. See minute of the meeting for further details.**

### Next steps

10. When approved, the Strategy will be designed to ensure a consistency with our other strategic documentation. (The design of the cover is shown for interest in the Appendix).
11. It is proposed that the revised Strategy be published on 26 May 2016, alongside a revised Engagement strategy 2016/17 (elsewhere on today's agenda) which complements the Strategy. A range of other documents reporting the Commission's progress over the past year are also to be published on 26 May, namely the annual report 2015/16 and accompanying annual action plan progress report, and the progress report for last year's Engagement plan.
12. It is proposed that publication will be accompanied by a letter from the Chair to significant stakeholders, including councils, ministers and MSPs.

### Conclusion

13. The Commission is invited to.
  - a) Consider for publication the draft revised Commission Strategy 2016-21.
  - b) Agree publication arrangements for the Strategy.

**Paul Reilly**  
**Secretary to the Commission**  
**6 May 2016**

# Strategy

2016-21



ACCOUNTS COMMISSION 

## Who are we?

The Accounts Commission for Scotland is the public's watchdog for local government. We are an independent public body appointed by ministers. We hold local government to account, and we use our work to help local government to improve.

We assure the public about the performance of councils, and ensure that councils in turn provide the right information for their citizens to assess their performance, both over time and in comparison with similar councils. We also use our work to help promote good practice and innovation. We are not an improvement agency but we use our work to promote and support improvement.

More information on the Commission is in the **Appendix**.

## Context

We continuously ensure that our work is responsive to the current environment in which councils operate, which sees:

- Reduced resources – public spending will decline in real terms for the foreseeable future.
- Demographic change – Scotland’s population is ageing which puts more pressure on services and resources.
- Increasing flexibility in how our public services are delivered.
- Ever increasing public expectations about the content, quality and delivery of public services, and how the public is involved in designing those services.
- Enhanced devolution and increased financial powers to the Scottish Parliament and changes to the financing of councils.
- Increasing empowerment of citizens and communities in their relationship with councils.

This context helps us set our expectations over the next five years as we help provide assurance to the public on the performance of each Scottish council. Our expectations reflect councils’ responsibilities to deliver high quality services for service users and better outcomes and reduced inequalities for communities. In doing so, they will show how they are making best use of their resources and continuously improving in order to meet their statutory duty of Best Value.

***Our over-riding aim is to promote increased pace of improvement and councils demonstrating good governance and using rigorous self-evaluation.***

## Challenges for councils

In setting out our context, we have identified the challenges faced by councils. Our *Overview of local government 2016* reports on how councils have responded to these challenges, and what we believe councils need to do:

- Councils need clear priorities and better long-term planning.
- Incremental savings are not enough, so councils need to evaluate options for more significant changes in how they deliver services.
- Councils need to ensure their people – members and officers – have the right knowledge, skills and time to design, develop and deliver effective services in the future.
- Councils need to involve citizens more in making decisions about services and empowering local communities to deliver services.

Through all of our work, we will monitor and report how councils are progressing against these areas.

## Our strategic priorities

***We shall shape our work around the following priorities:***

- Working with our new appointed auditors and through our new Code of Audit Practice, ensure our approach to the **financial audit and auditing Best Value** clearly sets out the Best Value expectations of councils, reports on councils' improvement, and oversees councils' use of all public money.
- Continue to **encourage councils to report performance** in ways that allow their citizens to gauge their improvement, including comparatively against other councils.
- Specifically **ensure that the interests of the citizen, service user and communities are better reflected in our work**, including Best Value auditing, in performance audits and in our joint work with our scrutiny partners.
- Working with our scrutiny partners as appropriate, continue to develop how we **oversee the changing public service landscape**, including:
  - Audit and report upon progress of the **new joint health and social care boards**.
  - Retaining our interest in the progress of **community planning**.
  - Ensuring that our five-year **programme of national performance audit work** appropriately covers the key areas of public policy and is encouraging improvement in those areas.
  - In conjunction with our scrutiny partners, continuing to **improve the effectiveness of scrutiny, audit and inspection** in Scotland.
- **Promote good practice and innovation** by making more effective use of data, benchmarking, and information and analysis contained in our reports, working with other stakeholders as appropriate, such as the Improvement Service and the Local Government Benchmarking Framework.

In taking forward these priorities, we will engage effectively and regularly on issues of mutual interest with our stakeholders including the Scottish Government, councils, professional associations, trade unions and organisations representing the user, service and local government interests. Our *Engagement strategy* sets out how we will do this.

We will also ensure that we continuously improve our own work by reviewing our working practices and the quality of our reports. We will test and report on our performance and impact by liaising regularly with our stakeholders.

## Background: The Accounts Commission

The Accounts Commission was established in 1975 “to secure the audit of all councils in Scotland and to undertake and promote comparative studies to improve the economy, efficiency and effectiveness in how councils provide services”.

We act independently from the Scottish government and from local government. We consist of twelve members and use our powers to hold local government to account and assure the public about the performance of their council. We also ensure that councils provide the right information for the citizens to enable them to assess their council’s performance both over time and in comparison with similar councils.

Since then, our remit has been extended by the Scottish Government:-

- In 2003, we were given the responsibility to audit councils’ duty of Best Value and community planning.
- In 2008, we were asked to take on a coordinating role to support the delivery – in conjunction with our scrutiny partners - of better aligned and more proportionate and risk based scrutiny of local government.
- In 2012, we were asked to develop an audit framework designed to strengthen the accountability of community planning partnerships and supporting their improved performance.
- In 2013, we were given the responsibility to audit the new health and social care integration joint boards (including the duty of Best Value).

The Controller of Audit reports to the Commission on the audit of local government. The post is independent and is established by statute.

The Commission delivers public audit in Scotland along with the Auditor General who audits the remainder of the public sector in Scotland. Audit Scotland was created in 2000 to provide services to the Commission and to the Auditor General.

We have jointly published with the Auditor General and Audit Scotland **Public Audit in Scotland** which sets out the principles and themes of public audit and how it fits with and responds to the public policy environment in Scotland in which we operate.

# **Annual Action Plan**

***This action plan sets out what we will do over the next 12 months to take forward our priorities. We will report progress at the end of that period. We will:***

**Develop the audit by:**

- Ensuring that our annual overview report, to be published in early 2017, provides effective reporting of the performance of councils in relation to
- Implementing, and continue to develop, our new approach to auditing Best Value which is better integrated with other audit work and will provide more regular assurance about the performance of all councils.
- As part of this, contribute to a review and update of the characteristics of Best Value being led by the Scottish, including ensuring that it reflects our expectations.

**Encourage effective reporting of performance by:**

- Working with councils to help further enhance the Local Government Benchmarking Framework
- Developing effective assessment of public performance reporting by councils, through our auditing of Best Value

**Reflect the interests of the citizen, service user and communities by:**

- Review how guidance in relation to the Community Empowerment Act affects our work
- Working with stakeholders to ensure these interests are reflected effectively in supporting material in relation to Best Value
- Ensuring that all of our performance audit work reflects this perspective
- Explore with our scrutiny partners opportunities for joint working to this end.

**Scrutinise the changing public service landscape by:**

- Monitoring the implications for councils of any further devolution of powers, such as welfare provisions.
- Ensuring audit activity reflects and holds councils to account in how they use alternative service delivery vehicles in following the public pound.
- Further developing our approach to the audit of joint health and social care integration boards in relation to Best Value, governance and finance.
- Undertaking performance audits over the year, on:
  - Roads maintenance
  - Social work services.
  - Early learning and childcare
  - Equal pay
  - Self-directed support

- Reporting on the impact of our previous performance audit on *Borrowing and treasury management in councils*
- Continuing to work with our strategic scrutiny partners in co-ordinating and refining our approaches to scrutiny, audit and inspection.

**Promote good practice and innovation by:**

- Publishing a *How councils work* report on roles and responsibilities in councils (by summer 2017).
- Ensuring that every performance audit:
  - contains practical advice for elected members and officers
  - makes background data available for use by councils and citizens.
- Ensuring we better identify and promote good practice in our Best Value auditing work
- Ensuring we better capture good practice from across our audit work.

## **APPENDIX 2: POINTS RAISED IN CONSULTATION WITH AUDIT SCOTLAND**

**NB:** At the meeting, it was noted by the Commission that these points do not reflect the formal position of Audit Scotland. See minute of the meeting for further details.

<b>Points raised</b>	<b>Response</b>
<b>Significant points</b>	
The structure is complicated – needs simplified	The proposed draft is simplified, with ‘themes’ removed.
‘Increased pace of improvement’ – is this realistic?	This remains in the draft.
Tone could be more slanted to the citizen and service user rather than statute, e.g. Best Value.	The ‘context’ section reflects this suggestion.
What do things like ‘better long-term planning’ actually look like?	We already do this through our work, particularly in national performance audit work and <i>How Councils Work</i> series. An important part of our Strategy is to continue to look at ways of identifying and promoting good practice. It is not therefore proposed to reflect this any further in the strategy document.
Enhancing the experience of the citizen and service-user – what does this actually mean?	One of our strategic priorities has been revised thus: “...ensure that the interests of the citizen, service user and communities are better reflected in our work”. How we immediately take forward this priority is set out in our action plan. The action plan recognises that it is an area of further development and discussion between the Commission and Audit Scotland.
<b>Other points:</b>	
Need to feature ‘strategic audit priorities’ in relation to Best Value	‘Strategic audit priorities’ is specifically part of proposals in relation to Best Value. We make numerous references to Best Value in the strategy document. Progress has been made on developing more integrated strategic planning processes for the Commission (such as ensuring that the strategy drives all of our work, and informs Audit Scotland’s strategic planning). Part of this further development will be to ensure that ‘strategic audit priorities’ fits into this approach. In line, however, with the first point above around simplifying the strategy, the introduction of such a term risks confusion.
We should be ‘expecting’ rather than asking	‘Expectations’ appears in the ‘Context’ section.
‘Citizen’ is an out-of-date concept	Whilst the phrase doesn’t feature at all in the Community Empowerment Act, it does feature heavily in various current party manifestos (e.g. SNP manifesto states in relation to local governance’: “We aim to transform our democratic landscape, protect and renew public services and refresh the relationship between citizens, communities and councils.” So the Strategy can use the term, perhaps more interchangeably with concepts like ‘communities’ and ‘service user’.

<b>Points raised</b>	<b>Response</b>
Context for Commission confused with context for councils	Wording revised to clarify how we respond to the context for councils
Differing rates of improvement – not clear about our view about the desirability of this (i.e. acceptable or not?)	This phrase is removed.
'Oversee public service landscape' – hostages to fortune?	Wording is revised to better reflect joint responsibilities and activities in this regard with our partners.
'Performance of each Scottish council' – what does this mean?	The reshaping of the 'Context' and 'Challenges' section make it clear that we have expectations of all councils, but our work allows an assessment of performance at individual council level.
Needs reference to improvement in Scottish local government as a whole, rather than individually.	This is responded to in the same way as above.
Third bullet in 'our themes' needs revised (i.e. 'increased pace of improvement and reporting of better outcomes...' etc.)	Text has been revised.
Working with councils to enhance Local Government Benchmarking Framework – what does this mean or look like?	The word 'help' has been added to clarify our role, and we also report on our activity in this regard in our annual report documents. It is vital that our Strategy underlines the importance of this initiative.
Audit of health and social care – needs updated / reworded	Text has been revised to reflect our commitment to developing our approach for the longer term.
Retaining our interest in community planning – risk of perception of actions arising	It is important that the Commission signals its continuing interest in community planning. There are no specific actions in the action plan.
Needs better reflection of impact of devolution	A specific action is contained in the action plan to monitor developments.

MEETING: 12 MAY 2016

REPORT BY: SECRETARY TO COMMISSION

**COMMISSION ENGAGEMENT STRATEGY 2016/17**

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**Purpose**

1. This paper presents a revised Commission Engagement Plan, to be known as its Engagement Strategy 2016/17.

**Background**

2. The Commission published its first Engagement Plan on 10 September 2015. The Plan covers the same period as our annual action plan, thus the year up to the end of March 2016.

**Engagement Plan 2015/16 - Progress**

3. At its last meeting, the Commission considered my report providing an update of progress against the Plan. The Commission agreed:
  - To approve the progress report for publishing alongside the Commission’s annual report and action plan update, subject in particular to making clearer reference to the social media activities undertaken on the Commission’s behalf by Audit Scotland.
  - Noted that an engagement plan for next year will be submitted for approval to the next Commission meeting in May.

**Strategy Seminar**

4. At its recent annual Strategy Seminar, the Commission considered its engagement with its stakeholders. Overall conclusions were as follows:
  - The current engagement plan provides a useful statement of the Commission’s wide engagement activities over the year, but would be more useful if also setting out the messages that the Commission wants to deliver to different stakeholders. This would allow the Commission to show that those messages, and their desired outcome, can be different, depending on the stakeholder. The Commission therefore felt that it was important to revise the engagement plan to do this, and consequently rebranding it as something wider than an engagement plan, thus an engagement strategy.
  - The Commission needs to get more from its more formal engagement with primary stakeholders such as the Auditor General, councils (including COSLA, Scottish Local Government Partnership and SOLACE), Scottish Government and Parliament (including parliamentary committees) and Local Government. In a practical sense, this means in particular having regular and formal liaison with these stakeholders, being clear on what we need to engage with them about, and ensuring the Commission’s awareness of issues arising from such engagement.
5. A summary of the specific matters raised at the Strategy Seminar in relation to engagement is contained in **Appendix 1**. Many of these matters particularly prompt the

overall conclusion in the second bullet point in paragraph 4 above. Commission members took part in a workshop after its formal April meeting to discuss these overall conclusions. Members agreed that these and specific matters be reflected in a revised document.

### **Proposed Engagement Strategy 2016/17**

6. Attached in **Appendix 2** is the proposed Engagement Strategy. It is based upon the conclusions of the Strategy Seminar and the subsequent workshop.
7. In summary, revisions from the previous version are as follows:
  - Repositioning the document as an engagement strategy.
  - Setting out the purpose and desired outcome of our engagement with various different stakeholders. As an example, the overall aim of our engagement with councils is to make clear to them our role in assurance and improvement, to help promote messages from our individual pieces of audit work, and to ensure that we have an up-to-date perspective of the issues facing them). (See in particular paragraph 15 ('Our messages').)
  - Largely keeping the same structure as the previous version of the document.
8. The document will benefit from some further updating once the Commission agrees its proposals in relation to auditing Best Value.

### **Consultation with Audit Scotland**

9. The Commission has committed to ensure in its strategic planning good dialogue with Audit Scotland. To this end, I have consulted with two groups of stakeholders in Audit Scotland: firstly, the Assistant Directors; and secondly, the Management Team.
10. In general, Audit Scotland stakeholders seem content with the proposed Strategy. They were keen for the Commission to note that Audit Scotland is in the process of developing its own *Corporate communications and engagement strategy*. It is of course desirable that both of these documents complement each other. The Commission can therefore expect to be consulted on the document.
11. Another important view from Audit Scotland is that the Commission's Engagement Strategy is perhaps overly detailed. Whilst as previously agreed by Commission members I have produced this strategy in the same form as last year's, I would welcome the Commission's view on Audit Scotland stakeholders' observation.

### **Next steps**

12. When approved, the Engagement Strategy will be designed to ensure a consistency with our other strategic documentation. (The design of the cover is shown for interest in the Appendix).
13. It is proposed that the Engagement Strategy be published on 26 May 2016, alongside a revised Commission Strategy 2016-21 (elsewhere on today's agenda) which complements the Engagement Strategy. The progress report for last year's Engagement Plan will also be produced on that day.
14. It is proposed that publication will be accompanied by a letter from the Chair to significant stakeholders, including councils, ministers and MSPs.

## **Conclusion**

15. The Commission is invited to:

- a) Consider for publication the draft Commission Engagement Strategy 2016-21.
- b) In particular, to consider the view of Audit Scotland stakeholders that the document could be made more concise.
- c) Agree publication arrangements for the Engagement Strategy.

**Paul Reilly**  
**Secretary to the Commission**  
**6 May 2016**



**ACCOUNTS COMMISSION STRATEGY SEMINAR 2016:  
SUMMARY OF ACTION POINTS IN RELATION TO COMMISSION ENGAGEMENT**

- More effective and regular engagement with Auditor General
- Annual briefings/joint meetings
- Better profile at professional bodies conferences
- Ensure good visibility of auditing Best Value
- Better engagement with third sector
- Give members more opportunity to engage with councils
- Engage more effectively with councils:
  - to demonstrate our willingness to learn about current issues and practice, and thus emphasising a parity of a shared agenda
  - get better understanding of Commission's impact
  - more regular, with element of 'face-to-face' and 'home and away'
- Engage more effectively with IJBs
- Engage more effectively with auditors and firms
- Engage more effectively with MSPs and appropriate Parliamentary committees
- Engage more effectively with strategic scrutiny partners:
  - More profile for Strategic Scrutiny Group meetings
  - But understanding our independence and importance of 'critical distance'
- Engage more effectively with citizens:
  - Emphasising that we are 'speaking for them'
  - Help manage their expectations of councils
  - Emphasising citizen engagement standards through BV audit
- Engage more effectively with Improvement Service
- Engage more effectively with Scottish Government
- Emphasise our expertise/'best placed' role
- Increase our visibility through sponsoring events
- Engage more effectively with SOLACE, e.g. SOLACE seminar re transformation
- Engage more effectively with CIPFA



# Engagement strategy

2016/17



ACCOUNTS COMMISSION 

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# Introduction

## The Accounts Commission

1. The Accounts Commission is the public spending watchdog for local government. We are an independent public body appointed by ministers to hold local government to account. Audit Scotland provides services to the Commission by delivering our work programme of audits and reports. Some of the engagement activity around specific aspects of our work, for example financial audit or the shared risk assessment, is carried out by Audit Scotland on our behalf.
2. Along with our principal partners, the Auditor General for Scotland and Audit Scotland we deliver public audit in Scotland. The paper [Public Audit in Scotland](#) describes our relationship with our partners and our role in public audit. In developing our plans we work closely with these principal partners.

## Purpose and scope

3. The Commission's Strategy 2016-21 ([hyperlink](#)) sets out that "in taking forward (our) priorities, we will engage effectively and regularly on issues of mutual interest with our stakeholders".
4. This engagement strategy identifies our stakeholders, the reasons why we engage with them and the methods or channels we will consider using to engage with them. We will report annually on how we have done this.

# Our stakeholders

## Who are our stakeholders?

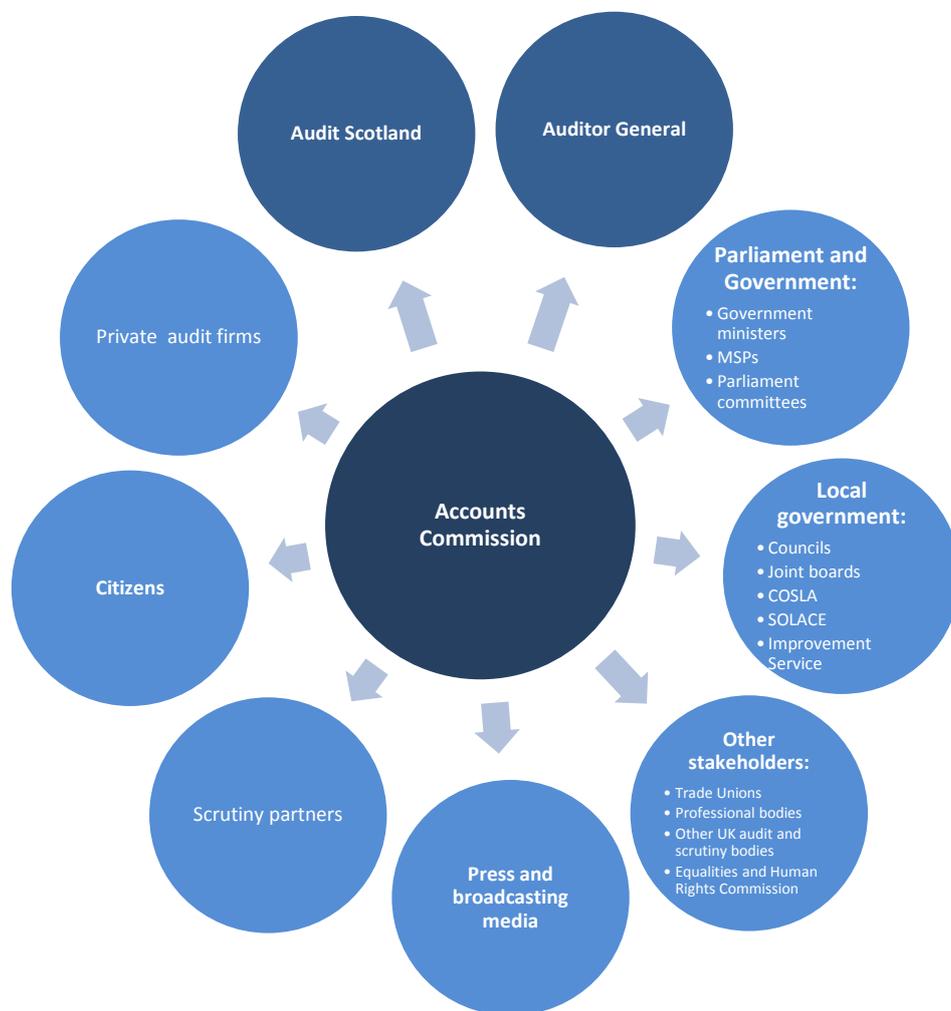
5. We engage with a wide range of stakeholders ([Exhibit 1](#))
6. We have discussed above our close relationship with our principal partners, the Auditor General and Audit Scotland. As well as Audit Scotland, we commission some private accountancy firms to undertake audit work, so we maintain a relationship with them.
7. Citizens, and the public in general, are our principal stakeholder. In our role as an independent source of assurance for the public, it is important to us that our messages are clear and relevant to people and we are as accessible as possible. In recognition of this we hold our meetings and report in public.
8. We hold councils in Scotland to account and help them improve. In this role we engage regularly with elected members and officers, as well as representatives of local government as a whole.
9. Although we are appointed by ministers we are independent of them. We can, however, make recommendations to ministers. Equally, ministers can give the Commission directions of a general nature. It is important therefore that we engage fully with ministers and the Scottish government. We have regular meetings and discussions with Scottish ministers.
10. In the Scottish Parliament, we assist Parliamentary committees through our reports, briefings and providing evidence as appropriate. We also share our work with all MSPs.
11. We engage directly with scrutiny partners, who are a range of regulatory or inspection bodies with a role to scrutinise local government. We formally engage with such partners in the Strategic Scrutiny Group. This Group, which is convened by the Chair of the Commission, was established in 2008 to co-ordinate the scrutiny of local government. It consists of:
  - Audit Scotland
  - Care Inspectorate
  - Education Scotland
  - Healthcare Improvement Scotland
  - HM Fire Services Inspectorate
  - HM Inspectorate of Constabulary for Scotland
  - HM Inspectorate of Prisons
  - Scottish Housing Regulator
12. To help us communicate our messages and work to the public, we liaise with the press and broadcasting media.
13. We also engage with a wide range of other organisations and bodies representing professionals such as public finance accountants, directors of education, social work and administration. We also maintain a relationship with other UK audit bodies to ensure that we

keep an updated perspective of audit approaches elsewhere in the UK. On our behalf, Audit Scotland works with the European and Human Rights Commission and equalities groups, as appropriate, to ensure consideration of equalities issues is embedded in the audit process.

14. Our list of stakeholders is constantly under review to react to changes in the public sector environment. For example, the Commission is currently considering how best to fulfil its responsibility to audit the new integrated joint health and social care boards, which will become an important stakeholder for the Commission. Also, the UK Parliament is currently considering the implications of the Scotland Act, which will have implications for councils and for the Commission.

**Exhibit 1**

**We engage with a wide range of stakeholders**



**Source: Accounts Commission**

# Our messages

15. In engaging with our wide range of stakeholders, we want to be clear about why we are engaging with them. Most importantly, we want to ensure that our stakeholders are clear on why we exist, our purpose and activities, and what this means for them. Exhibit 2 sets out these various messages:

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## Exhibit 2

### Our messages

We work with our principal partners ***the Auditor General and Audit Scotland*** to deliver public audit in Scotland. Public audit provides independent assurance that public money is spent properly and provides value for money. To do this, we engage with the Auditor General to ensure a mutual understanding of each others' priorities, and to ensure that our respective priorities are delivered by Audit Scotland. In doing so, Audit Scotland helps fulfil an important role in complementing our engagement with our stakeholders.

We commission ***Audit Scotland and private firms*** to undertake audit work on our behalf. It is therefore important to them that we are clear in what our priorities are and what we expect to get from audit work.

We want to present the messages in our work to ***service users, citizens and communities*** to help them form a view about the performance of their council, and how that council can improve.

We are the public's independent watchdog for ***councils***. So we want to engage with councils to make clear to them our role in assurance and improvement, to help promote messages from our individual pieces of audit work, and to ensure that we have an up-to-date perspective of the issues facing them. It is therefore important that we engage with the ***press and broadcasting media*** to ensure that they understand our role and thus help us deliver our messages in effective ways.

While we are independent, we are appointed by Ministers. We therefore want to engage with the ***Scottish Government*** to assure it of our activities and to ensure a mutual understanding of the Scottish Government's agenda for public service reform and how this may affect councils and, thus, our work.

The ***Scottish Parliament*** sets legislation that can affect councils and indeed councils' partners in the wider public sector, and also through its committees holds the Government to account. We want members of the Parliament to be aware of our work in helping them fulfil their responsibilities.

Parliament and Government expect us, along with our ***scrutiny partners***, to work together to provide an independent assurance that public money is being used properly and that services are well-managed, safe and fit for purpose. External scrutiny also helps bodies improve. We work closely with our scrutiny partners to ensure that our activity is coordinated, risk based and proportionate. To do this, we need to understand our different roles, how we can work together, and what we want to achieve together.

***Source: Accounts Commission***

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# Our engagement activities

## What do we engage about?

16. We engage with different stakeholder groups for varying reasons.
17. We may want to inform them about our strategies, plans and performance including our annual report.
18. Sometimes our key aim is to promote our work or to make recommendations, such as in our audits of Best Value or community planning partnerships, or our *How Councils Work* series of reports. Our annual statutory performance information direction sets out our requirements for councils in what performance information they need to publish. For our national performance audits, we approve a promotion and engagement strategy for each audit.
19. We tailor our engagement plans to maximise the impact of each of our reports. This may be through robustly promoting or encouraging local authorities to build on our recommendations or working with scrutiny partners or other appropriate bodies such as COSLA or SOLACE. We also work with the press and media to boost awareness of our work among stakeholders including the public.
20. We consult on, or seek feedback about, particular aspects of our work. For example, we will be consulting upon our proposals to put in place a revised approach to our auditing of Best Value audits.
21. Finally, sometimes bodies have a specific reason they wish to engage with us such as updating the Commission on a policy issue or service reform.
22. This year, the Commission Strategy commits us to engaging with stakeholders in relation to some significant strategic objectives, thus:
  - We are undertaking a new round of audit appointments for the next five years.
  - To coincide with this, we are reviewing the Code of Audit Practice.
  - We are undertaking five national performance audits.
  - We are publishing our annual overview report.
  - We are reviewing our approach to auditing Best Value.
  - We are reviewing our *Following the Public Pound* code.
  - We are launching a new website.

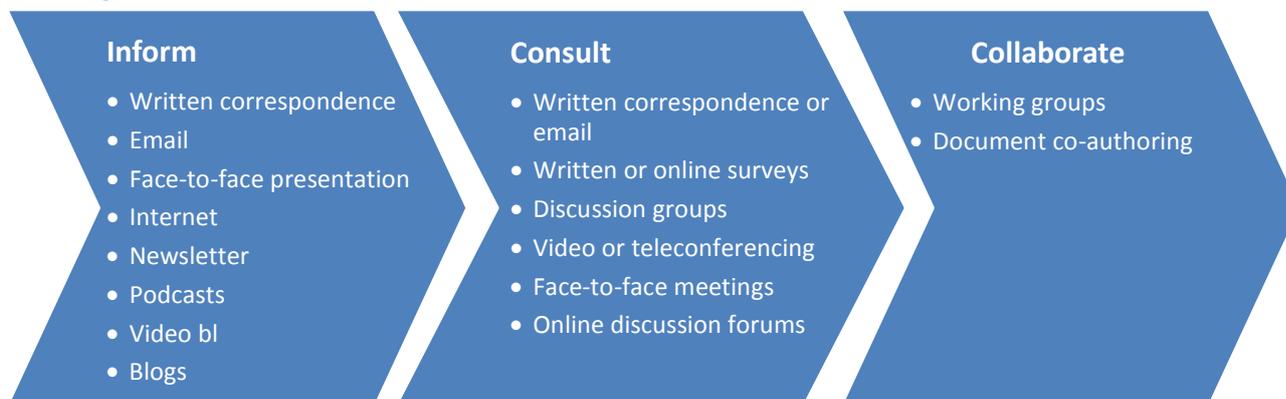
## How we will engage

23. We see our engagement as having three purposes:
  - **informing** ie giving information
  - **consulting** ie giving information and seeking views, and
  - **collaborating** ie giving information, seeking views and actively working together.

24. There are many channels or tools which we can use in our engagement. Some lend themselves better to particular types of activity or certain stakeholder groups. Exhibit 3 sets out the different types of activity and channels or tools we will consider using.

### Exhibit 3

**We will use appropriate methods to engage with stakeholders depending on the message and the audience.**



**Source: Accounts Commission**

25. Our engagement may be a regular process, such as maintaining, through regular meetings, our relationship with local government stakeholders such as SOLACE or COSLA. It may also, however, be a specific one-off activity, for example around the promotion of one of our published reports. Depending on the nature of such reports, we may engage closely with one council, or across local government as a whole.
26. We are always looking for scope to be innovative so we will actively consider new ways of engagement such as using web based technology and social media.

## Our activities in detail

27. Here we set out in more detail what we are engaging upon in the next year, and also sets out when this engagement activity is taking place.

## Our activities in detail

What we will engage about	Who we will engage with	How we will engage		When we will engage
<b>Our strategy and planning</b>				
We will meet regularly with principal stakeholders to discuss our strategy and issues of mutual interest.	COSLA, SLGP, SOLACE, Scottish Government	Collaborate	We will meet regularly with COSLA, SLGP, SOLACE and the Scottish Government.	Throughout the year
We will publish our annual report and promote it among stakeholders.	All stakeholders	Inform	We will write to or email council leaders, chief executives and other stakeholders as appropriate. We will provide a web based video presentation of our annual report. We will provide an interactive version of our report on our website.	May 2016
We will publish our Strategy update and action plan and promote it among stakeholders.	All stakeholders	Inform	We will write to council leaders, chief executives and other stakeholders as appropriate. We will consider a web based video presentation of our Strategy.	May 2016
We will publish our engagement strategy and promote it among stakeholders.	All stakeholders	Inform	We will write to or email council leaders, chief executives and other stakeholders as appropriate.	May 2016
We will advise stakeholders on our proposals for Best Value.	Local government	Inform and consult	We will meet with councils, COSLA, SLGP and SOLACE to discuss our proposals	Summer 2016
	Scottish government	Inform and consult	We will meet with the Scottish Government to discuss the impact of our proposals on existing Best Value statutory guidance	Summer 2016

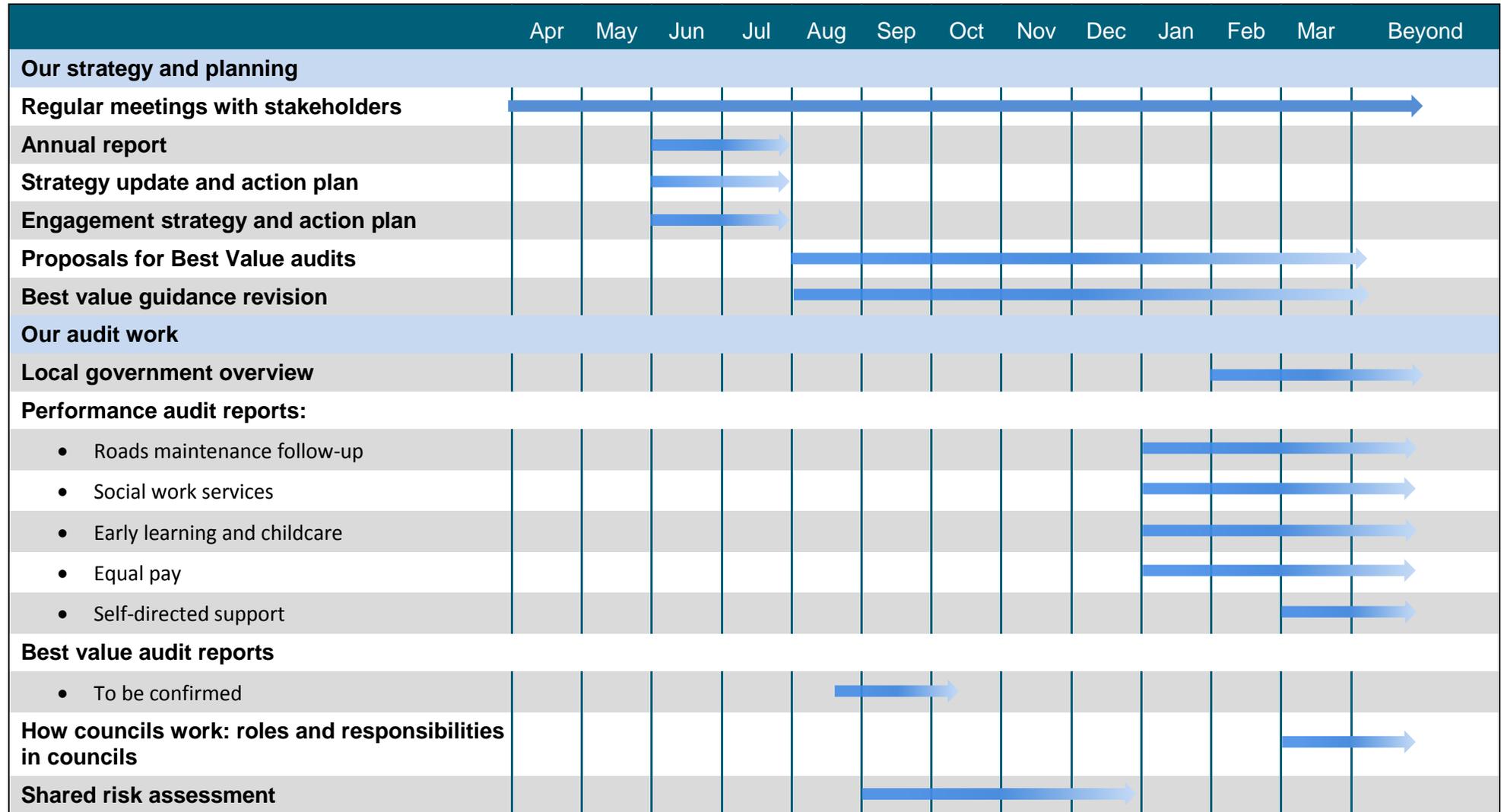
What we will engage about	Who we will engage with	How we will engage	When we will engage
<b>Our audit work</b>			
We will consult stakeholders on our draft performance audit programme.	Local government	Inform and consult	We will write to council leaders, chief executives and chairs of audit and scrutiny committees seeking their views on the draft programme.
	COSLA	Inform and consult	We will meet with COSLA and SOLACE to seek their views on our proposals.
	All stakeholders	Inform	We will share our performance audit programme and publish it on our website
We will publish our overview reports, performance audit reports and action plans and promote their key messages and themes (publication dates to be confirmed): <ul style="list-style-type: none"> <li>• Roads maintenance</li> <li>• Social work services.</li> <li>• Early learning and childcare</li> <li>• Equal pay</li> <li>• Self-directed support</li> </ul>	Citizens	Inform	We will publish our reports and post podcasts on our website. We will encourage the press and media to raise awareness of our reports through press releases and other social media.
	Local government (including the new joint health and social care boards for appropriate audits)	Inform and consult	We will write to council leaders and chief executives (and chairs of audit and scrutiny committees as appropriate) promoting key messages and themes. We will hold learning events and promote learning materials as appropriate. We will offer for audit teams to visit councils to promote our reports at meetings as appropriate, particularly for example where a report includes checklists for members or officers.

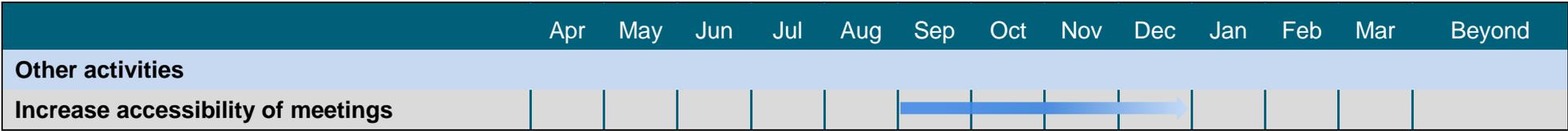
## Our stakeholders

What we will engage about	Who we will engage with	How we will engage		When we will engage
	Scrutiny partners	Inform, consult and collaborate	We will write to or email our partners to promote key messages and themes and to discuss implications of our reports on strategic scrutiny We will discuss with scrutiny partners developing learning materials as appropriate.	
	Professional bodies as appropriate	Inform and consult	As appropriate	
	Press and media	Inform	We will produce press releases and respond to press enquiries on our reports	
	Scottish Government	Inform	We will write as appropriate to ministers with any recommendations in our reports.	
	Scottish Parliament	Inform	We will share our reports with Parliamentary committees and brief them, particularly the Local Government and Regeneration Committee and the Public Audit Committee We will issue our reports to all MSPs.	
We will publish our Best Value audit reports ( <i>programme to be confirmed</i> )	Citizens	Inform	We will discuss our reports in public, publish our reports and podcasts on our website and encourage the press and media to raise awareness of our reports.	Ongoing
	Local government including the new joint health and social care boards (for appropriate audits)	Inform and consult	We will write to the relevant council leader and chief executive setting out the Commission's findings in relation to the report. We will seek a meeting with the relevant council leaders to discuss the report.	
	Scrutiny partners	Inform, consult and collaborate	We will share our reports with scrutiny partners.	
	Professional bodies as appropriate	Inform and consult	We will share our reports with professional bodies.	
	Press and media	Inform	We produce press releases and podcasts and take part in interviews.	

What we will engage about	Who we will engage with	How we will engage		When we will engage
We will publish a report in our How councils work series on roles and responsibilities in councils (June 2016).	Local government	Inform, consult and collaborate	We will write to or email council leaders and chief executives promoting the key messages and themes. We will develop learning events and promote learning materials as appropriate. We will promote our reports at council and other meetings as appropriate.	From June 2016
	COSLA, SLGP and SOLACE	Inform, consult and collaborate	We will write to or email the relevant officials promoting the key messages and themes.	
	Local government	Inform, consult and collaborate	We will seek the views of council chief executives on the process.	
We will engage councils' audit chairs about scrutiny supported by the <i>How Councils Work</i> report on roles and relationships.	Local government	Inform	We will email and hold meeting(s) with audit committee chairs.	June 2016
We will engage with stakeholders on our Shared Risk Assessment process.	Scrutiny partners	Inform, consult and collaborate	We will review the process with our scrutiny partners through meetings of the Strategic Scrutiny Group.	Autumn 2016
<b>Other activities</b>				
We will increase the accessibility of our meetings.	All stakeholders	Inform	We will investigate webcasting meetings from our new premises.	By end of 2015

## When we will engage





**Key:**

- Regular engagement activity
- Variable or diminishing intensity of activity

**MEETING: 12 MAY 2016****REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE****STRATEGIC SCRUTINY GROUP – UPDATE**

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**Purpose**

1. This report updates the Commission on the Strategic Scrutiny Group (SSG) meeting that took place on 31st March 2016. It also incorporates a summary of the key early messages arising from the work of the SSG short-life working group on the role of external scrutiny in the 21st Century upon which the Commission is represented by the deputy chair.
2. The report focuses on the following themes and issues:
  - The Shared Risk Assessment (SRA) process: lessons learnt from 2016/17 and opportunities for further development in 2017/18.
  - How the external scrutiny of public services might respond to the Scottish Government public service reform agenda, with its focus on citizens and community empowerment, place, prevention and partnership working.
  - How scrutiny can support improvement in public services, alongside its assurance and accountability role.

**Background to the Shared Risk Assessment**

3. Following the publication of the Crerar report in September 2007, the Scottish Government stated its aim of establishing a simplified and more coherent approach to delivering local government scrutiny. A key aspect of that agenda was to better coordinate and streamline scrutiny, while ensuring that its benefits for citizens (eg strengthened accountability and improved public services) are still achieved.
4. In March 2008, the Accounts Commission was asked by the Scottish Government to take on a gate-keeping and coordination role for the scrutiny of local government. John Swinney's letter to the Chair of the Accounts Commission is attached at Appendix 1.
5. The Commission established the Strategic Scrutiny Group (SSG) in 2008 to help it support the delivery of better coordinated, more proportionate and risk-based local government scrutiny. This involved working with other local government scrutiny bodies to develop the Shared Risk Assessment process and establish Local Area Networks (LANs) to share intelligence and agree the key scrutiny risks and local scrutiny plans in each of Scotland's 32 councils.
6. The SRA process was tested at seven development sites in the summer of 2009. Audit Scotland evaluated the process on completion of the work at the test sites. The evaluation was used to refine the approach and finalise guidance. The SRA process was then rolled-out across all 32 councils in late 2010.

7. Following the first SRA round Audit Scotland commissioned Ipsos-MORI to undertake an independent review to assess its effectiveness. Ipsos-MORI identified universal support for the underlying principles of the SRA process and widespread support for the SRA framework and Local Areas Network (LAN) structure. Some areas for improvement were also identified which were implemented the following year.
8. In February 2011 the Scottish Government undertook a stock-take of the developments that were set in train to improve the audit, inspection and regulation of public services in Scotland following the Crerar Review (2007). This included an assessment of the progress that the Accounts Commission had made in implementing its transitional role in co-ordinating local government external scrutiny. In light of the positive findings of the stock-take Mr Swinney wrote to the chair of the Accounts Commission in March 2011 stating that he now wanted the co-ordination and facilitation role in respect of local government scrutiny to now be regarded as one of the Accounts Commission's accepted functions. A copy of Mr Swinney's March 2011 letter is attached at Appendix 2.

### **The Shared Risk Assessment (SRA) process: lessons learnt from 2016/17 and opportunities for further development in 2017/18**

9. As part of our commitment to continuous improvement, we review the SRA process each year. We look to learn the lessons from the previous year, as well as reflecting on how the SRA process has operated over all earlier cycles since 2008. We also take account of changes to the scrutiny landscape, feedback from local authorities on their experience of the process, and feedback from LAN leads on things that could work better.
10. At its March meeting the SSG considered a report on implementation of this year's Shared Risk Assessment (SRA) process which drew on feedback from LAN leads following the SRA review meeting which took place with them on the 4<sup>th</sup> March 2016. The SSG report set out aspects of the SRA process that have worked well this year, alongside other areas where further improvements are needed to strengthen the effectiveness and impact of the process in future years.
11. The report set out proposed actions to address the areas for improvement that have been identified this year. It also sets out a number of broader areas for improvement that are proposed to ensure that the SRA process continues to evolve and adapt appropriately in response to wider developments, health and social care integration.

### **Lessons learnt from this year's SRA process**

12. This year's review session with LAN leads took place on the 4<sup>th</sup> March. The positive key learning points that arose from that discussion were:
  - councils continue to value the SRA process as a means of engaging with scrutiny bodies and for coordinating and scheduling scrutiny activity
  - the SRA process is now seen by LAN leads and LAN members as 'part of the day job'
  - participation by all agencies in Round Table meetings and engagement with councils has been more consistent this year
  - the ongoing reduction in the paperwork for the SRA process has allowed LANs to direct more effort towards engaging with councils around issues of risk
  - LANs are becoming much more engaged with council corporate management teams and most have made good progress in improving their understanding of

the strategic challenges facing individual council and their partners (eg implementing Health and Social Care integration, improving Community Planning and developing City Deals).

- LAN leads welcomed the streamlined process and shorter reporting, and support the commitment to publishing LSPs and the National Scrutiny plan before the start of the financial year.

13. However, LAN leads also identified three areas where this year's SRA process has worked less well and where there is scope to further improve how the process might work in future years. These were:

- 1) ***Operational difficulties that arose as a consequence of the late receipt of communication from the Care Inspectorate of their 2016/17 strategic inspection programme. Similar, but less significant, issues arose with the Scottish Housing Regulator (SHR) in a number of LANs.***

The late arrival of the Care Inspectorate strategic inspection programme, which was only made available to Audit Scotland on the 2<sup>nd</sup> March, created challenges for those LAN leads who had already discussed their Local Scrutiny Plan with the council Chief Executive, and where the 'additional' Care Inspectorate strategic inspections created a potential scrutiny 'clash' with other planned activity. For those councils, the late arrival of the programme undermined the coordinating function of the SRA process which was the primary reason for its introduction.

Audit Scotland and the Care Inspectorate have already met to discuss the factors that led to this year's difficulty and have agreed a timetable and process to avoid this difficulty re-occurring in future years. They have also agreed that in future years the Care Inspectorate will provide LAN leads with the rationale for the selection of individual councils (and their partners) in the Care Inspectorate strategic inspection programme, so that LAN leads are better placed to discuss this issue with council Chief Executives and other council officers who have an interest in health and social care services.

Similar, but less significant, issues arose with the SHR at a number of LANs where the late addition of new engagement or scrutiny activity, or changes to the description of planned activity, impacted on the content of the Local Scrutiny Plan.

- 2) ***The temporary uncertainty for councils created as a consequence of the transition year of the Accounts Commission's new approach to auditing Best Value in local government.***

The Accounts Commission will be considering its strategic programme of local government Best Value audit activity for 2016/17 and beyond at its workshop on the 11<sup>th</sup> May. As in previous years, the SRA process and local area networks (LAN) have provided much of the underpinning intelligence that is being used by Audit Scotland to develop a proposed programme of proportionate and risk-based Best Value audit activity on behalf of the Commission.

However, the timing of the Commission's decision on its future Best Value audit programme means that this year's Local Scrutiny Plans have been finalised before the Commission's programme of local government Best Value audit activity for 2016/17 has been approved. This has created a temporary period of uncertainty for councils until the Commission approves its programme.

It is important to note that the Commission has already written to councils setting out its timetable for implementing its new Best Value audit approach and all LSPs are clear that the LAN will notify the council if any Best Value work is proposed during 2016/17 once the Accounts Commission has agreed its Best Value audit programme. However, LAN leads are understandably keen that we align SRA and Best Value planning timetables so that future LSPs contain planned Best Value audit activity prior to publication. This will be implemented as part of next year's SRA process.

3) ***Scope to better align local scrutiny risk assessments with national performance audit work.***

The Accounts Commission and Auditor General for Scotland have both now implemented longer-term strategic work programmes (2016/17 to 2020/21). This new approach has been welcomed by audited bodies and local area networks (LANs) alike. However, because this new approach was only introduced in December 2015, in parallel with year's SRA process, it has not been possible at this stage to develop a fully integrated model of using local scrutiny intelligence to inform the targeting of local audit work that underpins individual national performance audits. This is something which we will seek to address as part of next year's SRA process.

**Further potential improvements to the SRA process that the SSG might introduce in future years**

14. Alongside the feedback from LAN leads we have also been considering other improvements that might be made to the SRA process in future years. We have identified three areas where improvements might usefully be made. These are:
- 1) *Reviewing the scope, purpose and governance arrangements of the SRA.*
  - 2) *Implementing more consistent strategic engagement between LANs and council CMTs.*
  - 3) *Improving the linkages between the local government SRA process and more recent health and care intelligence-sharing developments.*

***Reviewing the scope, purpose and governance arrangements of the SRA***

15. It is six years since the Local Government Scrutiny joint code of practice was developed and approved by the eight bodies that constituted the strategic scrutiny group at that time. Half of those bodies (the Care Commission, NHS Quality Improvement Scotland (NHS QIS), Social Work Inspection Agency (SWIA) and Her Majesty's Inspectorate of Education (HMIE)) no longer exist in the same format. In addition, of the eight original signatories to the document, only one (Michael Cameron, SHR) is now still in post.
16. Beyond the formal mismatch between the current membership of the strategic scrutiny group and the signatories to the Local Government Scrutiny joint code of practice there are a number of other strong arguments for revisiting and reviewing the joint code.

17. The most compelling argument is that the scrutiny landscape and SRA process has evolved considerably since 2010 in ways that are not reflected in the current joint code. For example:

- The SRA process is now largely treated as 'business as usual' by scrutiny bodies in the local government sector, but we also know that the extent to which LAN members feel able to speak for and commit their organisations to decisions can vary both across and within organisations. This raises interesting questions of governance and authority.
- Shorter and more focused approach to local reporting was introduced in 2015/16 when local scrutiny plans (LSPs) replaced the longer assurance and improvement plans (AIPs). This has impacted on the scope and content of local risk assessment activity.
- Streamlined and more proportionate quality assurance arrangements have now been in place for two years that differ significantly from those set out in the joint code.
- Although participation across scrutiny bodies is now much more consistent than at the outset of the process ongoing challenges remain in linking the scheduling and focus of national scrutiny programmes with local scrutiny risk assessments. Again, this raises interesting scheduling and governance issues.
- Many scrutiny bodies are experiencing significant reductions in funding which may have implications on their future ability to participate fully in the SRA process.
- The role of joint and multi-agency inspection activity has increased significantly since the SRA was introduced in 2009 and most of the scrutiny bodies that are represented on the SSG have either revised their scrutiny approaches or are in the process of doing so. This raises important questions about the future scope of the SRA.
- The Accounts Commission's new approach to auditing Best Value in local government will take effect as part of the new local government audit appointments from 1st October 2016. Whilst we have already been working hard to align the new BV risk assessment and audit programming arrangements with the existing SRA process it will be important to ensure that these new arrangements are documented and reflected in the joint code of scrutiny practice.
- There is an increased emphasis on the extent to which external scrutiny can and should support improvement.

18. For all of these reasons the SSG has agreed that a full review of the Local Government SRA process should take place during 2016 to:

- Consider the future scope of the SRA process.
- Determine what role the SRA process has in informing and influencing the scrutiny programmes of participating scrutiny bodies.
- Identify the relationship between local and national scrutiny risk assessments and work programming.

- Identify future resource and governance arrangements.
- Review and update the Scrutiny joint code of practice accordingly.

### **Implementing more consistent strategic engagement between LANs and council CMTs**

19. An important area of development of the SRA process over recent years has been the implementation of strategic engagement sessions between LANs and Corporate Management Teams at a significant number of councils across Scotland. These sessions generally take place outwith the annual SRA cycle, but the outputs from the exercise are used to inform future local risk assessments.
20. These exercises have tended to cover the following types of issues:
  - The council's strategic priorities and improvement agenda.
  - Future strategic challenges for councils, including:
    - Creating a sustainable financial future<sup>1</sup>
    - Addressing service demand and demographic pressures
    - Managing complexity and planning at a time of uncertainty<sup>2</sup>
    - Ensuring that they are delivering public services that people want, need and expect<sup>3</sup>
  - How well placed the council and its partners are to deal with these challenges and future scenarios.
21. They have proved to be worthwhile exercises for both the council and the LAN which have contributed significantly to the LAN's understanding of the strategic context and challenges facing the council as well as giving the council useful feedback from the LAN on the scrutiny bodies' views on the key challenges facing the public sector 'system'.
22. The strategic scrutiny group agreed to consider, as part of its broader review of the SRA process, whether it wishes to promote the more general adoption by LANs of this model of strategic engagement with councils.

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<sup>1</sup> 2020 Vision Institute of Local Government Studies (Inlogov), University of Birmingham and recent Grant Thornton research

<sup>2</sup> Four futures for local government (CAPITA research).

<sup>3</sup> 2020 Public Services Trust at the Royal Society of Arts (RSA).

## **Strengthening the linkages between the local government SRA process and more recent health and care intelligence-sharing developments**

23. At its meeting on the 31<sup>st</sup> March the SSG received an update report from the Sharing Intelligence for Health & Care Group. This group consists of representatives from the following six national organisations: Audit Scotland (and appointed auditors), Care Inspectorate, Healthcare Improvement Scotland, Mental Welfare Commission for Scotland, NHS Education Scotland, and Public Health & Intelligence. Since 2014/15 it has:
- provided a forum to identify potential or actual risks to the quality of health and social care and, where necessary, initiate further action in response to these risks
  - promoted coordination of activity between these partner organisations, respecting the statutory responsibilities of each.
24. The group has been developing a model of joint working between scrutiny and related organisations that has many parallels with the local government SRA process. It has shared and discussed intelligence relating to 14 territorial NHS boards and two special boards that provide frontline care. An important area of focus for the group to date has been on aspects of health and social care services that are themselves considered as part of the LAN engagement process with local authorities.
25. Given this significant area of shared interest between the Sharing Intelligence for Health & Care Group and the SRA process the SSG agreed that during 2016 staff involved in the two related streams of activity should meet to identify what opportunities might exist for joint working and sharing of intelligence.

## **Scrutiny improvement in a changing public service policy and delivery landscape**

26. The SSG has spent the last 18 months considering how it should develop its role and remit in response to the changing context within which public bodies and scrutiny bodies now operate. Since the SSG was established in 2008 a number of new scrutiny bodies have been created (Education Scotland, Care Inspectorate, Healthcare Improvement Scotland) and others have seen either their role and status amended (ie the Scottish Housing Regulator) or the nature of the service that they inspect change from a local to national service (HMICS, HMFSI).
27. Many members of the SSG are also now involved in partnership and place-based scrutiny activity that covers a range of different public bodies (eg Accounts Commission/Auditor General for Scotland audits of Community Planning Partnerships, and the Care Inspectorate/Healthcare Improvement Scotland joint inspections of children's services and adult health and social care services).
28. In addition, over the same period the Scottish Government has also been implementing a wide-ranging public service reform agenda, which includes:
- the Scottish Government/COSLA review of community planning
  - the creation of single national police, and fire and rescue services
  - college regionalisation
  - the Public Bodies (Joint Working) (Scotland) Act 2014 to implement health and social care integration

- the Children and Young People (Scotland) Act 2014
  - the Community Empowerment (Scotland) Act 2015.
29. A common feature of these developments is that they extend beyond local government and affect a range of different public sector bodies.
30. As a consequence of these developments, the SSG agreed a new remit for itself in late 2014 which is summarised below:
- Ensuring that scrutiny develops in ways that reflect the context of the evolving public service reform agenda.
  - Promoting effective collaboration amongst public sector scrutiny bodies, in line with the five principles of scrutiny and the obligations of the Public Service Reform (Scotland) Act.
  - Promoting effective collaboration in those areas of shared interest where working together will add greatest value.
31. This next section of the report describes the work that the SSG has been undertaking recently to help it advance these objectives.

### **Ensuring that scrutiny responds appropriately to the public service reform agenda**

32. Last August the SSG identified three potential strategic developments that it wished to take forward:
- (i) Preparing an agreed statement of ‘why scrutiny is important’ that sets out the added value that scrutiny brings (and how it contributes to improvement).
  - (ii) Developing a statement of shared vision and values that complements the statement of ‘why scrutiny is important’, but is more forward looking and sets out the group’s collective vision for modern effective scrutiny (including the values and principles that should underpin it).
  - (iii) Considering where scrutiny needs to go in the 21<sup>st</sup> century. This would involve the SSG setting out its thoughts on how scrutiny needs to adapt and change to ensure that the overall system of scrutiny in Scotland is efficient, affordable and sustainable. It was agreed that factors that the SSG would need to consider include:
    - the changing demands and expectations of public services
    - the significant financial challenges facing Scotland’s public services
    - new models of public service delivery
    - the importance of community engagement and user-focused service delivery
    - developments in regulatory thinking (both domestically and internationally)
    - new models of working within and between scrutiny bodies to streamline scrutiny and deliver efficiencies
    - Scottish Government objectives for and expectations of external scrutiny.

33. At its meeting in October 2015, the SSG agreed that as these three strategic developments are closely linked they should be approached as a single stream of development work.
34. Earlier this year a short-life working group was established to take forward this work. The working group consists of:
- Robbie Pearson, interim Chief Executive, Healthcare Improvement Scotland (chair)
  - Alastair Delaney, Chief Operating Officer and Director of Inspections, Education Scotland
  - Ronnie Hinds, Deputy Chair, Accounts Commission
  - Elinor Mitchell, Deputy Director, DG Communities, Democratic Renewal, Public Services Reform, Public Bodies, Community Empowerment, Community Planning
  - Kevin Mitchell, Executive Director of Scrutiny and Assurance, Care Inspectorate
  - Professor Craig White, Healthcare Quality and Strategy Directorate, Planning & Quality Division, DG Health and Social Care, Scottish Government.
35. The working group is supported by Antony Clark, Assistant Director, Audit Scotland and David Milne, Scottish Government.
36. The short-life working group has now met on three occasions. As part of its work it has undertaken background research, prepared an initial discussion paper and presented its early thinking to the SSG at its meeting in March.
37. When considering the group's early thinking the SSG asked the group to be ambitious in the scope of its work so that the SSG is able to more actively drive the future direction of scrutiny in Scotland. It was suggested that this should include both improving the operational efficiency and impact of scrutiny and proactively contributing to shaping future scrutiny policy.
38. The importance of concluding this work quickly was stressed so that the SSG is well placed to influence policy thinking in relation to external scrutiny following the 2016 Scottish Parliament elections.
39. Whilst the SSG endorsed the overall direction of travel set out in the work to date at its March meeting the short-life working group was asked to give further consideration to the following issues when taking forward this work:
- **Culture and behaviours:**
    - The group needs to more clearly recognise the significance of culture within and across organisations. Having the right culture is going to be a fundamental factor in driving integrated, citizen-focused public services. The nature of public leadership is changing in the post-Christie context and the group needs to recognise that.
    - For that reason, leadership and culture needs to be given greater prominence throughout (i.e. in the theory of improvement and as a key line of enquiry/area of focus of any future work).

- The group needs to say something explicit about innovation and improvement capacity. These are both going to be key issues in the future as budget reductions really hit and has implications for the management of risk and how scrutiny bodies respond to 'failure'.
- **The nature of scrutiny:**
  - We need to be clearer in the material that whilst local people, and the outcomes that public services deliver for them, should be at the heart of what scrutiny is about; the purpose of, and audience for, external scrutiny isn't just local people. Scrutiny also needs to inform and influence politicians, service providers, commissioners, policy-makers.
  - We need to draw out the fact that some regulators have intervention powers (and what the significance of these are).
  - We need to reflect the fact that the signals that scrutiny sends to public bodies are have implications for how public bodies behave and can lead to unintended consequences, both positive and negative.
  - This review work is taking place at a time of significant change for scrutiny bodies (e.g. new BV approach, H&SC integration, Community Empowerment legislation). The papers need to highlight the opportunities that this presents for doing things differently and better embedding the voice of service users and citizens in our work.
- **Improvements in scrutiny efficiency and effectiveness:**
  - The paper needs to say something about the collective responsibility of scrutiny bodies to work together to improve their efficiency (individually and collectively).
  - The future scrutiny improvement agenda has to continue to focus on the more efficient and effective delivery of scrutiny activity.
- **The impact of Scottish Government policy and legislation on scrutiny approaches and scope for scrutiny alignment and integration**
  - The group needs to draw out the Scottish Government's policy role more clearly in the material. It has implications for public bodies and scrutiny bodies alike and the absence of properly 'joined-up' policy making within government is a significant constraint on the delivery of more coherent and efficient scrutiny arrangements.
  - The legislative constraints that can hold some (but not all) scrutiny bodies back from doing different things (and possibly doing things differently) needs to be mentioned explicitly as a constraint factor.
  - The SSG could act as a forum for ensuring a strong collective voice in discussing issues of common concern with the Scottish Government.

40. The short-life working group is currently refining its thinking in response to the feedback it has received from the SSG and will be preparing a draft report for consideration by the SSG at its next meeting.

41. It is likely that this report will cover the following themes:

- Why is external scrutiny important?
- Key principles for external scrutiny
- The links between external scrutiny and improvement
- The importance of self evaluation and improvement capacity within public bodies
- The importance of place, partnership, and the views of citizens and service users
- How should external scrutiny adapt in response to public service reform and new models of public service delivery?
- Implications for the Scottish Government and other stakeholders.

## **Conclusion**

42. The Commission is invited to:

- consider this report
- note that further updates will be presented to the Commission following future SSG meetings.

**Fraser McKinlay**  
**Director of Performance Audit and Best Value**  
**2 May 2016**

## Appendix 1

**Cabinet Secretary for Finance and Sustainable Growth**  
**John Swinney MSP**

**T: 0845 774 1741**

**E: [scottish.ministers@scotland.gsi.gov.uk](mailto:scottish.ministers@scotland.gsi.gov.uk)**

Professor John Baillie  
Chair  
Accounts Commission  
110 George Street  
Edinburgh  
EH2 4LH

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Our ref:  
20 March 2008

As you will know, one of the recommendations in Professor Crerar's independent report into scrutiny and complaints handling was that an appropriate scrutiny body be appointed to oversee the delivery of scrutiny programmes in local government until longer term changes could be implemented.

Our goal is to move to a position where Best Value is the key corporate level assessment tool and is much better aligned and co-ordinated with other corporate audit and performance processes. I write to ask the Accounts Commission to take on this gate keeping role through the auspices of Audit Scotland. This role will operate while we consider how best to achieve a more permanent solution. In effect, this will mean that all scrutiny relating to the corporate and strategic role of local government will be required to be cleared by the Accounts Commission. In asking you to take on this role, I fully recognise the Commission's independence from central and local Government.

In addition, other service related scrutiny of local government functions, including multi-agency inspections of service delivery, should be communicated to the Accounts Commission in advance. This will enable the Accounts Commission to co-ordinate service delivery inspections with a view to minimising compliance burdens.

I have asked my officials to continue their liaison with the Accounts Commission and Audit Scotland to ensure there is clarity on what is required. The Accounts Commission and Audit Scotland will want to take the views of scrutiny bodies and local authority representatives on how this new role is delivered in practice.

In relation to scrutiny of service delivery, you will want to take account of the various requirements which may be placed by statute, Ministers and others upon the scrutiny bodies.

We would expect all scrutiny bodies to work together with you to fit scheduled inspections into a coordinated programme; any statutory requirements will, of course, remain to be delivered. The issue of unannounced inspections will need to be considered but scrutiny bodies will continue to be free to carry out unscheduled inspections which they decide are necessary to ensure the safety of service users or for any other reason.

Although your new role will focus on inspections of local authorities, I would expect scrutiny organisations dealing with other delivery bodies to consider how they can adopt the same principles of reducing compliance burdens.

As you will appreciate, the Accounts Commission will have no statutory authority over scrutiny bodies to require them to carry out or to cease carrying out assessments at this stage. However, we will where necessary support you in securing support from scrutiny bodies for this important new approach.

How the Accounts Commission decide to undertake this new role and your experience over the first half of the new financial year will help us consider how to achieve a permanent solution, possibly through statute. I ask that you write to me in April after consultations with other scrutiny bodies and explain how you propose to undertake this new role. I would be grateful if you would also write to me and advise on your experience and any lessons from implementing this role in October. This advice will then enable us to decide whether or not it is necessary to formalise new arrangements. The approach you adopt to this new role and your experience will also help us to understand how we can simplify the scrutiny landscape.

I hope that you will be willing to take on this key role. If you have any concerns or queries or would like to discuss this further, please contact Ian Mitchell, Head of Public Bodies Policy Division, on 0131 244 7833.

I am copying this letter to the scrutiny bodies that will fall within your new remit. If there are other bodies which you consider should be engaged in this exercise please share this letter with them as you consider appropriate.

**JOHN SWINNEY**

## Appendix 2

**Cabinet Secretary for Finance and Sustainable Growth**

**John Swinney MSP**

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### March 2011

#### **Co-ordination of local government scrutiny functions**

Further to my letter of 6 August last year, I am writing again in light of the completion of the groundwork which was described in that letter.

We have now issued guidance in relation to the PSR Act 2010 section 114 duty of co-operation; the Ipsos MORI evaluation commissioned by Audit Scotland has now reported; and my officials, working with Audit Scotland, have completed the exercise to take stock of the co-ordination work. I enclose a copy of the report of this stock- take exercise.

I was interested to note the key findings of the Ipsos MORI evaluation and it is helpful that they were available to include in the stock-take exercise. I very much welcome the overall positive findings of the stock-take, which indicate that external scrutiny is now more streamlined, co-ordinated, proportionate and risk-based. I am grateful for the valuable work which you, colleagues in the scrutiny bodies and colleagues from local government have put into making such significant progress.

You will be aware that this work has contributed to the Government's ability, as part of its Spending Review considerations, to make a commitment to savings of at least

20% on the overall direct costs of scrutiny over the spending review period. This has enabled us to direct this saving to other priority service delivery areas. The paper on Efficiencies from Improvement to Scrutiny published as part of the set of budget documents details this commitment and summarises progress made in improving the system of external scrutiny in Scotland. Clearly, external scrutiny has a major part to play in assurance about performance and driving improvement but its benefits need to outweigh its cost.

In light of the positive findings of the stock-take I would now like to move the activity on from the transitional footing which was set up in 2008. I would like the co- ordination and facilitation role in respect of local government scrutiny to now be regarded as one of the accepted functions of the Accounts Commission. We will be writing to the other scrutiny bodies involved to confirm this and to

highlight that this way of working is a means of demonstrating compliance with the new duty of co- operation.

I know that further work will be done over the next period to take forward the steps detailed in paragraph 15 of the stock-take report. I look forward to hearing about the further developments which will maintain momentum and further sustain and embed the improvements made to-date. I would be happy to discuss your ideas and plans if there is an opportunity available over the next few weeks. Please contact my office if you think this would be helpful.

Many thanks again to you and all those involved with the Local Government Scrutiny Coordination Strategic Group for the commitment and energy that has been put into this area of reform and improvement.

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**JOHN SWINNEY**

MEETING: 12 MAY 2016

REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

**CITY DEALS OVERVIEW – BRIEFING PAPER**

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**Purpose**

1. This paper invites the Accounts Commission to consider a briefing paper on City Deals.

**Background**

2. As part of its consideration of the five-year rolling work programme for performance audits for 2016/17 to 2020/21, the Accounts Commission decided to include an audit on City Deals in Scotland. It also asked for a separate briefing paper on the progress made with City Deals to date.
3. This briefing paper provides an overview of City Deals in Scotland and outlines some key audit issues. Subject to further development, these could form the basis for the proposed performance audit on City Deals, planned for 2017/18.

**Conclusion**

4. The Accounts Commission is invited to note the briefing paper on City Deals.

**Fraser McKinlay**  
**Director of Performance Audit and Best Value**  
**2 May 2016**

# City Deals Overview

## Briefing paper



Prepared for the Auditor General for Scotland and the Accounts Commission  
2 May 2016

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# Introduction

1. This briefing paper provides an overview of City Deals in Scotland. It is a result of desk-based research and interviews with a sample of eight councils and the Scottish Government. Information included in the briefing was accurate as at April 2016.

## Background

2. The Scottish Government's 2015 Economic Strategy sets out the critical role that Scotland's cities play in delivering economic growth for the whole of Scotland:
  - Scotland's cities and their regions are home to two-thirds of the Scottish economy and over half of Scotland's population.
  - Cities benefit from a concentration of economic activity, also drawing in workers from surrounding areas. The size and scale of Scotland's cities drives the accumulation of business and creates a dynamic environment for knowledge sharing and innovation.
  - It is important for cities and their surrounding areas to work together as functional economic areas. Maximising the contribution of Scotland's cities, improving connectivity between them and to their surrounding regions is essential.<sup>1</sup>
3. The Scottish Government set out its cities strategy in *Agenda for Cities*, published in December 2011 to support Scotland's seven cities in making the most of investment opportunities.<sup>2</sup> *Agenda for Cities* established the Scottish Cities Alliance (SCA) as a collaborative partnership between Scotland's seven cities and the Scottish Government. The SCA's primary role is to help cities and their regions deliver large-scale strategic investment that supports inclusive economic growth.
4. The Scottish Government refreshed its Agenda for Cities in March 2016.<sup>3</sup> The new *Scotland's Agenda for Cities* envisions Scotland's regions driving the economy and benefitting the population by increasing internationalisation, boosting investment and innovation, and supporting inclusive growth for all of Scotland's cities and associated regions. Its vision is "A Scotland where our cities and their regions power Scotland's economy for the benefit of all".

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<sup>1</sup> [Scotland's Economic Strategy](#), Scottish Government, March 2015

<sup>2</sup> [Scotland's Cities: Delivering for Scotland](#), Scottish Government, December 2011

<sup>3</sup> [Scotland's Agenda for Cities](#), Scottish Government, March 2016

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# Overview of City Deals

5. In August 2011, the UK Government created the Cities Policy Unit to work with cities and government to develop investment plans.<sup>4</sup> In December 2011, the UK Government launched its *Unlocking Growth in Cities White Paper*, setting out its intention to transfer powers and decision making to local leaders and businesses to help support economic growth. As part of this, it also launched City Deals.<sup>5</sup>
6. City Deals are agreements between city regions and the UK Government. They provide cities with the opportunity to set their own priorities and decide where to target investment through programmes agreed in the deals. In return, the UK Government provides funding and devolves specific decisions. Support to Scottish cities is also provided through funding from the Scottish Government.
7. There are currently 30 agreed City Deals across the UK, with more in development. Each City Deal is unique to the relevant city's context and in the nature of its agreement with government. In essence, City Deals are intended to provide city regions with the powers and tools they need to drive local economic growth by allowing them to:
  - Take responsibility for decisions that affect their area
  - Do what they think is best to help businesses grow
  - Create economic growth
  - Decide how public money should be spent.
8. The UK Government announced details of the first wave of City Deals in July 2012, comprising the eight largest cities in England outside of London (Birmingham, Bristol, Greater Manchester, Leeds, Liverpool, Nottingham, Newcastle and Sheffield). The UK Government committed up to £2.3 billion to these deals which were anticipated to create around 175,000 jobs over 20 years.
9. Wave one City Deals were the first in a line of government deals designed to shift responsibility for creating local economic growth to local leaders and businesses. In December 2012, the UK Government invited a further 20 English cities and their surrounding areas to compete for the opportunity to negotiate a City Deal. The second wave of City Deals was aimed at the next 14 largest cities outside London and their wider areas, and the six cities with the highest population growth between 2001 and 2010. As a result, 18 deals totalling £1.5 billion were agreed between September 2013 and July 2014.

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<sup>4</sup> In early 2014, the Cities Policy Unit became part of the Cities and Local Growth Unit. This is a joint unit of the Department for Communities and Local Government, and the Department for Business, Innovation & Skills which coordinates the government's input to local growth policies.

<sup>5</sup> [Unlocking Growth in Cities](#), HM Government, December 2011

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10. In July 2015, the National Audit Office (NAO) reviewed wave one City Deals' progress.<sup>6</sup> The report's key findings included:
- The deals had been an important catalyst for cities implementing new governance arrangements, developing economic growth strategies and increasing their capacity to manage devolved funding and responsibilities. In particular, the UK Government viewed combined authorities as important for strengthening local governance arrangements and signalling increased readiness to manage devolved funding.<sup>7</sup>
  - The cities were providing the capacity to manage the deals from existing resources as City Deals did not include any funding to support additional management capacity. They were expected to pool their resources to manage deals at a city-region level but it was not clear whether this was sustainable in the context of wider reductions in funding.
  - Many City Deal programmes were at a very early stage of implementation. While there had been early impacts from some of the individual programmes, it was too early to conclude on their overall impact on economic growth. Also, more needed to be done to ensure the impact of programmes is evaluated effectively.
11. Following the first and the second wave of City Deals, the UK Government also agreed Growth Deals with each of the 39 Local Enterprise Partnerships (LEPs) across England in July 2014.<sup>8</sup> These were subsequently expanded in January 2015. [Growth Deals](#) provide funds to LEPs for projects that benefit the local area and economy. The UK Government is planning to invest around £13 billion in total in local economies through these Growth Deals. In 2015/16, it provided the first £2 billion of this from the newly established Local Growth Fund, drawn from the existing budgets of UK Government departments.
12. The latest in a range of initiatives designed to support localism and decentralisation are Devolution Deals, devolving additional responsibilities to local areas in England.<sup>9</sup> To date, the UK Government has announced ten Devolution Deals. They all transfer powers, funding and accountability for policies and functions previously undertaken by central government.<sup>10</sup> The specific arrangements vary in each case as they are based on unique local proposals.<sup>11</sup>

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<sup>6</sup> [Devolving responsibilities to cities in England: Wave 1 City Deals](#), National Audit Office, July 2015

<sup>7</sup> A combined authority is a legal body made up of a number of local authorities, with powers over economic development and regeneration functions that go beyond local authority boundaries and affect entire city regions.

<sup>8</sup> LEPs are partnerships between local authorities and businesses that lead on economic growth locally. Their geographic boundaries reflect the natural economic areas of England.

<sup>9</sup> The Cities and Local Government Devolution Act 2016 underpins many aspects of Devolution Deals. It provides for the devolution of powers to city regions with elected mayors.

<sup>10</sup> All Devolution Deals include an agreement on devolved responsibility for substantial aspects of transport, business support and further education. Other policy areas included in some of the deals are housing and planning, employment support and health and social care.

<sup>11</sup> The Cities and Local Growth Unit is responsible for coordinating the negotiation, agreement and implementation of devolution deals on behalf of UK central government as a whole. Each Devolution Deal is negotiated separately.

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13. The NAO reported in April 2016 that the UK Government had still to determine full financial implications of the agreed Devolution Deals.<sup>12</sup> It intended to combine a number of funding streams into a 'single pot', with no ring-fences to enable more local autonomy over investment decisions. In its March 2016 Budget, the UK Government announced that these allocations would total £2.86 billion over five years in the first six Devolution Deals. The NAO report also indicated that in many cases new governance arrangements would be established in the form of combined authorities, with directly elected mayors spanning multiple local authority areas. Nine new mayors of combined authorities are expected to be elected in 2017.<sup>13</sup>

## City Deals in Scotland

14. Subsequent to the second wave of City Deals in England, three City Deals in Scotland have now been agreed covering 11 councils:
- Glasgow City Region City Deal was agreed in August 2014 and comprises eight councils (East Dunbartonshire, East Renfrewshire, Glasgow City, Inverclyde, North Lanarkshire, Renfrewshire, South Lanarkshire and West Dunbartonshire).
  - Aberdeen City Region Deal was agreed in principle in January 2016 and includes two councils (Aberdeen City and Aberdeenshire) and an economic leadership board called ONE (Opportunity North East).<sup>14</sup>
  - Inverness and Highland City Region Deal was agreed in principle with Highland Council in March 2016.<sup>15</sup>
15. A further nine councils are currently preparing City Deal bids:
- The Chancellor announced the opening of negotiations for a City Deal for Edinburgh and South East Scotland as part of his budget speech on 17 March 2016. This city region comprises six councils (City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian).
  - Angus, Dundee, Fife and Perth and Kinross Councils are considering proposals for a potential Tay Cities Deal.
  - Stirling Council is currently preparing a proposition for its ten-year City Development Framework investment programme and is seeking to bid for City Deal funding.

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<sup>12</sup> [English devolution deals](#), National Audit Office, April 2016

<sup>13</sup> The Chancellor of the Exchequer's announced in May 2015 that the UK Government would transfer major powers only to those cities that choose to have a directly elected city region-wide mayor.

<sup>14</sup> [ONE](#) is a private sector led economic leadership board and is a key partner and investor in the region. It is made up of a number of organisations such as the Wood Family Trust, Visit Aberdeen and a range of private companies. Chaired by Sir Ian Wood, it is focused on supporting the economic development of the region around four key sectors: oil and gas; food, drink and agriculture; life sciences and tourism.

<sup>15</sup> UK and Scottish Governments have agreed high-level working arrangements called Heads of Terms for Aberdeen and Inverness and Highland City Region Deals. Heads of Terms is a step towards agreeing the actual City Deal document. Glasgow City Region City Deal document has already been signed.

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16. We understand that at this stage the remaining 11 councils are not involved in preparation of City Deal bids, although some of them are developing proposals for delivering regional economic benefits through a joint approach. For example, North, South and East Ayrshire Councils are drawing up a proposal for a regional Growth Deal. This is focused on stimulating additional economic growth and inclusive growth, and is expected to have a positive impact on disadvantaged communities. The councils presented a high-level prospectus to the Scottish and UK Governments in March 2016 and are aiming to submit a more detailed strategic business case for Growth Deal in summer 2016.<sup>16</sup>
  17. As part of the Scotland's Agenda for Cities, the Scottish Government has committed to work with any Scottish city region considering a City Deal. It has adopted a 'bottom-up' approach where localities identify specific propositions and are expected to justify these to both governments. The Scottish Government expects that every deal will be unique and hence negotiations for each deal will also be unique.
  18. Overall, City Deals in Scotland are at a very early stage of implementation. Those councils which have now agreed City Deals have agreed high-level working arrangements with both governments but they are still to agree individual projects within their proposed investment programmes. The UK and Scottish Governments have committed to provide funding subject to the agreement of projects' business cases. But arrangements for the release of government funding and its administration are largely still unclear and the councils are yet to determine their financial contributions. Detailed governance arrangements are also largely still to be determined. To date, no combined authorities with elected mayors have been established in Scotland.

## Glasgow City Region City Deal

19. The Glasgow City Region City Deal is the largest deal agreed in Scotland to date. The area's ambition is to close its economic 'output gap' with top performing European Cities and ensure that economic growth benefits all the residents, including the area's most deprived neighbourhoods. The City Deal comprises three key aspects:
  - **Infrastructure Fund** - A £1.13 billion fund to support the delivery of an investment programme of 20 infrastructure projects. The UK and Scottish Governments have committed to invest £500 million each into the fund over a period of 20 years but they are still to agree individual projects with the councils. Councils will borrow the remaining £130 million. It is the only deal in Scotland with an established infrastructure fund.
  - **Innovation Programme** - Three projects to support the growth of small and medium enterprises and to enhance the life science sector. The UK Government will contribute £19 million. Councils will also provide £5 million in total.
  - **Labour Market Programme** - Three schemes to boost employment and earnings, with the UK Government investing £5 million and councils a further £20 million.

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<sup>16</sup> The Scottish Government's equivalents of Growth Deals in England are Regional Partnership Plans for non-city regions. [Programme for Government 2015-16](#), Scottish Government, September 2015.

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20. The Glasgow City Region City Deal's planned infrastructure investment programme is heavily focused on transport, such as improving access to Glasgow Airport and increasing road infrastructure. Transport Scotland is closely involved in the preparation of the proposed projects as they progress through the approval and delivery stages. The remaining projects include a MediCity and a youth employment programme. As at March 2016, the innovation and labour market programmes were ongoing, and business cases were prepared for all but one of the infrastructure projects.
21. In January 2015, the eight council leaders of the Glasgow City Region established a Joint Committee, known as the Glasgow and Clyde Valley Cabinet, to act as the main decision-making body in relation to the City Deal. The leader of Glasgow City Council chairs the Cabinet and the other seven council leaders are its members. The Cabinet has agreed with both governments an assurance framework governing the City Deal which sets out:
- governance structures within the Cabinet
  - business cases approval process
  - measurement of outputs, and management and
  - reporting arrangements for the agreed projects.

Overall the governance arrangements for the Glasgow City region City Deal appear complex, with a number of sub-groups and a Programme Management Office in existence.

22. The City Deal is expected to generate significant social and economic benefits to the area such as an enhanced transport network, housing, training, job and business opportunities for local businesses and people. In total, participating partners expect the City Deal to support an increase of 29,000 jobs within the region, and generate a further £3.3 billion of private sector investment.

## Aberdeen City Region Deal

23. The Scottish and UK Governments have committed £250 million (£125 million each) to Aberdeen City Region Deal over a period of ten years. The two councils and other public and private sector stakeholders have yet to agree their funding contributions.
24. To date, the councils have agreed high-level working arrangements with both governments but the actual projects to be included in the Deal are still subject to business case approval. Planned projects include:
- construction of a new oil and gas technology centre
  - development of biopharmaceutical and food and drink innovation hubs
  - infrastructure to support the expansion of Aberdeen Harbour
  - improvements to the region's digital connectivity and appraisal of transport priorities.
25. The councils told us that some of these projects have previously been planned, but the City Deal will enable them to expand them and bring them forward. The City Deal is expected to directly support the region's long term economic plan. It is expected to help retain and grow

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existing businesses, encourage new inward investment and consolidate the city region's status as a global energy hub.

26. The Aberdeen City Region Deal has a Joint Committee comprising of six councillors from Aberdeen City and Aberdeenshire Councils (three from each) and three members of ONE. A City Deal Programme Board is also in place, comprising representatives of the councils' officers, ONE, Scottish Enterprise and other stakeholders. The councils are currently working with the Scottish Government to agree whether its additional funding of £254 million could be brought into the existing City Deal governance arrangements. The councils intend to monitor the outcomes of the deal through their programme management evaluation framework.
27. In addition to the £250 million City Deal, the Scottish Government has also committed to invest a further £254 million in the region, mainly for additional transport projects but also for housing and additional investment in digital infrastructure. £200 million of this is expected to be used for upgrading the rail link at Montrose.

## Inverness and Highland City Region Deal

28. The Inverness and Highland City Region Deal was agreed in March 2016. The Scottish Government will provide funding of £135 million and the UK Government a further £50 million over a period of ten years. The Highland Council has also committed £127 million from its existing capital budget to the City Deal over the same period, bringing the total investment into the regional economy to £315 million.
29. A number of partners have been involved in the City Deal preparation. These include Highlands and Islands Enterprise, Transport Scotland (planning to construct the East Link road) and the University of Highlands and Islands.
30. As with the Aberdeen deal, the council has agreed high-level working arrangements with both governments but the actual projects are yet to be approved. The planned projects focus on creating a skilled, growing and sustainable economy and are grouped into six themes: digital connectivity, innovation, skills, air transport, infrastructure and tourism. Some projects, such as digital connectivity and transport infrastructure, predate the City Deal as they were previously part of the Community Planning Partnership's local economic development strategy. Others are new, including the development of a virtual science skills academy and Northern innovation hub.
31. The Highland Council intends to report the City Deal programme through the Community Planning Partnership but the arrangements have still to be finalised. The council intends to simultaneously report City Deal progress through its Planning, Development and Infrastructure Committee, and the City of Inverness Area Committee. Individual projects will continue to be managed within the existing project teams.
32. The impact of the City Deal on Inverness and the wider region is expected to be significant. The council anticipates it will make a step change contribution to the long term productivity and economic growth of the region. The council anticipates that the government funding

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received will realise £1 billion of investment by the council, its partners and the private sector over ten years. The City Deal is also expected to create 1,125 direct jobs and a further 2,200 jobs in the construction sector.

## City Deal propositions in development

### Edinburgh and South East Scotland City Deal bid

33. On 17 March 2016, the Chancellor pledged the UK Government's commitment to developing a City Deal for the Edinburgh and South East Scotland city region. The participating councils expect the deal to be negotiated later in 2016.
34. The City Deal bid includes 20 projects with a current indicative value of around £2 billion. Investment proposals include development of strategic innovation centres, affordable housing and creation of low carbon communities along with regional skills and digital programmes. The participating councils are currently seeking support from the Scottish and UK Governments to establish a regional infrastructure fund to kick start investment. The projects will not be prioritised until the political priorities of the six councils are aligned and the affordability of these projects reviewed. However, the councils and their partners have already committed to some projects. For example, project plans are already in place for the Edinburgh tram extension to Leith. In addition, the Edinburgh BioQuarter, an academic medical centre, is currently in construction.<sup>17</sup>

### Tay Cities Deal bid

35. The Tay Cities Deal bid is in the very early stages of development and significant stakeholder engagement over a proposed bid has still to take place. In early 2015, Dundee City Council invited Angus, Fife and Perth and Kinross Councils to participate in the development of a proposal. Consultancy work, undertaken by the SCA in early 2015, indicated that the potential for a City Deal between the four councils would be a fund of around £400 million.<sup>18</sup>
36. Fife Council is part of two City Deal bids – Edinburgh and South East Scotland and the potential Tay Cities bid. The council has so far included all the projects it would like to take forward in the Edinburgh and South East Scotland bid. It is currently considering its status within the Tay Cities Deal bid, and plans to present elected members with further options once this proposal is more advanced. The council emphasised that a City Deal would bring benefits through better collaboration with other partners and the opportunities to scale up local activities across both bid areas. It also stressed that it will be important to ensure that outcomes of the two City Deals are coherently applied across the Fife Council's region.

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<sup>17</sup> [Edinburgh BioQuarter](#) is a £600 million joint venture between Scottish Enterprise, the University of Edinburgh and NHS Lothian. Once fully developed, the BioQuarter is expected to offer up to 1.4m square feet of specialist accommodation for academic, commercial and healthcare activity.

<sup>18</sup> As reported to Angus Council's Policy and Resources Committee on 17 March 2015.

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## Stirling Council's City Development Framework

37. Stirling Council has been preparing a proposition for its ten-year City Development Framework (CDF) investment programme since the end of 2014. In December 2015, the council outlined the strategic business case for the programme that is expected to deliver economic growth. It is currently preparing a statement of intent based on seven major projects and other initiatives such as housing, transport and focus on skills. The council is currently exploring funding opportunities for this programme with the Scottish and UK Governments and is seeking to bid for City Deal funding.

# Key Issues

38. City Deals in Scotland are clearly still at very early stages. Based on our review and discussions so far, we have outlined some issues that could potentially be included in the proposed performance audit of City Deals in 2017/18.

## Governance arrangements

39. The NAO report on wave one City Deals found that City Deals in England have been an important catalyst for city regions implementing new governance arrangements. To date, Glasgow and Aberdeen City Regions have implemented new governance arrangements in a form of a Joint Committee. Governance arrangements for the Inverness and Highland City Region and other City Deal bids in Scotland are still to be determined.
40. The 2017/18 audit of City Deals could explore the effectiveness of governance arrangements set up for City Deals in Scotland. In particular, it could:
- Provide an overview of structures and processes for respective City Deals and compare these to English and Welsh City Deals.
  - Explore the reasons for different City Regions establishing different governance arrangements.
  - Review to what extent councils have involved elected members in the preparation of their City Deal bids.
  - Consider whether the existing governance arrangements support the effective and efficient delivery of the City Deal programmes.

## Capacity to deliver the City Deal programmes

41. Given the scale of recent budget and staff reductions in councils, one of the key issues for audit consideration is councils' capacity to deliver their City Deal programmes. Most councils we spoke to indicated confidence in their capacity and available skills to manage their City Deals under the current arrangements. For example, Glasgow City Council told us that relevant skills and capacity were in place before the agreement of the City Deal. It also

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considered it had been able to apply lessons learned from the Commonwealth Games to the new City Deal projects.

42. The Highland Council indicated that the City Deal agreement will not require much additional resource as it will rely on partners as well as consultancy support. Aberdeen City and Aberdeenshire Councils already have a shared Programme Management Office and consider they may need only one additional member of staff to oversee the programme management of the City Deal. They are also planning to draw on resources across the partner organisations. The City of Edinburgh and East Lothian Councils acknowledged the current lack of capacity, and they expect to recruit more staff once the City Deal is agreed.
43. In March 2015, the Accounts Commission reported that almost all councils had reduced staff numbers to help make budget savings. This has affected all areas of councils' operations, including how they manage their capital investment programmes and projects.<sup>19</sup> The Accounts Commission further reported in March 2016 that councils should have comprehensive workforce strategies and plans, which must take into account the staff knowledge and skills needed to deliver services differently in future.<sup>20</sup>
44. The 2017/18 audit of City Deals could consider whether councils are well placed to deliver their City Deal programmes. In particular, it could:
  - Examine the existing capacity and skills in councils.
  - Consider whether councils have access to the necessary skills such as forecasting and modelling to maximise the impact of their decisions on local economic growth.
  - Review any existing plans for councils to develop their capacity and close any gaps between the skills they currently have and those they will need for delivering their City Deal programmes.

## Financial sustainability

45. The councils involved in the three signed City Deals told us that they will fund the projects primarily in a traditional way, based on prudential borrowing. Arrangements for the release of government funding and its administration are largely still unclear.
46. The Glasgow City region anticipates delivering the agreed infrastructure projects within the first ten years but government funding will be released over a longer period of 20 years. In particular, £150 million will be released evenly over the first five years, with the remaining £850 million dependent on the demonstration of robust governance, project delivery and value for money through five-yearly gateway reviews. The Glasgow City Council will distribute funding to member councils through individual grant agreements. This means that the councils expect to borrow to bridge any gap between the capital funding received and the required capital investment. They are expecting to repay their borrowing once the remaining government grants are released.

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<sup>19</sup> [An overview of local government in Scotland 2015](#), Accounts Commission, March 2015

<sup>20</sup> [An overview of local government in Scotland 2016](#), Accounts Commission, March 2016

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47. The timing and administration of funding has not yet been determined for the Aberdeen and Inverness and Highland City Region deals. Highland Council has committed £127 million to the City Deal over ten years. Aberdeen City and Aberdeenshire Councils have still to agree their financial contributions to their City Deal and how they will finance them.
  48. Many councils are predicting gaps between their income and spending in future years. This may threaten their financial sustainability if risks are not well managed. The 2017/18 audit of City Deals could consider how councils are managing these risks. For example, it could:
    - Review funding mechanisms for City Deal programmes and release of government grants.
    - Look at councils' funding commitments to their City Deals and how they are planning to finance these.
    - Consider the impact of any borrowing on future revenue commitments in councils.
    - Examine councils' plans to bridge any gaps between the capital funding received and the required capital investment.

## Performance monitoring of outcomes

49. The primary focus of the signed and proposed City Deals is economic growth, expected to be achieved through unlocking further investment into the regions and creating a number of new jobs. The majority of city regions such as Glasgow, Aberdeen, Stirling and Edinburgh commissioned consultants to assist them in developing an economic model for their region as part of their City Deal bid. Highland Council has not performed any economic modelling but has instead focused on the areas already identified as priorities for the council.
50. Glasgow City Region has established the independent Commission on Urban Economic Growth for monitoring and verifying the regional and national economic impact of the projects delivered under its City Deal. Professor Anton Muscatelli, Principal and Vice-Chancellor of the University of Glasgow, will chair the Commission. The Commission will make recommendations to the UK and Scottish Governments on the performance of the infrastructure fund against agreed metrics. It will use its initial assessment in 2015 to establish the baseline for economic growth in the absence of a city deal. A series of five-yearly gateway reviews will commence in 2019 and will be the formal process for agreeing the release of future grant.
51. The UK Government has also established the Independent Panel on the Evaluation of Local Growth Interventions to oversee the economic impact evaluation of City Deals. The Panel will concentrate on the evaluation of the nine infrastructure investment funds established through City Deals in Scotland and England, and Growth and Devolution Deals in England. Its findings will form the basis for determining how the UK Government will make further allocations of funding at five yearly Gateway Reviews. The Scottish Government will also consider the panel's findings as part of the five-yearly Gateway Reviews.
52. It is not clear yet how the two governments will monitor outcomes of the other two agreed City Deals. Highland Council told us that both governments had still to agree an evaluation

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framework. The 2015 NAO report emphasised that evaluating the effect of longer-term City Deal programmes on economic growth was challenging, especially because it was difficult to assess what would have happened without the deals.

53. It is likely to be too early for the 2017/18 audit of City Deals to consider whether councils and their partners are delivering their agreed City Deal outcomes. However, the audit could:
- Provide an overview of the agreed outcomes and any devolved responsibilities, and their expected impact.
  - Consider monitoring arrangements in place for evaluating the impact of the respective deals, including any existing baseline information to ensure meaningful evaluation is possible in future years.
  - Review any early impacts of the individual City Deal programmes.
  - Examine the potential financial consequences of not delivering agreed outcomes and what contingency arrangements councils have in place to mitigate these.

## Partnership working

54. The Scottish Government emphasised that local leadership and commitment across the regions is important to deliver its aspirations for local economic growth through the City Deal programmes. From our initial discussions it would seem that there has been significant partnership working between the participating councils, as well as with other public bodies and private sector partners. For example, one of the Glasgow and Clyde Valley Cabinet's support groups is the Regeneration and Economy Consultative Group which consists of a number of public sector partners such as Scottish Enterprise, Skills Development Scotland, NHS and the further education sector. Another support group is the Economic Leadership Group with a membership reflecting industry from all eight council areas.
55. Highland Council told us that it involved a number of partners in the preparation of the Inverness and Highland City Region Deal bid. These included Highlands and Islands Enterprise, Chambers of Commerce and the Community Planning Partnership. Aberdeen City and Aberdeenshire Council told us that they have been working closely with a number of partners, with a particularly strong focus on the private sector through ONE.
56. A number of our previous reports have highlighted the need to improve partnership working.<sup>21</sup> The 2017/18 audit of City Deals could consider how councils are working with other public bodies and private sector partners to deliver agreed City Deal outcomes. It could:
- Review existing partnership arrangements and their effectiveness as far as possible.

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<sup>21</sup> Examples of reports for the Accounts Commission and Auditor General commenting on partnership working include:

1. [Health and social care integration](#), December 2015
2. [The role of community planning partnerships in economic development](#), November 2011
3. [Review of Community Health Partnerships](#), June 2011

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- Outline the extent of wider public sector and private sector involvement.
  - Outline any barriers to effective partnership working, and the risks arising from these, to delivering the respective City Deals programmes.

MEETING: 12 MAY 2016

REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

**INITIAL IMPACT OF THE 2016 LOCAL GOVERNMENT OVERVIEW REPORT AND PROPOSED APPROACH FOR 2017**

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**Purpose**

1. This report provides the Commission with a summary of the initial impact of the 2016 local government overview report. It also invites the Commission to consider the approach to the 2017 overview report, including the Commission's oversight of the process.

**Initial impact**

**Media**

2. The 2016 local government overview report was published on 17 March 2016. This was the day after the delayed announcement of the UK Government's budget. The report received limited press coverage compared to previous years. Overall our key messages were reflected accurately by the media but some coverage focused on the Scottish Government contesting the accuracy of our revenue funding reduction figures.
3. COSLA's finance spokesperson said that he "welcomed the recognition in today's report that councils have been effective in balancing their budgets to date, despite increasing financial pressures....and the report amply demonstrates the degree of innovative delivery approaches which councils are taking already. But as we have sought to point out to the Commission, it is all well and good saying that councils need to be more innovative. It is quite a different proposition when they are faced with increasing central direction over how they deliver services which focus on inputs, rather than outcomes for our communities."
4. The Scottish Government's response centred on future reductions in revenue funding. In its press release, the Scottish Government disputed the accuracy of our figures. In particular, it disagreed with our methods for calculating the five per cent reduction in funding for local government in 2016/17. In an interview on the BBC, the Minister for Local Government and Community Empowerment disagreed with our figures and methodology, suggesting that the true reduction was in fact less than one per cent (a figure calculated by including £250 million of NHS funding being reallocated to IJBs for health and social care integration). We received no press queries to follow up on this issue.

**Councils**

5. We received feedback from councils on the overview through a collective response from SOLACE. As such, it is not possible to identify exactly how many councils provided feedback. The majority of the feedback received indicates that the report is user-friendly, helpful and balanced with clear presentation of key information through exhibits. The inclusion of key questions for councillors throughout the report is generally seen as being very helpful in linking them more clearly to context.
6. The feedback from councils included some suggested areas for improvement, particularly relating to content and timing. Some councils use the overview to benchmark their position to the national picture. They would welcome extending the use of interactive

exhibits to enable them to drill down into the data and use it for analytical purposes, as well as providing the capability of using the data for their own internal reports. Some would like to see more suggestions for ways forward, rather than presenting what feels like a summary of known issues. Others acknowledge the necessary lag in getting the report published, but highlight the risk that councils look on the overview as being too out-of-date and not reflecting the actions they are currently taking.

7. Councils have expressed very positive views of the supplementary information published alongside the overview report. Some specific examples provided in councils' feedback highlight that the self-assessment checklist for councillors is used to supplement members' training and to identify any areas of improvement for councils more widely. Moving forward, there is a suggestion of evolving the checklists further into a tool that can assess and support members' and officers' development around some of the more innovative and complex solutions needed to address the challenges facing local government.

### ***Scottish Government***

8. At an advanced stage of finalising the report, we were strongly challenged by the Scottish Government on the methodology we used to calculate the five per cent real terms reduction in future funding for councils. Our approach, as in previous years, is based on using latest available data, comparing local government outturn data for 2015/16 against the budgeted figure for 2016/17. In contrast, the Scottish Government compares budgeted data for both years (which would give a real terms reduction of 4.6 per cent). As highlighted above, it was also of the opinion that £250 million of NHS funding made available to Integrated Joint Boards (IJBs) for health and social care integration should be reflected in the calculation, something we disagreed upon.
9. Prior to embarking on the 2017 overview, we plan to have a discussion with the Scottish Government on the lessons learned from this year's process and our engagement in developing next year's report.

### ***Scottish Parliament***

10. The Scottish Parliament's Local Government and Regeneration Committee will receive a briefing from the Commission. A date for the evidence session is yet to be confirmed but this is likely to happen early in session 5 of the new Scottish Parliament.

### ***Report downloads from the website***

11. In line with our publications policy, the report was made available on our website and distributed by email, with only a very small number of copies printed. Between 17 and 30 April, 911 copies of the report were downloaded. It was the seventh most downloaded report from Audit Scotland's website during March and April. Comparisons of the number downloads with other published reports and with previous years' overview reports is shown in Appendix 1.

### ***Future approach***

#### ***Aim of the annual overview report***

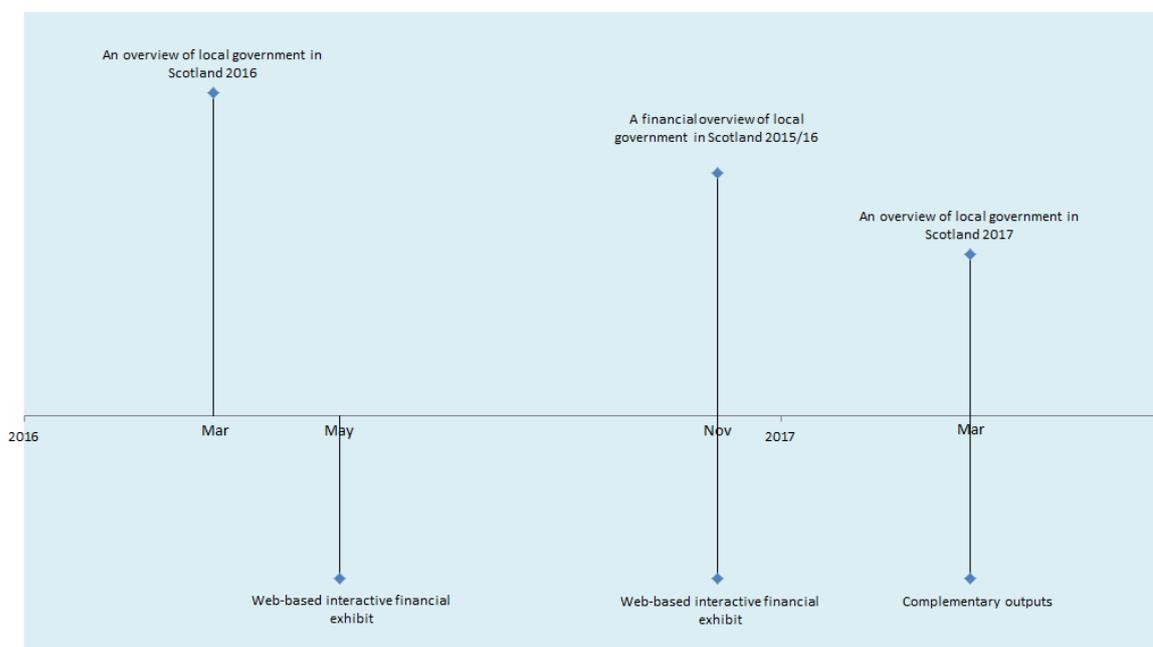
12. The local government overview report is an established part of the Commission's annual reporting programme. The overview report acts as a 'flagship' report for the Commission by setting out its view on issues affecting Scottish local government. Its aim is to provide a high-level and independent view on the governance, strategic management and financial performance of councils based on all audit work carried out over the year.
13. While the overall aim of the report has remained constant, the approach has shifted in recent years. In discussion with the Commission, the report has become more forward looking and more targeted towards councillors. Consequently, the report is written and

presented in a style designed to provide councillors with a high-level perspective of the context for council services and to highlight future priorities for them.

## Outputs

14. In developing the 2016 local government overview, we engaged early and regularly with a number of key stakeholders, including CoSLA, the Scottish Local Government Partnership (SLGP), SOLACE, CIPFA Directors of Finance the Improvement Service and the Scottish Government. Consultation with relevant stakeholders has confirmed that the more targeted, forwarding looking approach to the overview has been a positive step. However, some would welcome more information which would benefit them in carrying out their role. In particular, CIPFA Directors of Finance are keen to see more in-depth financial analysis across the sector from the data we collect through annual accounts. Meeting the varying demands of our target audiences would have resource implications for us and would prove difficult within a single overview report.
15. In discussing the draft 2016 report with the Commission, it is clear that members are concerned about the risk that key messages become repetitive, diminishing the report's impact. Whilst we have tried to vary the style and content of the report year on year, Commission members also expressed a desire for a shorter report that will be more readily used by councillors.
16. In developing the 2016 local government overview, we developed some new internal systems that will allow us to streamline our overview reporting processes going forward and to more efficiently analyse the vast amount of financial information we collect.
17. We are about to embark on planning for the 2017 local government overview. Prior to doing this, we have made some proposals for a change in approach, taking account of all of the above views and developments to our own systems in the past year. In essence, we propose moving from a single overview report that tries to meet the needs of all stakeholders to a series of outputs over the year, as outlined below. We believe that producing a range of outputs, that are both targeted at specific audiences and available at different times during the year, can substantially increase the impact of overview reporting in local government. Exhibit 1 shows the likely timescales for the publications associated with the local government overview.

## Exhibit 1



### **A financial overview of local government in Scotland 2015/16**

(November 2016)

We propose producing a financially focused and retrospective overview based on our review of the audited 2015/16 accounts and annual audit reports. This output could present key messages and exhibits accompanied by appropriate commentary. We see this as being an extensive publication, with significant financial analysis, including appropriate ratio analysis, along with relevant supporting data to enable and support financial benchmarking across local government. The primary focus of this report would be to highlight trends in service expenditure and the financial sustainability of Scotland's 32 councils. It could also include a checklist of issues for councillors to think about in the budget setting process.

Publication of this output in the autumn would allow councils to draw on a much wider range of financial analysis at an earlier stage to inform their budget setting processes.

### **Web-based interactive financial exhibit**

(November 2016)

As part of the work we carried out for the 2016 report, we have produced a web-based interactive financial exhibit that allows users to review and analyse selected information from councils' published accounts. Our aim in developing this tool is to promote the transparency and comparability of information about councils' spending. Publication of this tool has been delayed due to the Scottish parliamentary elections but is scheduled to go live on the Audit Scotland website on 17 May 2016, along with an accompanying blog to promote its availability. This year, we have focused on councils' gross and net spending on services, with the tool allowing for comparison over time, across councils and with the national picture. Our intention is to update this information in November following receipt of the audited 2015/16 accounts and to look at developing the range of available information further.

### **An overview of local government in Scotland 2017**

(March 2017)

This would continue to be the Commission's forward looking report that provides a strategic overview of the sector and identifies future challenges. Without the range of financial analysis in previous years' reports, we see this as being a much shorter report. It will continue to be based on evidence (drawing on our range of performance audits, Best Value audits and other statutory reports) but will also better meet the Commission's objective in its strategy to use the overview to cover issues it sees as being of greatest importance. We propose that the overview continues to be published in March, as this allows for consideration of the local government funding settlement (available end of 2016 or beginning of 2017) and the Local Government Benchmarking Framework (LGBF) report that the Improvement Service will publish in early 2017. The overview will also draw on the earlier financial overview, making appropriate links between councils' financial position and performance in the sector.

### **Complementary outputs**

(March 2017)

Alongside the 2016 local government overview, we published a range of complementary outputs including a self-assessment tool for councillors, an interactive graph relating to major capital projects in councils and a document on financial reporting and scrutiny, explaining why the accounts matter. Going forward, we will consider what complementary outputs may be suitable for publication alongside the 2017 overview and discuss these with the Commission.

18. In 2015, we provided the Commission with an analysis of councils' 2015/16 budget gaps. Commission members have asked for a similar report to be brought to a future FAA committee meeting. This will draw on councils' 2016/17 budgets to show the level of savings required by councils to achieve a balanced budget and how they plan to deliver these savings, for example, by using reserves, reducing workforce, implementing significant organisational change, etc. There is however difficulty in collating information across councils that allows for a reliable comparison of budgets. This means we do not propose publishing this information on councils' budgets. The Commission may however want to consider whether this information is something it would wish to see incorporated into the proposed suite of outputs for local government reporting each year. If the Commission wishes to see budget analysis reported each year, we will build this into audit planning guidance, with a view to reporting this information in April 2017.

### ***Accounts Commission oversight of the 2017 report***

19. Accounts Commission oversight of the 2016 local government overview included: the FAA Committee considering the scope and format of the report in September 2015; the FAA Committee considering the emerging key messages in November 2015; and the Commission then considering the draft report in February 2016. Two Commission members were appointed as sponsors, in addition to the delegated responsibility of the Chair and Deputy chair in agreeing the Chair's introduction and signing off any final amendments between the Commission meeting and publication.
20. We would welcome the Commission's views about the arrangements for the Commission's oversight of the overview report. We propose that:
- the FAA Committee considers the scope and format of the financial overview of local government in June 2016 and the draft output in October 2016 prior to publication;
  - the Commission considers the option of both the FAA Committee and PA Committee considering the scope and format of the 2017 overview report in September 2016 and the emerging messages in November 2016; and
  - the draft report be considered by the Accounts Commission in February 2017.
21. We also propose that the Chair and Deputy Chair of the Commission are the nominated sponsors for overview reporting, with the Audit Scotland team working closely with them throughout the process.

### **Longer-term approach**

22. The Commission has been developing a more integrated approach to its strategic planning. This is based upon its five-year strategy and an annual plan, shaped by conclusions from its annual strategy seminar. The strategy informs Audit Scotland's corporate plan along with annual planning guidance for external auditors, the Commission's work programme, and the strategic audit priorities within the new approach to auditing Best Value.
23. Given this more integrated approach, we propose that topics and issues the Commission wishes to highlight in future overview reports are identified earlier in the planning cycle, around the time when the Commission agrees its strategy. This will allow the necessary information required to be incorporated within the annual planning guidance for external auditors. We see the Commission's input prior to a scope being developed as enhancing its oversight arrangements for overview reporting. For the 2017 report, we aim to arrange an early meeting with the sponsors to start to identify such topics and issues.

## **Conclusion**

24. The Committee is invited to:

- note the initial impact of the 2016 overview report
- consider the proposed approach to the 2017 overview report and revised arrangements for the Accounts Commission's oversight of the report
- endorse the proposals for overview planning and reporting to be more integrated with wider Commission strategic planning processes.

**Fraser McKinlay**  
**Director of Performance Audit and Best Value**  
**2 May 2016**

## Appendix 1

### Report downloads from website

The 2016 local government overview was published on 17 March. It was the seventh most downloaded report from Audit Scotland's website during March and April 2016.

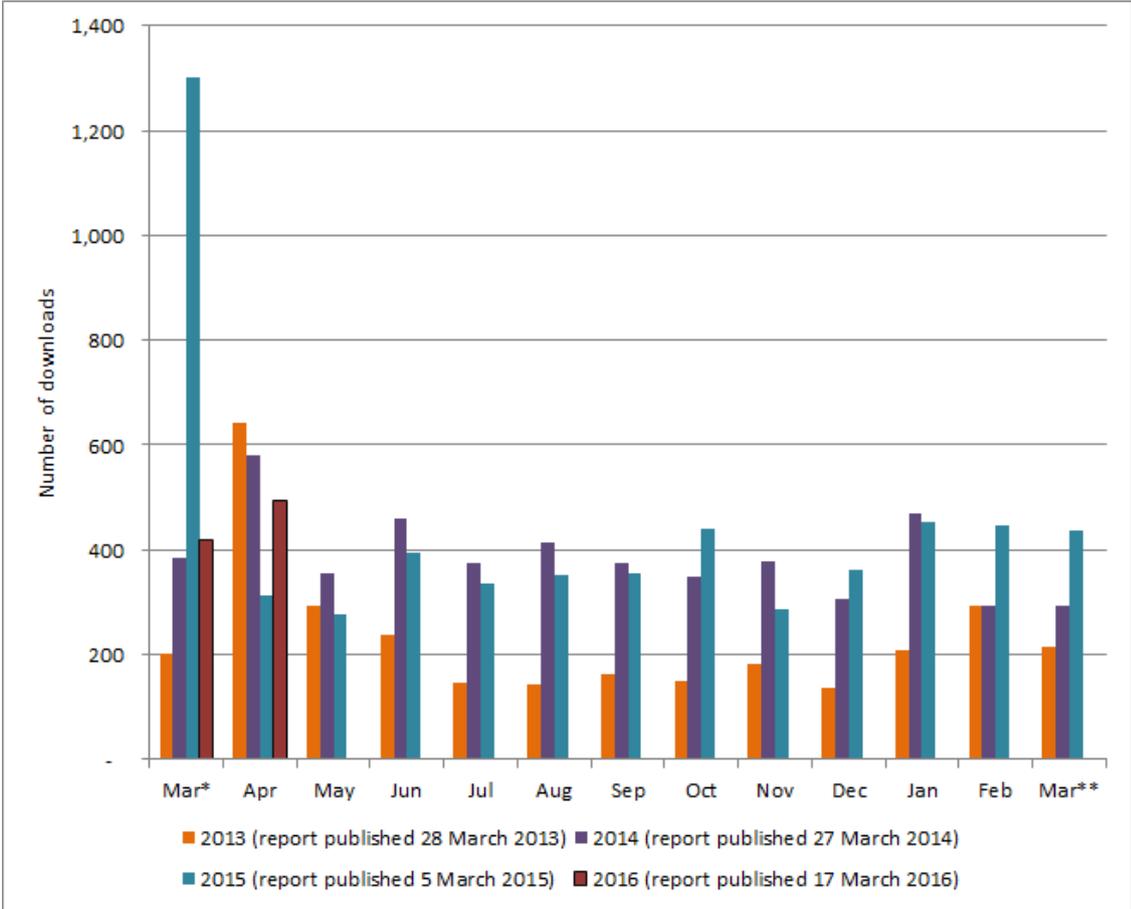
### Top 20 downloads during March and April 2016

Report	Publication date	Downloads
Changing models of health and social care	10-Mar-16	2947
Health inequalities	13-Dec-12	1545
Health and social care integration	03-Dec-15	1452
Community planning: an update	03-Mar-16	1254
School education	19-Jun-14	1009
Overview of Scotland's justice system	06-Sep-11	999
Drug and alcohol services in Scotland	26-Mar-09	991
<b>Overview of local government in Scotland 2016</b>	<b>17-Mar-16</b>	<b>911</b>
Overview of local government in Scotland 2015	05-Mar-15	803
Scotland colleges	02-Apr-15	785
Accident and Emergency: performance update	08-May-14	757
Reshaping care for older people	06-Feb-14	729
Using process mapping to improve performance	01-Feb-01	684
Changing models of health and social care supplement	10-Mar-16	684
NHS in Scotland 2015	22-Oct-15	680
Reducing reoffending in Scotland	07-Nov-12	661
Changing models of health and social care podcast	10-Mar-16	652
Implementing the Scotland Act	10-Dec-15	610
Hospital cleaning	30-Jan-03	608
Changing models of health and social care (rtf format)	10-Mar-16	395

For comparative purposes, around 1,683 copies of the 2015 local government overview were downloaded during March and April 2015. Over the same period in preceding years, 965 copies of the 2014 report were downloaded and 843 copies of the 2013 report were downloaded as shown in the chart below.

Looking across full years, downloads have continued to rise annually. Just over 3000 copies of the 2013 report were downloaded. This increased notably to over 5000 copies of the 2014 report, with a further rise to 5750 copies of the 2015 report being downloaded last year.

**Number of website downloads of the Local Government Overview report**



\* month of publication  
 \*\* 12 months after publication