

## **The Accounts Commission for Scotland's annual statement on sustainable economic growth for 2013/14**

1. The Public Services Reform (Scotland) Act 2010, section 32(1)(a) requires listed public bodies to publish a statement on sustainable economic growth as soon as possible after the end of the financial year.
2. The following statement sets out the steps that the Accounts Commission has taken in 2013/14 to promote and increase sustainable growth through the exercise of its functions.
3. The Accounts Commission, established in 1975, is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
  - assessing the performance of councils in relation to Best Value and community planning
  - carrying out national performance audits to help councils improve their services
  - requiring councils to publish information to help the public assess their performance.
4. The Accounts Commission contributes to sustainable economic growth in Scotland by holding local authorities to account and helping them to improve. This is achieved by undertaking performance, Best Value, Community Planning Partnerships (CPP) and financial audits to provide assurance that money and resources are being used properly, efficiently and effectively and to highlight areas for improvement.
  5. Scotland's councils and other local authorities, including police, and fire and rescue authorities spend £18.7 billion this year. We conducted 77 financial audits, completed and reported on eight Best Value, three CPP and six performance audits. Six other performance audits were joint reports with the Auditor General.
  6. Our annual financial audit reports cover the full range of audit work done in the year, providing the audited bodies and stakeholders with a comprehensive and independent view of financial management, governance and performance in public bodies. Auditors review the financial position and sustainability of public bodies and promote good financial management and planning.
  7. We carry out performance audits to help public bodies improve the quality of their services, do more with their money, and find lower-cost ways of working to the same or better standards. Our audit reports carry recommendations for public bodies to help them improve, and we publish good practice checklists and case studies. These also identify potential savings.
  8. This year we reviewed our approach to auditing Community Planning Partnerships (CPPs) and agreed to undertake another five such audits, to be reported in 2014/15. Our audits provide an independent assessment of how well CPPs are planning and delivering outcomes for local communities. Each audit results in an improvement plan which we will

follow up to check that adequate progress is being made locally in securing improvement.

9. Examples of how, through the exercise of our audit function, we help sustainable economic growth include:

- Our report *National Scrutiny Plan for Local Government* shows the strategic scrutiny work for the financial year 2013/14. This plan is our fourth and is based on risk assessments of each council and agreed local and national priorities. This has led to much better co-ordination between scrutiny bodies, including Education Scotland, Care Inspectorate, Scottish Housing Regulator, Her Majesty's Inspectorate of Constabulary for Scotland, Fire and Rescue Service Chief Inspector and Health Care Improvement Scotland. It has also helped the Commission target its Best Value work and reduce the overall burden of scrutiny on councils.
- Our report *Maintaining Scotland's Roads* found that major changes called for by the Commission in a 2011 report to improve the management of roads maintenance have yet to result in significant improvement in road condition, says the Accounts Commission. The update, based on reports from local auditors, says that the percentage of local roads in acceptable condition has marginally increased over the last two years, despite a 21 per cent reduction in spending between 2009/10 and 2010/11. However, the proportion of roads in acceptable condition is still lower than it was in 2005.

The report finds that all councils now have a roads asset management plan in place and there is some evidence of them taking action to improve value for money by, for example, joint tendering with other councils, reorganising roads departments, and changing shift patterns. But more work is needed to improve the quality and monitoring of roads asset management plans and the consistency of costs data used for benchmarking.

- Our report *Managing early departures from the Scottish public sector*, published jointly with the Auditor General for Scotland, is designed to help public bodies improve their management and reporting of early release schemes. The report says such schemes can provide significant savings, and public bodies generally follow good practice. But there are striking differences between the schemes and a marked inconsistency in how public bodies report the costs and expected savings. The report gives pointers on good practice, including:
  - demonstrating that schemes are value for money
  - making sure schemes are clear, well-designed and meet business needs
  - reporting openly on the costs and savings and ensuring good scrutiny over schemes and particularly of exit packages for senior executives.

Almost 14,000 employees took such packages between 2010 and 2012 – around one in 40 of all public sector staff. While the cost of these amounts to more than £550 million, organisations generally expect to make savings from their action over a number of years.

- Our report *Housing in Scotland*, published jointly with the Auditor General, says there are significant challenges ahead in providing housing in Scotland. The report states that the Scottish Government's vision to provide an affordable home for all by 2020 is an ambitious one. The supply of housing is not keeping up with levels of need and the government needs to clarify how it will work with councils and other partners in the sector make sure its targets are met. The population is growing and the report estimates it could be twenty years before enough new homes are being built to meet

the projected increase in households. The number of new homes built by the private sector in Scotland has more than halved in recent years. Councils and Registered Social Landlords have an important role to provide homes at low rents, but since 2005, they have built 14,000 fewer homes than Scottish Government research suggested were needed. Changes to the benefit system, an ageing population and the increasing number of single person households are creating further pressures.

The Scottish Government and councils recognise that good housing can make a positive contribution to improving local communities and the broader economy; but the recession means less public and private funding is available.

The report notes that Scottish Government funding for housing fell by around a quarter between 2008/09 and 2011/12 with further reductions to come.

- Our report *Scotland's public sector workforce*, published jointly with the Auditor General, finds that current approaches to managing staff numbers and costs in the public sector are unlikely to achieve the savings needed in the future. The report says that in the four years to March 2013 the number of whole time equivalent posts in councils, the NHS, the Scottish Government and other central government bodies reduced by 26,600. Almost 16,000 left through early departures and just under 10,000 were transferred to arms length organisations (ALEOs) or other non-public sector bodies.

The report notes that it is difficult to get reliable information on staff costs but it estimates these reduced by £1 billion, or eight per cent, between 2009/10 and 2011/12. In 2011/12 staff costs were around £12.7 billion. Public bodies pay ALEOs to deliver services so some other staff costs are still being met indirectly through public funds.

Public bodies have used a range of measures including pay restraint, redeploying staff and changing working patterns to manage staff numbers and costs. But continuing financial pressures mean current approaches are unlikely to deliver the savings needed in the future. 50 public bodies are planning to use early departure schemes over the next two years but the report found that repeated schemes are attracting fewer applicants each time. The report says bodies will need to consider other ways of delivering services such as redesigning services and more joint and collaborative working in addition to their current approaches to workforce planning.

- Our report *Reshaping care for older people*, published jointly with the Auditor General, looks at Scotland's programme to improve care for older people which has brought together the different bodies involved in services costing £4.5 billion a year. The report finds that these organisations now need to better target resources at preventing or delaying illness and at helping people to keep living at home.

The report reviews progress three years into the Scottish Government's ten-year project to improve health and social services for people aged 65 or over. The Government is supporting it with a four-year, £300 million Change Fund. The report says:

- Improving care for older people and joining up services has been a policy focus for several years but progress has been slow, and monitoring of its implementation and impact needs to improve
- The Scottish Government needs to work with its partners to clearly plan how resources will move from institutions such as hospitals into the community. They also need to better understand why activity and spending on services for older people varies across Scotland

- The Change Fund has brought bodies from the different sectors together to develop and agree joint local plans to improve care, and a number of local initiatives are underway
- The information needed to make decisions and assess their impact on older people is not nationally available. Bodies need to improve and maintain data on costs, activity and outcomes for health and care services.
- Our *Overview of local government in Scotland 2014* report says that councils need to look at other options to reduce costs in the longer term, with savings having been made in recent years largely by reductions in staff. While the financial position across councils remains relatively stable for 2013/14 and the following year, councils have identified medium-term funding gaps and need to make substantial savings, at least over the next four years. As choices on how to address funding gaps become increasingly difficult, councils need to focus on making the very best of the resources they have available.

The report says that in 2013/14 Scotland's 32 councils spent nearly £21 billion, employed 204,500 staff and used buildings and other assets with a value of around £38 billion. Although total reserves held by councils rose again, most of this was already allocated for future spending. The level of money set aside as a contingency fell for the first time in recent years as councils used reserves to reduce funding gaps

10. All of our audit reports can be found on our website at [www.audit.scotland.gov.uk](http://www.audit.scotland.gov.uk).

11. The Accounts Commission also contributes to sustainable economic growth by engaging firms of accountants to undertake audits and in sustaining the market for the supply of these services.

**Accounts Commission**  
**June 2014**