

430th meeting of the Accounts Commission for Scotland

**Thursday 8 September 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 13 to 16 in private (* see note).
4. **Minutes of meeting of 11 August 2016.**
5. **Minutes of meeting of Financial Audit and Assurance Committee of 25 August 2016**
6. **Minutes of meeting of Audit Scotland Board of 2 June 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. **2015/16 Monitoring Report on Equalities:** The Commission will consider a report by the Secretary to the Commission.
10. **Health and social care animation project:** The Commission will consider a report by the Communications Manager
11. **Audit of Best Value: Angus Council:** The Commission will consider a report by the Controller of Audit.

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

12. **Audit of Best Value: Angus Council:** The Commission will consider the action that it wishes to take.
13. **Strategic Scrutiny Group: update:** The Commission will consider a report by the Director of Performance Audit and Best Value.
14. **Follow-up work on *How councils work: roles and working relationships: are you getting it right?*:** The Commission will consider a report by the Director of Performance Audit and Best Value.
15. **Commission business matters:** The Commission will discuss matters of interest.

* It is proposed that items 12 to 15 be considered in private because:

- Item 12 requires the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the council in question of its decision, which the Commission does before making the decision public.
- Item 13 presents an update on discussions with strategic scrutiny partners which may include confidential policy matters that the Commission would wish to discuss in private before proceeding.
- Item 14 proposes a draft audit report, which the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.
- Item 15 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:

Agenda Item	Paper number
Agenda Item 4: Minutes of meeting of the Commission of 11 August 2016	AC.2016.8.1
Agenda Item 5: Minutes of Financial Audit and Assurance Committee 25 August 2016	AC.2016.8.2
Agenda Item 6: Minutes of meeting of Audit Scotland Board of 2 June 2016	AC.2016.8.3
Agenda Item 7: Report by Secretary to the Commission	AC.2016.8.4
Agenda Item 9: Report by Secretary to the Commission	AC.2016.8.5
Agenda Item 10: Report by the Communications Manager	AC.2016.8.6
Agenda Item 11: Report by Controller of Audit	AC.2016.8.7
Agenda Item 13: Report by the Director of Performance Audit and Best Value Audit	AC.2016.8.8
Agenda Item 14: Report by the Director of Performance Audit and Best Value	AC.2016.8.9

MEETING: 8 SEPTEMBER 2016

MINUTES OF PREVIOUS MEETING

Minutes of the 429th meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday, 11 August 2016, at 10.15am

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

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
Russell Frith, Assistant Auditor General [Item 8]
Owen Smith, Senior Manager, Audit Strategy [Item 8]
Ronnie Nicol, Assistant Director, PABV [Items 10 and 11]
Gordon Neill, Senior Manager, PABV [Items 10 and 11]
Gillian Battison, Audit Manager, PABV [Items 10 and 11]
Anne MacDonald, Senior Audit Manager, ASG [Items 10 and 11]
Antony Clark, Assistant Director, PABV [Item 12]
Tricia Meldrum, Senior Manager, PABV [Item 12]
John Lincoln, Audit Manager, PABV [Item 12]

Item No Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 9 June 2016
5. Minutes of meeting of Audit Scotland Board of 3 May
6. Update report by the Secretary to the Accounts Commission
7. Update report by the Controller of Audit
8. Annual Audit Transparency and Quality Report
9. Commission meeting arrangements 2017
10. Audit of Best Value: Angus Council
11. Audit of Best Value: Angus Council
12. Performance Audit: Draft report: Social Work
13. Commission business matters

1. Apologies for absence

It was noted that apologies for absence had been received from Sophie Flemig.

2. Declarations of interest

The following declarations of interest were made:

- Sheila Gunn, in item 12, as a non-executive Director of the Wheatley Group, concerning its relationship with Glasgow City Council.

3. Decisions on taking business in private

It was agreed that items 11 to 13 should be taken in private for the following reasons:

- Item 11 requires the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the council in question of its decision, which the Commission does before making the decision public.
- Item 12 proposes a draft audit report, which the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.

4. Minutes of meeting of 9 June 2016

The minutes of the meeting of 9 June 2016 were approved, subject to noting advice from the Secretary that:

- In relation to items 8 and 12, the Chair had written to council leaders, copied to chairs of audit and scrutiny committees and chief executives, promoting the Housing benefit audit annual report and the audit report *Housing benefit good practice guide: initiatives which deliver continuous improvement*, a copy of which had been shared with members
- In relation to item 9, the Chair had written to all council leaders, copied to chief executives, confirming that the Commission had approved the framework for the new approach to auditing Best Value, setting out the next steps in the process, and seeking councils' views on the desirability of further engagement with the Commission to this end.

5. Minutes of meeting of Audit Scotland Board 3 May 2016

The minutes of the meeting of the Audit Scotland Board of 3 May 2016 were submitted and noted.

Action: Secretary

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 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.

The Commission noted the update.

8. Annual Audit Transparency and Quality Report

The Commission considered a report by the Assistant Auditor General presenting Audit Scotland's Transparency and Quality Report 2015/16.

Following discussion, the Commission:

- Agreed a number of drafting points to be considered by the Assistant Auditor General in the drafting of next year's report.

Action: Assistant Auditor General

- Noted Audit Scotland's proposed review of audit quality arrangements and its impact on future such reports.
- Noted the report and the positive assurance that it provides.

9. Commission meeting arrangements 2017

The Commission considered a report by the Secretary to the Commission proposing meeting arrangements for the Commission for 2017.

Following discussion, the Commission:

- Agreed the proposed schedule for meetings of the Commission and its committees in 2017, and in particular:
 - To retain the January meeting as an optional date;
 - To retain the two optional committee dates; and
 - That the August meeting of the Commission start at 10.30am rather than 10.15am.
- Agreed to retain a speaker session during committee days and in this regard agreed that, in relation to paragraph 13 of the report, that a council monitoring officer be included in the schedule of speakers; and
- Agreed that the annual strategy seminar take place in the middle two weeks of March 2017 and a mid-year strategy event in September 2017.

Actions: Secretary

10. Audit of Best Value: Angus Council

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

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

11. Audit of Best Value: Angus Council [*in private*]

The Commission discussed how to proceed in relation to the statutory report by the Controller of Audit on the audit of Angus Council.

Following discussion, the Commission agreed:

- To note that the Controller of Audit would provide further information in support of his report at the next meeting.

- Having considered the options open to it when receiving a report from the Controller of Audit, to take none of these options but to consider further the Controller of Audit's report at its next meeting.

Actions: Controller of Audit and Secretary

12. Performance Audit: Draft report: Social Work [*in private*]

The Commission considered a report by the Director of PABV seeking approval of the draft performance audit report *Social Work*, and of proposed arrangements for publication and promotion of the report.

Following discussion, the Commission agreed:

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

Actions: Director of PABV

13. Commission business matters

There being no further business, the meeting was closed.

MEETING: 8 SEPTEMBER 2016

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF
25 AUGUST 2016**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held in the offices of Audit Scotland, 102 West Port, Edinburgh on Thursday, 25 August 2016, at 10am.

PRESENT: Graham Sharp (Chair)
Tim McKay
Douglas Sinclair
Pauline Weetman
Geraldine Wooley
Ronnie Hinds

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
Angela Canning, Assistant Director, PABV [Items 4 and 5]
Angela Cullen, Assistant Director, PABV [Item 6]
Emily Gleeson, Audit Manager, PABV [Item 6]
Mark McCabe, Senior Manager, PABV [Items 4, 5 and 6]
Martin McLauchlan, Senior Auditor, PABV [Items 4 and 5]

1. Apologies for absence
2. Declarations of interest
3. Draft minutes of meeting of 28 April 2016
4. Summary of councils' budgets and funding gaps, 2016/17 to 2018/19
5. Local government overview – financial overview: scope
6. Performance audit: scope – Equal pay
7. Any other business

1. Apologies

It was noted that apologies for absence had been received from Sheila Gunn.

2. Declarations of interest

The following declarations of interest were made:

- Ronnie Hinds, in item 6, as a former Chief Executive of Fife Council. He was not present during consideration of the said item.
- Tim McKay, in item 6, as a former elected member of City of Edinburgh Council. He played no part in the consideration of the said item.
- Douglas Sinclair, in item 6, as a former Chief Executive of CoSLA and a former Chief Executive of Fife Council. He was not present during consideration of the said item.

3. Minutes of meeting of 28 April 2016

The minutes of the meeting of 28 April 2016 were noted and approved.

Arising therefrom, the Committee noted advice from the Director of PABV that:

- In relation to item 4, second bullet point (proposed joint venture model between Glasgow City Council, Wheatley Group and City Building), he would provide an update in this regard to the Committee at its next meeting, in his regular report on current issues arising in the annual audit process.
- In relation to item 4, third bullet point (information on integration joint boards), this information was being gathered for reporting through the annual audit process and the Local Government Overview, on which he would report further in due course.
- In relation to item 4, final bullet point (City of Edinburgh schools), he is retaining a watching interest in the issue, and would update the Commission as appropriate.

4. Summary of councils' budgets and funding gaps, 2016/17 to 2018/19

The Committee considered a report by the Director of PABV providing details of councils' agreed budgets for 2016/17, their budgeted use of reserves and any forecasted funding gaps for 2017/18 and 2018/19.

During discussion, the Committee agreed:

- To note the contents of the report and the projected funding gaps identified for individual councils and at a national level.
- To note advice from the Director that he would continue discussions with CIPFA Directors of Finance Section on definitions used in analyses of funding gaps.
- To note advice from the Director about the requirements on auditors, as set out in the new Code of Audit Practice, to report on the quality of savings plans and prospects for achievability of those plans.

- A number of points for reflection in the Local Government Overview reports, to be considered by the report team in conjunction with the Overview sponsors, Douglas Sinclair and Ronnie Hinds.

Action: Controller of Audit

5. Local Government overview – financial overview: scope

The Committee considered a report by the Director of PABV proposing a scope for the financial overview of local government in Scotland 2015/16.

Following discussion, the Committee:

- Approved the scope of the 2015/16 financial overview report, subject to a number of points to be considered by the report team in conjunction with the report sponsors, Douglas Sinclair and Ronnie Hinds.
- Agreed a number of points to be considered, by the report team in conjunction with the report sponsors, for the other 2015/16 overview report to be published subsequent to, and as complement to, the financial overview report.
- Agreed the desirability of ensuring good linkages and continuation of the messages in the financial overview and the complementary overview report.
- Agreed the importance of making use of data from the Local Government Benchmarking Project in overview reports.
- Agreed the importance of both overview reports considering the scale of savings plans and developing how the overviews assess the quality and ambition of savings plans.
- Agreed the desirability of future reports providing a better understanding of financial savings achieved over a longer time period, such as three years.

Actions: Director of PABV

- Agreed to recommend to the Commission that indebtedness be considered further in the context of the work programme.

Action: Secretary and Director of PABV

- Noted that the audit team will present emerging messages and discuss potential opportunities for improving the impact of the report in September.

6. Performance audit: scope – Equal Pay

The Committee considered a report by the Director of PABV seeking approval on the approach to the performance audit *Equal Pay*.

Following discussion, the Committee approved the approach proposed in the Director's report, subject to the audit team addressing issues raised in discussion, in conjunction with the audit sponsors, Sheila Gunn and Pauline Weetman.

Action: Director of PABV

7. Any other business

There being no further business, the meeting was closed.

Minutes of Meeting of **Audit Scotland** held on 2
June 2016 in the offices of Audit Scotland at 102
West Port, Edinburgh

PRESENT: I Leitch (Chair)
C Gardner
H Logan
D Sinclair
R Griggs

APOLOGIES: None

IN ATTENDANCE: D McGiffen, Chief Operating Officer
R Frith, Assistant Auditor General
M Walker, Assistant Director, Corporate Performance and Risk
M Roberts, Senior Manager, Performance Audit and Best Value

<u>Item No</u>	<u>Subject</u>
1.	Apologies
2.	Declarations of Interest
3.	Chair's Report
4.	Accountable Officer's Report
5.	Accounts Commission Chair's Report
6.	Minutes of the meeting dated 3 May 2016
7.	Minutes of the Remuneration and Human Resources Committee meeting dated 24 March 2016
8.	Review of the Actions Tracker
9.	Q4 Financial Performance Report
10.	Q4 Corporate Performance Report
11.	Q4 Becoming World Class Improvement Programme
12.	2015/16 Carbon Scrutiny Board Annual Report
13.	2015/16 Monitoring Report on Equalities
14.	2015/16 Governance Statement on Internal Control and Certificate of Assurance
15.	2015/16 Annual Report from the Chair of the Audit Committee to the Board
16.	Draft Annual Report and Accounts
17.	Becoming World Class: (a) Securing World Class Audit: Review of Funding and Fees (b) Securing World Class Audit: Final Audit Appointments 2016-21 (c) Making a Difference: New Approach to Auditing Best Value (d) Building a Better Organisation: Inverness Office Relocation
18.	Accounts Commission Strategy 2016-21 and Engagement Strategy 2016/17
19.	Climate Change Plan 2015/16 to 2019/20
20.	Publication Schedule and Forward Programme
21.	Publication of Board Papers
22.	AOB
23.	Date of next meeting

1. Apologies

There were no apologies.

2. Declarations of Interest

Ian Leitch declared his membership of the Scottish Legal Complaints Commission. Heather Logan declared her membership of the Audit and Advisory Committee of the Scottish Public Services Ombudsman (SPSO).

3. Chair's Report

Ian Leitch advised that, since the previous meeting of the Board, he had held regular meetings with Caroline Gardner, Auditor General for Scotland and Diane McGiffen, Chief Operating Officer, and that he had met prior to this morning's meeting with Russell Frith, Assistant Auditor General to discuss papers scheduled for discussion at item 17.

The Chair advised that planning was underway for the Board development event.

4. Accountable Officer's Report

Caroline Gardner provided an update on her activity since the previous board meeting, including ongoing development of ways to support the new Parliament.

Caroline reported on the publication of the Common Agricultural Policy Futures programme: an update and advised on communication with new cabinet secretaries following the appointment of the new Scottish Cabinet.

She also advised that once the new parliamentary committee structure and membership is announced she will make contact with new Convenors. She reported on the work of Antony Clark, Assistant Director, Performance Audit and Best Value to lead our engagement with the new parliament and to strengthen relationships with the Parliamentary committee clerks.

Caroline advised that there was a further embargo on publications in advance of the EU referendum on 23 June 2016.

5. Accounts Commission Chair's Report

Douglas Sinclair provided an update on the work of the Accounts Commission since the previous meeting of the Board. He advised that there had been recent consideration of Engagement strategy and annual report, which had been recently published and that he and the Secretary had recently met with the Scottish Local Government Partnership. He advised that he was looking forward to an early meeting with the new Ministerial team for local government.

6. Minutes of the meeting dated 3 May 2016

The Board considered the note of the meeting of the Board on 3 May 2016, which had been previously circulated, and confirmed the note was an accurate record of the meeting.

7. Minutes of the Remuneration and Human Resources Committee meeting dated 24 March 2016

The Board considered the note of the meeting of the Remuneration and Human Resources on 24 March 2016 and adopted the minute as an accurate record of the meeting.

8. Review of the Actions Tracker

The members noted the update provided by the Action Tracker, which had been previously circulated.

9. Q4 Financial Performance Report

The Board noted the Q4 Financial Performance Report which had been previously circulated and discussed at the earlier meeting of the Audit Committee.

10. Q4 Corporate Performance Report

Martin Walker, Assistant Director, Corporate Performance Risk, introduced the Q4 Corporate Performance report, a copy of which had been previously circulated.

The Board discussed various elements of performance, including the relationship between the transparency and quality report considered in the Audit Committee and indicator 3.1 on systematically improving the quality and impact of work and how rescheduling of other work had enabled the delivery of more reports than planned under objective 2.1.

Following further discussion, members noted the Q4 Corporate Performance report.

11. Q4 Becoming World Class Improvement Programme

Martin Walker, Assistant Director, Corporate Performance Risk, introduced the Q4 Becoming World Class Improvement Programme report, which had been previously circulated.

Martin invited members to note progress made against a number of significant milestones in Q4. The Board discussed the variety of ways in which world class auditing can be assessed and evidenced.

The Board noted the report and thanked Martin for the update.

12. 2015/16 Carbon Scrutiny Board Annual Report

Mark Roberts, Senior Manager, Performance Audit and Best Value, joined the meeting.

Mark Roberts, Senior Manager, Performance Audit and Best Value, introduced the 2015/16 Carbon Scrutiny Board Annual Report, a copy of which had been previously circulated.

The Board noted the annual report and the progress made.

Mark Roberts, Senior Manager, Performance Audit and Best Value, left the meeting.

13. 2015/16 Monitoring Report on Equalities

The Board noted the results of the 2015/16 Monitoring Report on Equalities which had been previously circulated.

14. 2015/16 Governance Statement on Internal Control and Certificate of Assurance

Diane McGiffen introduced the 2015/16 Governance Statement on Internal Control and Certificate of Assurance which had been previously circulated and advised the Board that the assurance process had been thoroughly followed by business groups and that there were no significant issues to bring to the attention of the Accountable Officer or the Board.

Following discussion, the Board noted the Governance Statement and Certificate of Assurance.

15. 2015/16 Annual Report from the Chair of the Audit Committee to the Board

Heather Logan, Chair of the Audit Committee, introduced the 2015/16 Annual Report from the Chair of the Audit Committee to the Board, which had been previously circulated and which had been approved at the earlier meeting of the Audit Committee.

The Board noted the report and thanked Heather and the Audit Committee members for their work during the year.

16. Draft Annual Report and Accounts 2015/16

The Board approved the draft annual report and accounts which had been previously circulated and discussed at the earlier meeting of the Audit Committee and recommended that the Auditor General for Scotland, as Accountable Officer for Audit Scotland, sign them on 7 June 2016.

Action:

- **The Auditor General to sign the annual report and accounts 2015/16. (7 June 2016).**

17. Becoming World Class

(a) Securing World Class Audit: Review of Funding and Fees

Russell Frith, Assistant Auditor General, introduced the report on Review of Funding and Fees, a copy of which had been previously circulated.

Russell advised the Board that a lot of work had been completed since the previous Board meeting. The report included several scenarios for a potential future financial strategy and their broad implications for cost levels.

The Board discussed financial pressures on public expenditure across the public sector and the increasing expectations of Audit Scotland from the Scottish Parliament's new financial powers, ongoing public sector reform, the new code of audit practice and the new approach to auditing best value.

Caroline advised that the scenarios presented in the analysis were based on the same volume of work, and did not factor in new work, although known changes had been incorporated.

Heather Logan commented that in order for Audit Scotland to guarantee quality audit services to the Auditor General for Scotland and the Accounts Commission, there had to be an appropriate level of investment in the in-house team capacity. That, alongside the fact that Audit Services Group cannot sell audit services to other organisations, means that a comparison with firms' costs cannot be on a like for like basis. She advised that in that scenario it was important for Audit Scotland to demonstrate the added value delivered by the in-house team, and it was important for the Board to manage effectively any risks to the delivery of audit across the public sector on behalf of the Auditor General and the Accounts Commission.

Russell advised that further work was ongoing to capture a comprehensive picture of the additional value added by having a strong in-house team.

Diane McGiffen, Chief Operating Officer, advised that Management Team had discussed the financial strategy on several occasions and that directors were working with their teams to establish the scope and phasing of further cost reductions. She also advised that modelling both the strategic and operational impact of different scenarios was important given that a number of changes were also being made to accounting and reporting costs by sector. She therefore requested that the Board allow further detailed work to be undertaken over the summer before considering more detailed options in August and September.

Douglas Sinclair advised that he was cautious about the impact of some of the scenarios under discussion without further information on how they would be delivered and sought to be satisfied that the Accounts Commission's work programme, alongside that of the Auditor General would continue to be delivered to a high standard.

Following further discussion, the Board agreed to continue discussion of the financial strategy in August and September to inform the Budget Proposal 2017/18 to allow the executive team to undertake further work.

Action(s):

- **Russell Frith to present further updates and recommendations on the longer-term financial strategy and potential impacts on Audit Scotland and on fees to the Board meetings in August and September 2016.**

The Board then discussed the draft consultation paper on fees and funding which had been previously circulated. Ian Leitch and Heather Logan advised they felt the draft was too detailed and internally focussed on what mattered to Audit Scotland and needed to be much shorter and more clearly focused on what matters most to stakeholders. Ian Leitch requested that the revised paper also include detail on the current feeing arrangements in order that consultees could see the improvements being proposed. The Board agreed and Caroline thanked the Board for bringing a fresh perspective to the matter, and acknowledged that Audit Scotland may have been too focussed on the detail and that paragraphs 7 – 23 could easily be deleted. Following further discussion it was agreed that Russell Frith would redraft the consultation paper to be shorter, more clearly focussed on stakeholders' interests and to set the consultation in the context of all the work on world class audit that has been done and to trail what is coming.

Action(s):

- **Russell Frith to circulate a revised consultation paper to the Board by correspondence as soon as possible for comment.**

(b) Securing World Class Audit: Final Audit Appointments 2016-2021

Russell Frith, Assistant Auditor General, introduced the report on Final Audit Appointments 2016-2021, which had been previously circulated.

The Board noted the confirmed appointments for the Auditor General for Scotland and the Accounts Commission.

(c) Making a Difference: New Approach to Auditing Best Value

The Board noted the report on the New Approach to Auditing Best Value which had been previously circulated. Heather Logan commented on the benefit of highlighting strong practice to make it easy for local authorities to learn from each other. Douglas Sinclair advised that the Accounts Commission were clear on the benefits of the new approach including sharing good practice.

(d) Building a Better Organisation: Inverness Office Relocation

The Board noted and welcomed the update on the Inverness Office relocation and discussed the benefits of the option being progressed.

The Board expressed their thanks for the detailed report by the Corporate Finance Manager.

18. Accounts Commission Strategy 2016-2021 and Engagement Strategy 2016/17

The Board noted the Accounts Commission Strategy 2016-21 and Engagement Strategy 2016/17 which had been previously circulated and published. The Board thanked Douglas for the opportunity to hear more about the Accounts Commission's work.

19. Climate Change Plan 2015/16 to 2019/20

The Board approved the draft Climate Change Plan 2015/16 to 2019/20 which had been previously circulated and thanked the Carbon Scrutiny Group for their work to develop the plan.

20. Publication Schedule and Forward Programme

The Board noted the publication schedule and five year rolling programme of work which had been previously circulated and welcomed the proposed annual reporting of the forward programme which it was proposed would form part of future reporting to the Board on an annual basis.

21. Publication of Board Papers

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the report on Publication of Board Papers, which had been previously circulated.

The Board approved all reports for publication with the following exceptions:

- Item 7 - Minutes of Remuneration Committee (statutory/security/legal - personal information).
- Item 12 – 2015/16 Carbon Scrutiny Board Annual Report (information intended for future publication).
- Item 13 - 2015/16 Monitoring Report on Equalities (information intended for future publication).
- Item 16 – Draft Annual Report and Accounts (information intended for future publication).
- Item 17 (a) Fees and Funding (effective conduct of business - free and frank provision of advice/exchange of views for the purposes of deliberation/conduct of public affairs).
- Item 17 (c) – New approach for auditing Best Value (information intended for future publication).
- Item 17 (d) Inverness Office relocation (commercial sensitivity).

Actions:

- **The Assistant Director, Corporate Performance and Risk to arrange to publish the reports on the Audit Scotland website alongside the approved minute.
(June 2016)**

22. AOB

There was no further business.

23. Date of Next Meeting

It was noted that the next Audit Scotland Board meeting had been scheduled for **18 August 2016** in the offices of Audit Scotland, 102 West Port, Edinburgh.

Russell Griggs submitted his apologies for the 15 September 2016 Board meeting.

MEETING: 8 SEPTEMBER 2016
REPORT BY: SECRETARY TO THE COMMISSION
UPDATE REPORT
Purpose

1. The purpose of this report is to provide a regular update to the Commission on significant recent activity relating to local government, as well as issues of relevance or interest across the wider public sector.
2. The regular Controller of Audit report to the Commission which updates the Commission on his activity complements this report. The Commission's Financial Audit and Assurance Committee also receives a more detailed update on issues relating to local government. This report also complements the weekly briefing provided by Audit Scotland's Communication Team made available on the extranet site, which provides more detailed news coverage in certain areas.
3. The information featured is also available on the Accounts Commission member portal. Hyperlinks are provided in the electronic version of this report for ease of reference.

Commission business
Publications

4. The download statistics (with the increase from last month in brackets) for the reports published by the Commission over the last 12 months are shown below:

Report	Date	Report downloads	Report podcasts
Maintaining Scotland's roads: a follow-up report	4 Aug 2016	854	199
South Ayrshire Council: Audit of Best Value and Community Planning	29 Jun 2016	387 (+120)	0
Accounts Commission annual report 2015/16	26 May 2016	306 (+57)	-
Accounts Commission Engagement strategy and engagement plan 2016/17	26 May 2016	170 (+42)	-
Accounts Commission Strategy and annual action plan 2016-21	26 May 2016	144 (+36)	-
Accounts Commission engagement plan 2015/16: Progress report	26 May 2016	114 (+29)	-
Accounts Commission Action plan 2015/16: Progress report	26 May 2016	101 (0)	-
Code of audit practice 2016	26 May 2016	233 (+110)	-
Reshaping Care for Older People – Impact Report	10 May 2016	426 (+59)	-
National Scrutiny Plan	31 Mar 2016	344 (+61)	-
Local Government Overview 2016	17 Mar 2016	1700 (+283)	253 (0)

Report	Date	Report downloads	Report podcasts
Changing Models of Health and Social Care	10 Mar 2016	4797 (+220)	872 (0)
Community Planning update	3 Mar 2016	2293 (+158)	88 (0)
City of Edinburgh Council Best Value	25 Feb 2016	694 (+95)	165 (0)
Procurement in Councils – impact report	8 Feb 2016	939 (+68)	0
Major Capital Investment in Councils - Follow Up	14 Jan 2016	1593 (+117)	167 (0)
Argyll and Bute Best Value Audit	17 Dec 2015	990 (+58)	0
Health and Social Care Integration	3 Dec 2015	7373 (+475)	453 (0)
The Moray Council: Audit of Best Value and Community Planning Follow Up	29 Oct 2015	1159 (+39)	182 (0)
Falkirk Council: Audit of Best Value and Community Planning	27 Aug 2015	1416 (+40)	243 (0)

Other business

- On 14 September, the Accounts Commission will hold its mid-year strategy seminar. I have liaised separately with Commission members on the event.

Auditor General for Scotland

- On 25 August, the Auditor General for Scotland published [Scotland's Colleges 2016](#). The report examined how substantial reforms, including mergers, regionalisation and Scottish Government policy ambitions, are affecting colleges' finances, governance, staff and students. It reports that the Scottish Government and the Scottish Funding Council (SFC) have still not set out how they will measure and report the benefits of the reforms introduced in the last four years. The sector's overall financial health is relatively stable, but its financial performance has deteriorated and four colleges face challenges. Colleges do not prepare long-term plans to help address future financial pressures, such as national bargaining, estate maintenance and student support. Caroline Gardner, Auditor General for Scotland said:

"Scotland's colleges are operating in a very different environment which has presented several challenges. While the sector has exceeded its learning targets and maintained relatively sound finances, managing the ongoing impact of reform alongside further change and financial pressures will be a complex and demanding task for colleges...The Scottish Government, the SFC and colleges need to work together to improve their understanding of the demand for college courses across the country and create long-term plans for how they will commit finances and staff to meet future need."

- The report received widespread media coverage and has been downloaded 212 times.
- On 18 August, the Auditor General for Scotland published a progress update on [Superfast Broadband for Scotland](#). The report highlighted that the Scottish Government and Highlands and Islands Enterprise are making good progress in widening access to high-speed broadband, but extending coverage to rural areas remains a challenge. The Scottish Government is expected to meet its 95 per cent coverage target by December 2017. However, the remainder of the roll-out will be more challenging: while 26 of Scotland's 32 council areas have met contractual targets for fibre broadband coverage, the areas that remain are rural or remote, and are likely to need more complicated and costly engineering solutions. The report received good media coverage by the [BBC](#), the

[Herald](#), [Holyrood](#) and has been welcomed by the Cabinet Secretary for Rural Economy & Connectivity. The report was downloaded 820 times and the podcast 92 times.

Audit Scotland

9. Audit Scotland has been piloting a new approach to public engagement with [Young Scot](#), the national youth information and citizenship charity that works with people aged 11-25. The aim of the CheckSee project was to help identify the main issues that are important to young people, particularly relating to education, skills and employability. For the young people involved, it provided an opportunity to help shape our work in these areas, as well as helping them to develop their confidence in communicating their experiences, views and ideas. A group of 15 people aged 15-20 met with colleagues at four engagement sessions over a six week period. The final workshop was held at 102 West Port where young people were able to learn more about audit. Overall the project has been a success and its findings will help to feed into the Commission and Auditor General's work programme development and work around employability and school education.

Issues affecting local government

Scottish Government

10. On 29 August, the Scottish Government has published the results of the [Scottish Social Attitudes Survey 2015: Attitudes to Social Networks, Civic Participation and Co-production](#). The majority of people in Scotland support the idea of co-production in both the design and delivery of local public services. At least 8 in 10 felt that people either "definitely should" or "probably should" be involved in making decisions about how local services are run, making decisions about how money is spent on local services and should be able to volunteer alongside paid staff to provide local services. The most support was shown for people being involved in making decisions about how local services are run, with just over a half feeling that people "definitely should" be involved (53 per cent). Around a third felt that people "definitely should" be involved in making decisions about how money is spent on local services (34 per cent), and "definitely should" be able to volunteer alongside paid staff to provide local services (35 per cent). The results of the survey were announced by Cabinet Secretary for Communities, Social Security and Equalities, [Angela Constance](#), who welcomed the enthusiasm expressed in the survey for local involvement in a variety of services and pledged to put people "at the heart of service design and delivery".
11. New [research](#) published by the Scottish Government states that leaving the European Union is "projected to cost the Scottish economy up to £11.2 billion per year and Scottish public finances up to £3.7 billion per year." The paper is the first in a series of Scottish Government publications looking at the potential impact on Scotland of the UK leaving the European Union. The paper predicts that by 2030, Scottish GDP could be between £1.7 billion-£11.2 billion per year lower. It indicates that pursuing an option short of EU membership risks Scottish exports, foreign investment, and future economic growth and prosperity. Findings also suggest that revenue is projected to be between £1.7 billion and £3.7 billion lower.
12. Nicola Sturgeon has announced a £100m [economic stimulus plan](#) in the wake of the UK's decision to leave the European Union. The Scottish Government aims to boost Scotland's economy by providing support to job creating projects and plans to help businesses deal with uncertainty. Work is currently ongoing to select projects that will guarantee financial return within the year. A new service dedicated to supporting organisations affected by the EU referendum will be established alongside a new business network to work alongside the Scotland Office, trade unions and business bodies.

13. The Scottish Government has published [Government Expenditure & Revenue Scotland \(GERS\) figures for 2015-16](#). Key statistics show that in financial year 2015-16, annual onshore Gross Domestic Product (GDP) in Scotland is estimated to have been £147 billion in total, or £27,400 per person. And, including a geographical share of UK extra-regio (offshore and overseas) economic activity, total Scottish GDP in 2015-16 is estimated at £157 billion in total, or £29,200 per person. In addition to this, Scotland's deficit currently stands at £14.8bn – 9.5% of GDP. The UK's deficit was comparably lower at 4% of GDP.
14. Deputy First Minister John Swinney has [confirmed](#) that the Scottish Government will not commence the named person provisions of the Children and Young People (Scotland) Act 2014, following the UK Supreme Court's decision last month. The orders to revoke parts four and five of the act have been laid before Parliament. However, the Scottish Government says it remains "committed to implementing the named person service" for those who want to use it and plans to engage with partners across the public sector, the third sector, Parliament and the public to progress the policy. John Swinney plans to deliver a statement to Parliament in the first work back after recess to outline moves towards implementation.
15. 50 affordable homes will be built in the Fort William area as a result of the [Scottish Government](#) investing over £2.5 million in charitable bonds. Housing Minister Kevin Stewart said:

"Good quality, affordable housing is essential to help attract and retain people in Scotland's remote and rural communities...we have committed to deliver 50,000 more affordable homes over the next five years, backed up with investment of more than £3 billion. Innovative financing schemes such as charitable bonds play a major role in helping us deliver this major expansion in housing supply...Through these bonds we are also maintaining Scotland's leadership in financial innovation, working with partners to deliver more for less public investment."
16. Michael Russell (Argyll & Bute) (SNP) has been [appointed](#) as the new Minister for UK Negotiations on Scotland's Place in Europe, subject to Parliamentary approval. On taking up the post, he will be expected to relinquish his role as Convener of the Parliament's Finance Committee.

Scottish Parliament

17. The Scottish Parliament Information Centre (SPICe) has [published a briefing on local government in Scotland](#). It provides general high-level information on population; decision making, partnerships & community planning, as well as funding and council tax reform.

Current activity and news in Scottish local government:

COSLA

18. On 8 August, CoSLA [raised concerns](#) about the Scottish Government's plans to fund a national scheme to improve educational attainment through council tax, reportedly through increases in the council tax for band E to H payers. CoSLA president David O'Neill said that such a move would "destroy" the link between local taxation and local services because it would mean money being raised in one community will be spent in another:

"All our evidence would suggest that generally people are happy to pay a little bit extra at the moment if what they are paying for benefits services in their local area... We have our own ideas of how to address the impact of poverty and its link to outcomes for children and young people. Local government has offered ideas

on how jointly we can improve attainment and close the gap and we would urge the government to work with us.”

19. Teaching unions and Education conveners have also [expressed concerns](#) about the Scottish Government's education reforms and plans to give £100m raised through council tax directly to head teachers. However, Education Secretary John Swinney says that he has no intention of taking control of education away from councils, instead choosing to focus on closing the attainment gap with the £100m raised by reforming the council tax system in Scotland.

Individual councils

20. Edinburgh Council's Strategic Development Plan is set to include [detailed plans](#) for tram expansions to Newhaven and Granton, west to Newbridge from Ingliston and south to Little France, Newcraighall and Queen Margaret University. It states an extension of the existing line to Newhaven and Granton is “needed to support [the] significant scale of development at Leith and [the] waterfront”. The Strategic Development Plan will be formally published in September 2016.
21. On 9 August the BBC reported that Grampian and Highlands are continuing to [experience problems](#) in recruiting teachers to local schools: there were 260 teaching vacancies at the start of the new term. Aberdeen has 93.5 full-time equivalent posts vacant, there are 87 jobs unfilled in Aberdeenshire, 38 in Moray, 31 in Highland, six in Shetland and five in the Western Isles. Aberdeen City Council education convener, Angela Taylor, said: “We are making inroads. We've still got a long way to go. The overall situation currently looks more optimistic.” And a spokeswoman for Highland Council said no schools are at “risk of closure or not delivering a full curriculum as a result of the shortages.”
22. On 22 August, Glasgow, Aberdeen, Renfrewshire and South Lanarkshire Council, who are the four councils who comprise the Scottish Local Government Partnership, [threatened](#) to take legal action against the Scottish Government who says it will only negotiate with CoSLA on the local government financial settlement. Subsequently, on 30 August, it was [reported](#) that Cabinet Secretary Angela Constance wrote to the councils advising that she would be “willing to meet” to discuss the Government's relationship with them.
23. On 22 August, [an investigation by the BBC](#) found that more than 200 schools built in Scotland under PFI are now at least partially owned by offshore investment funds. The BBC reports that in Edinburgh, PFI resulted in 17 new schools being built, which is costing the council £1.5m a month in fees. The report states there have been 13 trades involving equity in the Edinburgh schools scheme since 2001. BBC report that there are “93 PFI projects in Scotland - responsible for hundreds of schools, road, hospitals and energy projects - and worth more than £6bn.”
24. On 18 August, Edinburgh City Council leader Andrew Burns announced that he will [retire from politics](#) following next year's local elections.
25. On 18 August, North Lanarkshire Council announced [plans](#) to build 1,000 new council homes at a cost of £160m by 2026 to relieve pressure on a waiting list of over 12,000.
26. On 24 August, Highland Council said it [plans](#) to award WIPRO Holdings UK Ltd a contract to handle its information and communication technology, including the introduction of tablet computers to every school pupil. Bill Fernie, the resources committee chairman says this will enable the council to make a significant reduction in its savings of 11m in its ICT services.
27. Aberdeen City Council [appealed](#) to the Scottish Government on 23 August for help to fund its £35m roads maintenance bill.

28. Chief Executive of Inverclyde Council, John Mundell will [retire](#) later this month after 10 years in post.
29. A [Transport Summit](#) hosted by Deputy First Minister John Swinney and chaired by Transport Minister Humza Yousaf was held in Dumfries on 22 August. Council leaders and business representatives considered the state of the areas roads, as well as the challenges and opportunities that Dumfries and Galloway offers with the ferry crossing to Ireland. Mr Yousaf announced that there would be a review of the National Transport Strategy (NTS) which would set transport policy over the next 20 years. The review will reassess recommendations for strategic transport infrastructure priorities in the area and for the rest of Scotland. A draft report on the outcomes of the summit will be published within four weeks to encourage public engagement in the debate.
30. There have been a series of by-elections since I last reported on the subject:
 - On 25 August, Labour Party candidate Mary Lockhart was [elected](#) as a councillor for the Lochs ward of Fife Council. She replaced Communist councillor William Clarke who resigned due to health reasons. Clarke served as a councillor for the area since 1973.
 - On 11 August, Labour Party candidate Louise McPhater [gained a seat](#) for the Irvine West ward at North Ayrshire Council following the resignation of SNP Councillor Ruth Maguire who was elected as the new MSP for Cunninghame South. This means that on 30 August, Labour formed a new minority administration, replacing the previous minority SNP administration.
 - On 11 August, SNP candidate Jim Paterson [gained a seat](#) for the Renfrew South and Gallowhill ward of Renfrewshire Council following the death of Labour Councillor Eddie Grady.
 - On 2 June, Independent candidate Kieron Green [gained a seat](#) for the Oban North and Lorn Ward of Argyll and Bute Council.
 - On 5 May, SNP candidate Angus Millar was [elected](#) as a councillor for the Anderston/City ward of Glasgow City Council, following the resignation of Labour Councillor Gordon Matheson.

Scrutiny, inspection, regulatory and related bodies

Commissioner for Ethical Standards in Public Life in Scotland:

31. Since the previous meeting of the Commission, five decisions on complaints relating to councillors have been published by the [Commissioner](#). The Commissioner decided that in all five cases individuals did not contravene the Councillors' Code of Conduct. The complaints were against:
 - [Councillor Colin Brown](#), Angus Council
 - [Councillors Stephen Dornan, James Adams and John Kane](#), Glasgow City Council
 - [Councillor Ron McKail](#), Aberdeenshire Council
 - [Councillor Andrew Burns](#), Edinburgh City Council
 - [Councillor David Berry](#), East Lothian Council

Standards Commission for Scotland:

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

UK Parliament

33. On 22 August, Prime Minister Theresa May [announced plans](#) to spread devolution to more parts of England as part of the government's vision for a 'Northern Powerhouse':

"Yorkshire is a key part of our vision for a Northern Powerhouse – our plan to help the great cities and towns of the North pool their strengths and take on the world. Here is how we are going to make that plan happen... We've started with a major devolution deal for Sheffield City Region, and their new mayor will be elected next May, giving people there a powerful new voice. I want the government to work with people here to bring the benefits of devolution to other parts of Yorkshire too."

Communities and Local Government Committee

34. The Communities and Local Government Committee [reported](#) on 19 August that lessons must be learnt by Government and local authorities from the imposition of commissioners in Tower Hamlets and Rotherham to ensure that children are protected, whistleblowers are taken seriously and scrutiny arrangements are robust. With regard to scrutiny arrangements, the report stressed the need to ensure that proper checks and balances are in place to "drive a culture of transparency and continuous improvement." The report recommends that other councils learn from the problems identified in Tower Hamlets and for its progress on these issues.
35. On 11 July, the Communities and Local Government Committee launched an [inquiry](#) into public parks to measure the impact of reduced budgets on open spaces and examine new ways of supporting funding for parks for the future.
36. On 14 June, the Communities and Local Government Committee [called](#) on the government to address a range of issues before bringing in 100 per cent business rates retention for councils. The report highlights a "massive problem" with appeals which have been "repeatedly ignored" by Government. It also states that without Revenue Support Grant (RSG) it will "prove difficult to shift resources to authorities in direct response to need, while increasing incentives for growth." The report makes a number of recommendations, including that consideration to giving local authorities "power to increase their business rates multiplier and vary it according to business type."

Public Accounts Committee

37. The Public Accounts Committee has agreed the [topics for inquiries](#) in its September and October 2016 programme. Subjects include:
- Disposal of public land for new homes – progress review
 - UnitingCare Partnership contract
 - The financial sustainability of local government
 - HMRC performance and tax transparency
 - Emergency services communications
 - Child protection

Other UK scrutiny bodies

Wales Audit Office

38. '[The Financial Resilience of Local Authorities in Wales 2015-16](#)' was published by the Wales Audit Office on 18 August: the Auditor General has concluded that "local

authorities are improving their strategic planning arrangements but are having difficulty in developing and delivering the savings and changes to services at the pace required to ensure financial resilience.”

39. Public Service authorities have [responded positively](#) to the introduction of the New Wellbeing of Future Generations Act. The Act has prompted a new approach to audit in Wales and the Auditor General now plans to invite a small number of bodies to work with the Wales Audit Office to develop and test new audit approaches.

Other general

40. On 17 August, the County Councils Network [warned](#) that funding for public services would become “highly variable” under plans to make councils financially self sufficient by devolving business rates to local authorities over the next ten years.
41. The Office for National Statistics has published its monthly [UK public sector finances](#) for July 2016. Key findings show that the public sector spent less money than it received in taxes and other income, saving £1.0 billion. Of this £1.0 billion surplus, the public sector saved £3.8 billion related to the cost of its “day-to-day” activities of the public sector (the current budget deficit). Findings also show that annual borrowing has generally been falling since its peak in March 2010. In the financial year ending March 2016 (April 2015 to March 2016), the public sector borrowed £75.3 billion. This was £16.5 billion lower than in the previous financial year.

Conclusion

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

Paul Reilly
Secretary to the Accounts Commission
31 August 2016

MEETING: 8 SEPTEMBER 2016**REPORT BY: SECRETARY TO THE COMMISSION****EQUALITIES UPDATE 2015/16**

Purpose

1. This report presents for information Audit Scotland's Equalities Update 2015/16.

Background

2. The Equality Act 2010 sets out a general duty for public bodies in that they are required to have due regard to the need to:
 - eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
 - foster good relations between persons who share a relevant characteristic and persons who do not share it (the protected characteristics are: age; disability; gender reassignment; race; religion or belief; gender; sexual orientation; marriage and civil partnership; and pregnancy and maternity).
3. The Accounts Commission is a listed public body covered by the specific duties in the Act. As such, it is required to publish equality outcomes and a report on how it is mainstreaming equalities into its functions and practices. The Commission last published such a report in April 2015 and is required to do so again in April 2017. The Commission will consider this report in due course.
4. Under the legislation, equalities outcomes require to be agreed and published every four years. These were published in April 2013 and are not due to be revised until April 2017. This will also be considered further in due course.

Update report

5. Meantime, the Act requires Audit Scotland annually to demonstrate how it gathers and uses employee information. The attached report fulfils this requirement as well as providing a more general update of Audit Scotland's progress against its equality outcomes.
6. The attached report was published on 9 June 2016 and is presented to the Commission for its information.

Conclusion

7. The Commission is invited to note the attached Audit Scotland's Equality Update 2015/16.

Paul Reilly
Secretary to the Commission
31 August 2016

Equalities update

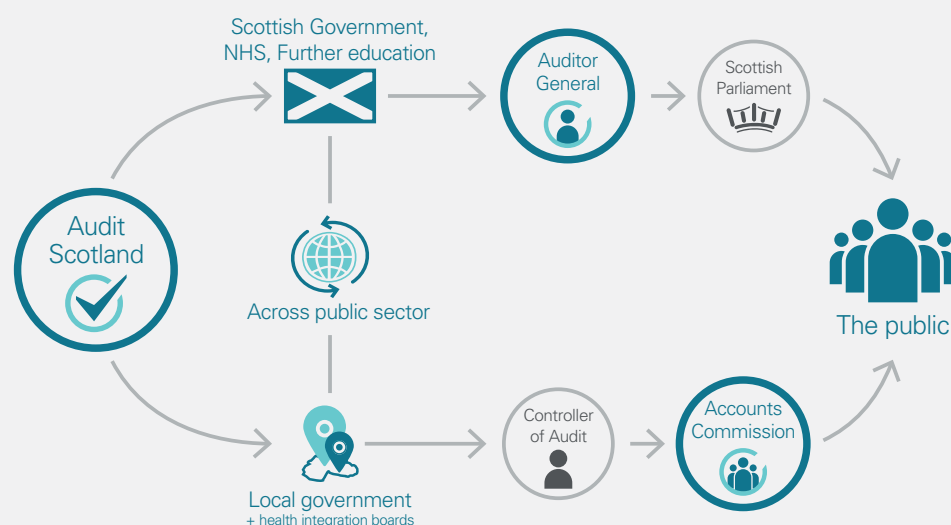
2015/16



Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The **Accounts Commission** is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:




- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Background

1. Audit Scotland carries out a range of work on behalf of the Auditor General and the Accounts Commission. We aim to embed equalities in all aspects of our audit work, and in how we treat our colleagues by considering our behaviours, actions and decision-making. Our work covers almost every public body in Scotland and many of these organisations provide services directly to members of the public. It is important that they ensure that their services meet the needs of the individuals who make up Scotland's diverse population.

2. In April 2013, we published our [Equality outcomes](#)  and, in April 2015, a progress report on [Equality Outcomes and mainstreaming](#) . Both are available on our website, along with a review on [Equal pay](#)  within our organisation.

3. This paper provides a summary of:

- progress with our equalities outcomes
- 2015/16 diversity and equality information about our staff.

4. Representatives from our Diversity and Equality Steering Group (DESG) presented the information in this update paper to our Board in June 2016. The DESG oversees the development and monitoring of our equality outcomes. Its role includes raising awareness of equality issues among staff, helping to make sure that we meet the requirements of the Equality Act 2010, and working with our business groups to help mainstream equalities in everything we do. All our business groups are represented on the DESG.

5. We will publish fuller reports on progress with our equalities outcomes and how we are mainstreaming equalities within Audit Scotland in April 2017, as required by the Equalities Act 2010. We are also due to publish our next report on equal pay at that time.¹

Progress with our equality outcomes

6. Under the Equality Act 2010, public authorities must have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act
- advance equality of opportunity between persons who share a relevant protected characteristic and those who do not
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

7. In Audit Scotland we have set ourselves three equality outcomes:

- We will recognise the diversity of the Scottish population and raise the profile of equalities by embedding this in all aspects of our audit work on how public money is used.
- We will have policies and practices that are fair, transparent, meet people's needs and support a culture of diversity.
- We will understand and support diversity within our workforce.

8. In accordance with the Act we must demonstrate annually how we gather and use employee information. While that is the focus of the rest of this report, it is also important to record that 2015/16 has been a significant year for Audit Scotland: we took the opportunity in relocating into one Edinburgh office to make it inclusive and accessible and energy efficient. We incorporated diversity and equality into the design through space layout, selection of fixtures and fittings and furniture, installation of hearing loops and adjustable ICT equipment, unisex showers and accessible washrooms, and provision of a quiet space to support an individual's religion, belief and culture.

9. In 2015, we obtained the Scottish Living Wage accreditation demonstrating our public commitment to the Living Wage and tackling in-work poverty in Scotland. We achieved re-accreditation of the Two Ticks disability symbol to recognise our commitment to encouraging job applications from disabled people and supporting our employees who have a disability.

10. In respect of mainstreaming equality in our work, initiatives over the last year include:

- Active consideration of equalities in developing our forward work programme of performance audits.

- Inclusion of equalities assessment in social work services by asking providers, users, carers, and social workers for their views in relation to equalities issues.
- Inclusion of a focus on equalities in The Moray Council Best Value progress report.

11. We recognise, however, that there is more we can do. A review was conducted by the DESG in February 2016 to assess progress against the April 2015 Equality outcomes and mainstreaming progress report. Through this review it was established that in respect of mainstreaming equality in our audit work, there is a need to ensure there is greater consistency in the consideration of equality and diversity before concluding the scope of audit work. In respect of meeting people's needs and supporting a culture of diversity, whilst this has in many instances become embedded in our considerations and actions, systematic completion and publication of Equality Impact Assessments had slipped.

12. All business groups are committed to raising the profile of diversity and equality both in terms of mainstreaming it in their work, and in recognising it in their policies and practice. Action plans have been developed by each of the four business groups, ie Audit Services, Performance Audit and Best Value, Corporate Services and Audit Strategy. The results of those endeavours will be reported in the next mainstreaming progress report, in April 2017.

Review of 2015/16 diversity and equality information about staff

13. We aim to understand and support diversity within our workforce. Looking at our staffing profile can help us to identify where our policies and practices may be falling short and at risk of acting in a discriminatory way. As a relatively small organisation of 287 staff (actual headcount as at March 2016), we aim to work hard at this and also recognise that our size limits some actions and some levels of data analysis.

14. Our HR team gathers and analyses information about our staff. Each year, the DESG discusses and reviews this information for any patterns and trends, and identifies areas for further investigation by the HR team. The appendix sets out the information for 2015/16. Where the population size is less than five then we have not disclosed this information due to confidentiality. However, our HR team retains the full information and will monitor any patterns or trends going forward.

15. The key points arising from the DESG's review of our 2015/16 staffing data are:

- The completion rate for information on protected characteristics has increased to 92.2% (2015: 91%; 2014: 88%). While completion is voluntary, Audit Scotland has actively encouraged people to provide this data.
- The upward trend in staff employed on a flexible working contract has continued and is now at 27.3% (2013: 16.3%); 10.6% of men and 36.6% of women.
- Two thirds of resignations in 2015/16 were from women ([Appendix 1 Section F](#)). However, as at 31 March 2016 50.5% of all staff are female and 49.5% male (2015: 49.6% and 50.4% respectively). So although more women are recorded as resigning in 2015/16, the overall gender profile has not varied significantly.
- There is a slight increase in the percentage of ethnic minority group employees to 4.9% (2015: 4%; Scotland: 4.1%).
- There has been a decrease in the percentage of 16-24 year olds, from 7.2% to 5.9% (Scotland: 13.9%) and an increase in the percentage of 50+ from 26.4% to 31.0% (Scotland: 24.2%).

The number of colleagues operating on flexible working patterns has increased. There is a need to check that flexible working continues to meet the needs of colleagues, teams and Audit Scotland as a whole, both informally and more formally through Best Companies.

With respect to the percentage of 16-24 year olds employed by Audit Scotland we recognise that this is considerably less than the Scotland-wide percentage. Audit Scotland is actively reviewing how it might widen access to address this imbalance.

While there continues to be no other areas of concern, Audit Scotland continues to be pro-active in recruitment and retention policy and practice to ensure that its workforce is reflective of the diversity of the population across Scotland.

Looking ahead

16. In respect of the development of a new approach to auditing Best Value, the Accounts Commission has agreed refreshed principles. This includes recognising that the core of Best Value remains relevant and important, though the statutory guidance would benefit from a refresh. This is particularly reflected in relation to equalities, as a core criteria of the original statutory duty. The guidance, as a product of the Scottish ministers is not in our gift to update, however, with the Commission, we have initiated conversations about the need to review and refresh the statutory guidance.

17. Audit Scotland has embarked on a major transformational programme that aims to change the way we work for the better. It has four distinct strands of activity: how we work together as one organisation, how we learn and develop, workforce wellbeing and how we resource the audit. We have adopted a very inclusive approach and invited all of our employees to be part of this journey. We encourage them to participate on an on-going basis as we identify and create a culture that supports staff who are engaged and fulfilled, and delivers world-class results for our clients, stakeholders and ultimately the people of Scotland.

18. As stated in paragraph 12, all four business groups will be pressing ahead to implement actions to improve how we mainstream equality outcomes in our work and how we improve systematic completion and publication of Equality Impact Assessments, thus acknowledging much of the good work which is already in place.

There are certain reports which we anticipate publishing in the near future ([Appendix 3](#)):

Gender pay gap information	November 2016
Mainstreaming progress	April 2017
Equality outcomes	April 2017
Progress against equality outcomes	April 2017
Gather and use employee information	April 2017
Include employee information in mainstreaming report	April 2017
Statement on equal pay policy and occupational segregation	April 2019

As can be seen, the April 2017 report will be a significant, comprehensive publication.

Conclusion

19. We continue to make steady progress with our equality outcomes and are confident that our actions will lead to making equalities business as usual in the work that we do and in how we engage with each other.

Appendix 1

Diversity and equality monitoring as at 31 March 2016

A. Audit Scotland's staff profile, March 2016

The average completion rate for information on protected characteristics for our employees is 92.2%. This is a slight increase from 91% in 2015 and from 88% in 2014. While completion of this information is voluntary, Audit Scotland has actively encouraged people to provide this data.

Exhibit 1

Audit Scotland's staff profile, March 2016

Equality strand	March 2016 (287 staff)	March 2015 (278 staff)	March 2014 (269 staff)	March 2013 (270 staff)	Scottish Population (Sept 2015)	Comments
Ethnicity	A slight increase in the percentage of ethnic minority group employees to 4.9% (no response rate is 5.2%)	An increase in ethnic minority group to 4% of all staff	Same as previous year – 3.3% of all staff	The percentage of ethnic minority group employees increased to 3.3% from 2.6% in 2012	Aged 16-64: White 95.9% and minority ethnic group 4.1% 2 , 3	Audit Scotland has a slightly higher representation of ethnic minority employees compared with the results of the annual Scottish population survey
Gender	49.5% of staff are male and 50.5% are female	50.4% of staff are male and 49.6% are female	49.4% of staff are male and 50.6% are female	50% of staff are male and 50% are female	Aged 16-64: 48.9% male and 51.1% female	Audit Scotland's overall gender profile continues to be very similar to that of the Scottish population figures

Cont.

Equality strand	March 2016 (287 staff)	March 2015 (278 staff)	March 2014 (269 staff)	March 2013 (270 staff)	Scottish Population (Sept 2015)	Comments
Age	16-24 (5.9%)	16-24 (7.2%)	16-24 (4.1%)	16-24 (4.8%)	16-24 (13.9%)	Compared with ONS data, we have less staff in the 16-24 category and more staff aged between 25-64
	25-34 (23.3%)	25-34 (22.3%)	25-34 (23.8%)	25-34 (21.5%)	25-34 (15.9%)	
	35-49 (39.7%)			35-49 (46.7%)	35-49 (23.9%)	
	50-64 (30.0%)	35-49 (45.7%)	35-49 (45.7%)		50-64 (24.3%)	
	65+ (1.0%)	50+ (26.4%)	50+ (26.4%)	50+ (27.9%)	65+ (22.1%)	
Disability	Disability has increased slightly to 3.5%	Disability remains the same at 3%	Disability remains the same at 3%	The percentage of staff declaring themselves as having a disability is 3%	17.7% of the population (aged 16-64) are disabled. 7.28% are disabled and in employment (latest 2014 figures)	The % of employees who have declared themselves as having a disability has increased slightly but remains lower when compared with ONS data
Flexible working	23.7% of staff are employed on a flexible working contract – 22% are male and 78% are female. The % of males working flexibly is 10.6% compared with 36.6% females working flexibly	19.1% of staff	17.5% of staff	16.3% of staff employed on flexible working contracts	% in employment working part-time (aged 16-64) is 25.9%. The % of males in employment working part-time is 11.5% compared with 40.9% females working part-time	The percentage of Audit Scotland staff employed on flexible working contracts continues to increase year on year and follows the same trend as ONS data

Cont.

Equality strand	March 2016 (287 staff)	March 2015 (278 staff)	March 2014 (269 staff)	March 2013 (270 staff)	Scottish Population (Sept 2015)	Comments
Sexual orientation	77.7% heterosexual / straight	74.5% heterosexual / straight	69.1% heterosexual / straight	67.8% heterosexual / straight	No ONS data available	Over time there has been a significant increase in the number of employees declaring their sexual orientation
	2.8% gay or bisexual	2.9% gay or bisexual	2.6% gay or bisexual	2.6% gay or bisexual		
	2.4% have preferred not to say	1.8% have preferred not to say	2.2% have preferred not to say	2.2% have preferred not to say		
	17.1% no response	20.9% no response	26% no response	27.4% no response		
Religion or belief	37.6% no religion or n/a	35.5% no religion or n/a	31.2% no religion or n/a	30.7% no religion or n/a	No ONS data available	Over time there has been a significant increase in the number of employees declaring their religion or belief
	19.2% Church of Scotland	18.7% Church of Scotland	17.5% Church of Scotland	16.7% Church of Scotland		
	10.1% Roman Catholic	8.6% Roman Catholic	7.8% Roman Catholic	8.9% Roman Catholic		
	5.2% prefer not to say	5.4% prefer not to say	5.2% prefer not to say	4.4% prefer not to say		
	3.1% other Christian	3.2% other Christian	3.3% other Christian	3% other Christian		
	3.1% another religion	2.9% another religion	3% another religion	2.6% another religion		
	21.6% no response	25.9% no response	32% no response	33.7% no response		

Equality strand	March 2016 (287 staff)	March 2015 (278 staff)	March 2014 (269 staff)	March 2013 (270 staff)
Marital status	54.4% married/civil partnership, 31.7% single, 2.8% co-habiting, 4.2% divorced or separated, 5.6% unmarried partner, 1.4% other or no response	54.3% married/civil partnership, 29.1% single, 3.6% co-habiting, 4.7% divorced or separated, 6.1% unmarried partner, 2.2% other or no response	56.1% married/civil partnership, 25.7% single, 3.7% co-habiting, 4.8% divorced or separated, 7.4% unmarried partner, 2.2% other or no response	57.8% married/civil partnership, 23% single, 4.1% co-habiting, 4.8% divorced or separated, 8.5% unmarried partner, 1.9% other or no response

B. Recruitment and selection

The following table is our position in terms of protected characteristics and internally and externally advertised vacancies between 1 April 2015 and 31 March 2016. During this period, there were a total of 67 appointments (37 internal and 30 external). The data below represents 63 appointments because 4 internal appointments were made outwith the e-recruitment system so there is no D&E data available for those particular appointments.

These results should be interpreted carefully as there are a percentage of applications where no information has been provided.

Equality strand	2015/16	2014/15	2013/14	2012/13
Ethnicity	Of the applications received (1,035), 15.1% were from ethnic minorities. 8.6% of all shortlisted applicants and 6.4% of all appointments made were for ethnic minorities	Of the applications received (826), 18.2% were from ethnic minorities. 10.3% of all shortlisted applicants and 4.3% of all appointments made were for ethnic minorities	Of the applications received (834), 16.2% were from ethnic minorities. 10.1% of all shortlisted applicants and 6.7% of all appointments made were for ethnic minorities	Of the applications received (773), 15.4% were from ethnic minorities. 11.7% of all shortlisted applicants and 6.8% of all appointments made were for ethnic minorities
	As a % of applications received, 12.2% minority ethnic group applicants were shortlisted and 2.6% appointed (compared to 22.9% and 6.7% of white applicants)	As a % of applications received, 15.3% minority ethnic group applicants were shortlisted and 1.3% appointed (compared to 29.5% and 6.8% of white applicants)	As a % of applications received, 15.6% minority ethnic group applicants were shortlisted and 2.2% appointed (compared to 26.2% and 6.1% of white applicants)	As a % of applications received, 20.2% minority ethnic group applicants were shortlisted and 2.5% appointed (compared to 27.9% and 6.3% of white applicants)
Gender	Applications received: males (46.7%) and females (52.3%). 22% of the applications received from females were shortlisted and 7% appointed. This compares to 20.1% and 4.8% for males	Applications received: males (62.5%) females (34.3%). 27.9% of applications received from females were shortlisted and 6% appointed. This compares to 26.2% and 5.6% for males	Applications received: males (51.9%) females (46.5%). 26% of applications received from females were shortlisted and 5.7% appointed. This compares to 23.3% and 5.3% for males	Applications received: males (52.9%) females (46.3%). 26% of applications received from females were shortlisted and 5.3% appointed. This compares to 27.4% and 6.1% for males

Equality strand	2015/16	2014/15	2013/14	2012/13
Age	<p>Applications received:</p> <p>16-24 (23%)</p> <p>25-34 (36%)</p> <p>35-49 (32%)</p> <p>50+ (8%)</p> <p>The highest % of applications shortlisted from those received were 25-34, followed by 35-49, 50+ and 16-24. The highest % appointed from those received were for those in the age range 25-34, followed by 35-49, 16-24 and 50+</p>	<p>Applications received:</p> <p>16-24 (23%)</p> <p>25-34 (33%)</p> <p>35-49 (33%)</p> <p>50+ (8%)</p> <p>The highest % of applications shortlisted from those received were 16-24, followed by 25-34, 50+ and 35-49. The highest % appointed from those received were for those in the age range 25-34, followed by 16-24, 35-49 and 50+</p>	<p>Applications received:</p> <p>16-24 (17.1%)</p> <p>25-34 (34.5%)</p> <p>35-49 (36.1%)</p> <p>50+ (11.4%)</p> <p>The highest % of applications shortlisted from those received were 16-24, followed by 25-34, 35-49 and 50+. The highest % appointed from those received were for those in the age range 25-34, followed by 16-24, 35-49 and 50+</p>	<p>Applications received:</p> <p>16-24 (19%)</p> <p>25-34 (39.1%)</p> <p>35-49 (30.9%)</p> <p>50+ (10.3%)</p> <p>The highest % of applications shortlisted from those received were 16-24, followed by 25-34, 35-49 and 50+. The highest % appointed from those received were for those in the age range 25-34, followed by 16-24, 35-49 and 50+</p>
Disability	<p>3% of applicants declared themselves as having a disability. As a % of applications received, 22.6% of those with a disability were shortlisted and 3.2% appointed. This compares to 21.2% and 6.1% for those without a disability</p>	<p>2.8% of applicants declared themselves as having a disability. As a % of applications received, 21.7% of those with a disability were shortlisted and 0% appointed. This compares to 26.8% and 5.9% for those without a disability</p>	<p>2.5% of applicants declared themselves as having a disability. As a % of applications received, 23.8% of those with a disability were shortlisted and 0% appointed. This compares to 24.6% and 5.6% for those without a disability</p>	<p>2.5% of applicants declared themselves as having a disability. As a % of applications received, 31.6% of those with a disability were shortlisted and 10.5% appointed. This compares to 26.6% and 5.6% for those without a disability</p>

Cont.

Equality strand	2015/16	2014/15	2013/14	2012/13
Religion	N/a or no religion (50.2%), Church of Scotland (12.3%), Roman Catholic (15%). Fewest applications were received from those who were Buddhist, Sikh and Jewish. As a % of applications received, the highest % of those shortlisted were Roman Catholic, followed by Other Christian then Church of Scotland. As a % of those appointed, the highest % were Roman Catholic, followed by Church of Scotland and Muslim. No Buddhist, Hindu or Sikh applicants were appointed	N/a or no religion (41.5%), Church of Scotland (14.5%), Roman Catholic (12.8%). Fewest applications were received from those who were Buddhist, Sikh and Jewish. As a % of applications received, the highest % of those shortlisted were Jewish, followed by Sikh then Church of Scotland. As a % of those appointed, the highest % were Jewish, followed by Roman Catholic then Church of Scotland. No Buddhist, Hindu or Sikh applicants were appointed	N/a or no religion (45.2%), Church of Scotland (15.5%), Roman Catholic (12.6%). Fewest applications were received from those who were Buddhist, Sikh and Jewish. As a % of applications received, the highest % of those shortlisted and appointed were Church of Scotland, followed by Roman Catholic then Other Christian. No Buddhist, Hindu or Sikh applicants were appointed	N/a or no religion (44.6%), Church of Scotland (17.3%), Roman Catholic (14.5%). Fewest applications were received from those who were another religion, Buddhist or Jewish. As a % of applications received, the highest % of those shortlisted were Buddhist, Jewish then Church of Scotland
Sexual Orientation	Applications: 91.4% heterosexual/straight, 4.3% prefer not to say, 0.8% no information and 3.1% gay or bisexual	Applications: 88.7% heterosexual/straight, 5.1% prefer not to say, 2.7% no information and 3.5% gay or bisexual	Applications: 91.2% heterosexual/straight, 4.1% prefer not to say, 0.8% no information and 3.8% gay or bisexual	Applications: 92.5% heterosexual/straight. 3.4% prefer not to say, 0.6% no information and 3.5% gay or bisexual

C. Promotions

Between 1 April 2015 to 31 March 2016, 26 employees were promoted. During this period, 23 employees were in receipt of an acting up or additional responsibility allowance. Some of these allowances commenced prior to 1 April 2015, but continued to be paid during this period.

The following table shows all promotions, acting up and additional responsibility opportunities by gender over the last five reporting periods.

	March 2016		March 2015		March 2014		March 2013		March 2012	
	No	%	No	%	No	%	No	%	No	%
Male	25	51.0	22	56.4	17	66.7	17	51.5	19	46.3
Female	24	49.0	17	43.6	16	48.5	16	48.5	22	53.7

Of the 26 promotions in 2016, 14 were female (53.8%) and 12 male (46.2%) and of the 23 receiving an acting up or additional responsibility payment 10 were female (43.5%) and 13 male (56.5%).

D. Performance assessment and development

For the performance year, April 2014 to March 2015 performance was assessed annually against the core competencies required for the role at a formal Performance Appraisal and Development (PAD) meeting. Performance is scored using a 1-3 scale with 1 being highly effective performance, 2 being an effective performance and 3 indicating that improvement is required. Members of the leadership group are not included in the figures (17 individuals).

The distribution of 2014/15 PAD scores across the organisation and distribution by gender can be seen in Charts D and E.

During Building a Better Organisation (BaBO) events in 2015, employees voted in favour of a new future focused, simpler approach to performance development. The approach that has been introduced for 2015/16 is a 'conversation based' check-in meeting called the Development Discussion Document (3D). This is an interim solution which does not generate a performance score, has no ranking system or link to pay and uses past experiences to inform learning for the future.

As at 31 March 2016, 93% of employees had completed their 3D discussion with their line manager.

E. Training

Our HR system records corporate staff training organised through HR.⁴ For the period 1 April 2015 to 31 March 2016, these records show the following training activity:

- 92 training events took place over the year across 50 different training areas (compares with 59 training events in 2014/15).
- 268 employees are recorded as having received formal training during 2015/16. Of these employees:
 - 238 (83%) were white and 14 (4.9%) were from a minority ethnic group (no data for 16 employees)
 - 134 (50%) were female and 134 (50%) were male.

F. Leavers

During 2015/16, 15 people resigned from the organisation (23 leavers in total including the expiry of temporary contracts, voluntary early release and career breaks). The table below shows leavers (resignations only) by gender. Two thirds of resignations were from women. Resignations were received from staff in age bands 16-24 (13.3%), 25-34 (26.7%), 35-49 (46.7%) and 50+ (13.3%).

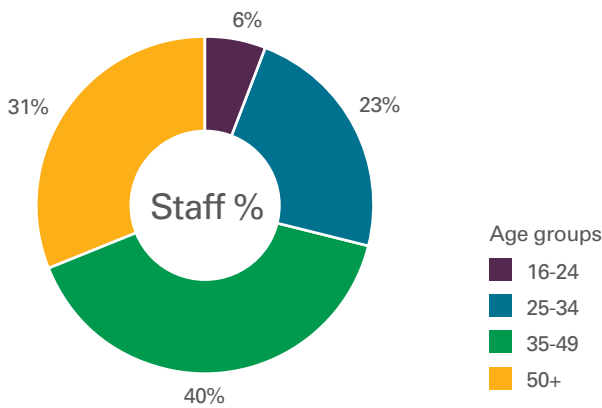
	March 2016		March 2015		March 2014		March 2013		March 2012	
	No	%	No	%	No	%	No	%	No	%
Male	5	33	13	59.1	9	60	9	60	4	30.8
Female	10	67	9	40.9	6	40	1	10	9	69.2

Summary charts

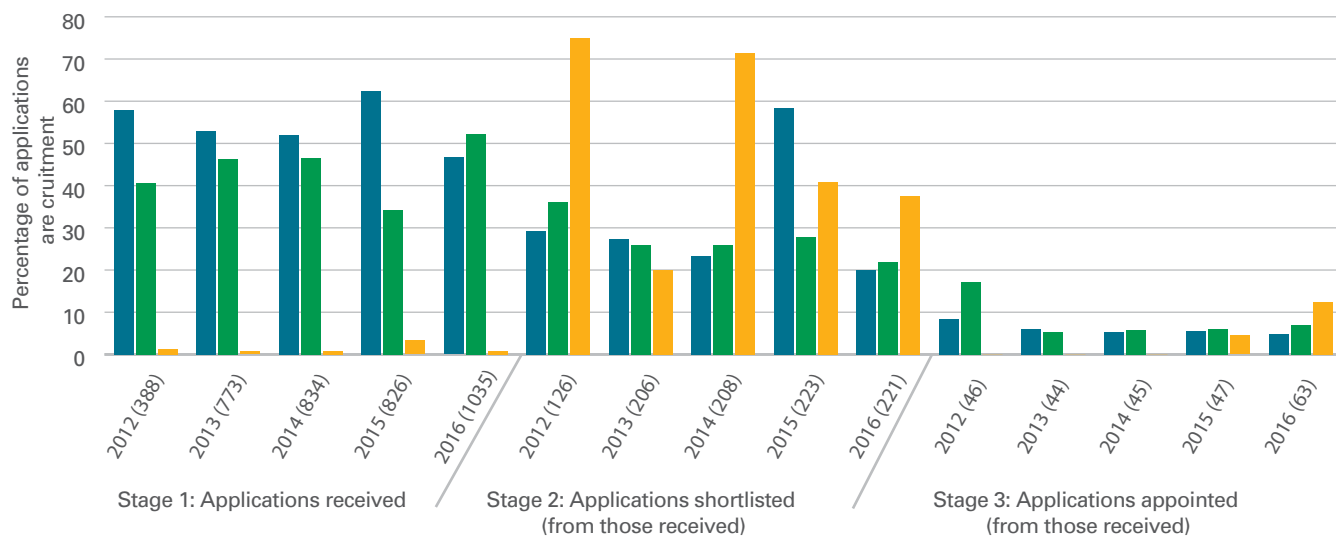
A. Staff profile – gender by grade



B. Staff profile – age groups

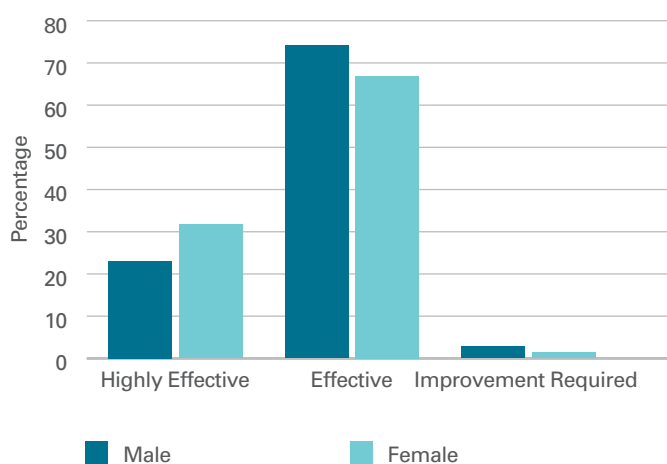


C. Males and females % of applications at each stage of recruitment



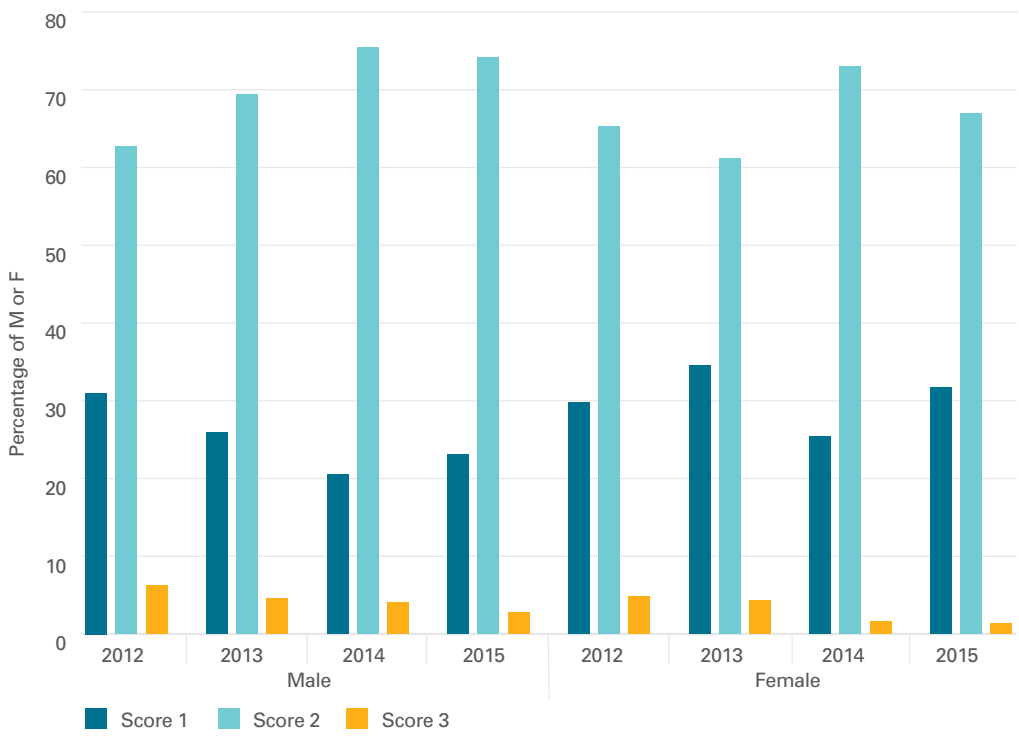
Source: Audit Scotland

D. PAD overall score by gender (2014-15)



Source: Audit Scotland

E. PAD overall score by gender (2012-15)



Source: Audit Scotland

Appendix 2

Diversity and Equality Steering Group

Member	Organisation	Role
Gillian Woolman	Audit Services Group	Chair and DESG lead on sexual orientation
Lilian Brown	Business Support Services	Secretariat
Caroline Leonard	Corporate Services Group	HR professional and DESG lead on pregnancy and maternity, religion and belief
Claire Richards	Performance Audit and Best Value Group	PABV member and DESG lead on race
Fiona Selkirk	Performance Audit and Best Value Group	PABV member and DESG lead on gender reassignment
James Gillies	Corporate Services Group	CSG member and DESG lead on Marriage and civil partnership
Liz Ribchester	Performance Audit and Best Value Group	PCS union representative
Lynne Noble	Audit Strategy Group	Audit Strategy member and DESG lead on age
Peter Lindsay	Audit Services Group	ASG member
Tom Reid	Audit Services Group	ASG member and DESG lead on disability

Appendix 3

Meeting our specific duties

Duty	Equality Act Ref	Summary of requirements	Frequency	Last published
Mainstreaming progress	Section 3	Publish a report on the progress made to make the equality of duty integral to the exercise of functions	At least every 2 years	April 2015
Equality outcomes	Section 4 (1) and (2)	Publish a set of equality outcomes having involved protected characteristic groups/ individuals and used available evidence	At least every 4 years	April 2013
Progress against equality outcomes	Section 4 (4) & (5)	Publish a report on the progress made to achieve the equality outcomes	At least every 2 years	April 2015
Equalities Impact Assessments	Section 5	Conduct EIAs for new/revised policies and publish these.	Ongoing	Ongoing on website
Gather and use employee information	Section 6 (1) & (2)	Gather information on staffing mix and recruitment, development and retention versus protected characteristics	Annual	This report April 2016
Include employee information in mainstreaming report	Section 6 (3)	Include employee information and progress made in gathering and using information in mainstreaming report	At least every 2 years	April 2015
Gender pay gap information	Section 7	Publish percentage difference between hourly pay rates for men and women	At least every 2 years	November 2014
Statement on equal pay policy and occupational segregation	Section 8	Publish equal pay policy and analysis of employment by grade/role for gender, disability and race	At least every 4 years	April 2015

Appendix 4

Equal Pay Policy⁵

Audit Scotland is committed to promoting and embedding equality of opportunity and diversity in employment. We believe this extends to the way we reward our people and that reward should be applied fairly and equitably. We are committed to the principle of equal pay for all our employees and aim to eliminate any bias in our reward systems. This includes equality on the basis of age, disability, gender, gender re-assignment, marriage or civil partnership, maternity or pregnancy, race, religion or belief and sexual orientation.

To achieve equality of financial reward for employees doing equal work, Audit Scotland operates a reward system that is transparent, based on objective criteria and free from bias.

Audit Scotland uses an analytical job evaluation system to assess the relative value of all jobs across our organisation. This provides evidence in support of the allocation of each job within our pay grading structure.

It is important that employees have confidence in our processes so we will continue to work with the recognised trade union, PCS, to ensure equality within our reward policy and practice.

Our objectives are to:

- ensure that there are no unfair, unjust or unlawful practices that impact on reward
- where any inequality may arise, investigate promptly and take appropriate remedial action where required.

In support of this commitment to equal pay, Audit Scotland will:

- review our reward policy and practice (in line with EHRC guidance⁶) so that trends and any anomalies are identified, investigated and resolved
- plan and implement actions in partnership with trade union/ employee representatives
- provide training and guidance for those involved in determining pay and the job evaluation process

- inform employees of how reward practices work and how their own reward is determined
- respond to grievances and other concerns on equal pay as a priority
- ensure our work in this area is fully aligned with the commitments we have made in our equality and diversity reporting
- discuss and agree changes to reward policy with trade union representatives, where appropriate
- carry out regular monitoring of the impact of these practices.

Endnotes

- ◀ 1 Under the Equalities Act 2010, public bodies were required to publish gender pay gap information by April 2013, and every second year thereafter. Pay gap information is the percentage difference between men and women's average pay. Our last equal pay review was published on our website in April 2015.
- ◀ 2 Based on Annual Population Survey data, January 2015 to December 2015, Office for National Statistics.
- ◀ 3 April 2013, and every second year thereafter. Pay gap information is the percentage difference between men and women's average pay. Our last equal pay review was published on our website in April 2015.
- ◀ 4 It is important to recognise that this does not represent all training activity. This section should be interpreted carefully. HR captures formal corporate training events and initiatives organised through HR. A large amount of learning and development takes place informally or is taking place at a business group level but is not captured, recorded or evaluated through our HR system.
- ◀ 5 This policy was revised in June 2015. The next review date is June 2017.
- ◀ 6 The Equality Act 2010 requires Audit Scotland to publish pay gap information every two years.

Equalities update

2015/16

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

www.audit-scotland.gov.uk 

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MEETING: 8 SEPTEMBER 2016

REPORT BY: COMMUNICATIONS MANAGER

HEALTH AND SOCIAL CARE ANIMATION

Purpose

1. The purpose of this report is to introduce an animation and accompanying webpage based on Audit Scotland's health and social care work produced on behalf of the Accounts Commission and the Auditor General.

Background

2. As identified in the Commission's *Overview of local government in Scotland 2016*, health and social care integration is the most significant aspect of public sector reform for councils. The Commission is now responsible for auditing new integration authorities, and the issue of health and social care features significantly in the Commission's work programme.
3. In its engagement strategy, the Commission states that "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".
4. At its meeting on 14 January 2016, the Commission considered a presentation by Chris Holme and Kirsty Gibbins from Audit Scotland's Communications Team on the use of social media and innovative approaches to the Commission's and Audit Scotland's engagement with stakeholders. Audit Scotland has committed to exploring new communication methods to ensure the work of the Commission is impactful and valuable for its stakeholders. Animation has the potential to communicate a large quantity of data to audiences in a concise, visual, and stimulating way.
5. Audit Scotland's Communications team and its Performance Audit and Best Value (PABV) group have therefore been working on a pilot animation project based upon recent audit reports. While Audit Scotland has produced an animation before - to support recruitment in March 2016 - this is the first attempt to produce one based upon the organisation's audit work.
6. Given the wide range of work undertaken by Audit Scotland on behalf of the Commission, various factors were considered when deciding which policy area to base the animation in. These included: profile of audit reports and response from the relevant sectors at the time of publication, stakeholder engagement to date, the scale of public interest, the strength of our key messages and recommendations, and levels of digital awareness and dialogue within the target audiences (see below for more information).
7. The animation is therefore based on challenges facing the health and social care sector in Scotland and our audit recommendations to support improvement in these services, made in the following reports: NHS in Scotland 2015, Health and social care integration, and Changing models of health and social care.

Audiences

8. There are two intended audiences for the animation:

- **Primary:** Staff, decision makers and elected representatives working in health and social care services in Scotland.
- **Secondary:** Service users and their representatives i.e. third sector bodies.

Budget and timescales

9. The project has been managed by Audit Scotland's Communications team, with regular input from PABV colleagues within Programme Development and the Health, Care and Communities Cluster.
10. The Communications team commissioned Qudos, which produced the HR animation, in April 2016. The company provided a detailed pitch for the project, with various budget and design options. Care was taken throughout the project to ensure that the key messages of the reports were evident, the language was plain and accessible, and the artwork was consistent with the Commission and Audit Scotland's well-established brand.
11. The project was launched externally on 22 August 2016. At the Commission meeting we will do a presentation demonstrating the initiative.

Webpage

12. To host the animation and provide easy access to further information about Accounts Commission and AGS work on health and social care, the Communications team has designed a webpage to act as a dedicated online resource for decision makers and others with an interest in health and social care services.
13. The webpage will feature links to the full reports as well as other materials to guide visitors' understanding of our audit work and the challenges facing health and social care services, such as case studies, blogs, podcasts and useful contact information.
14. The resource will be regularly updated by the Communications team to ensure the material remains relevant and useful to visitors. For example, the publication of NHS in Scotland 2016 in October will be included within the webpage once available and the animation used to support promotion of this report, as part of the wider suite of recent publications by Audit Scotland on health and social care.

Communications and marketing

15. Key actions involved in the communication and marketing of the animation include:
 - Distribution of the animation and webpage via GovDelivery to relevant stakeholders i.e. health boards, councils, elected representatives, and health and social care charities;
 - Promotion of the animation and webpage via Audit Scotland's social media channels;
 - Promotion and screening of the animation internally; and
 - Potential use of the animation at external events and conferences i.e. Holyrood Communications' Health and Social Care Event in November (to be confirmed).

Review of initiative

16. A review of the project will be undertaken by Communications and PABV by the end of 2016 to reflect on the lessons learned from the process and gauge the initial impact of the product. A subsequent report will then be presented to Audit Scotland's Management

Team and the Accounts Commission, to support consideration of any future animation projects and their value to the organisation and stakeholders.

Recommendation

17. The Accounts Commission is invited to

- a) note this report and accompanying presentation on animation and webpage and direct questions
- b) note the proposed review of the initiative which will be considered by the Commission in due course.

James Gillies
Communications Manager
31 August 2016

MEETING: 8 SEPTEMBER 2016

COVER NOTE BY: SECRETARY TO THE COMMISSION

AUDIT OF BEST VALUE: ANGUS COUNCIL

Purpose

1. The purpose of this paper is to introduce the Controller of Audit's report on the Best Value audit at Angus Council. The Commission is invited to consider the report and decide how it wishes to proceed.

Background

2. At its previous meeting, the Commission considered the attached report by the Controller of Audit on the Best Value audit at Angus Council. The Commission agreed:
 - To note that the Controller of Audit would provide further information in support of his report at the next meeting.
 - Having considered the options open to it when receiving a report from the Controller of Audit, agreed to take none of these options but to consider further the Controller of Audit's report at its next meeting.
3. The Controller of Audit will provide further information in support of his report at this meeting.

Previous reports

4. The Accounts Commission last considered a Best Value audit report on Angus Council in 2010. The Commission's findings, [published on 12 May 2010](#), are attached. The report stated that the Council was making slow progress in improving its corporate processes to help it deliver Best Value. In particular, it lacked a coherent framework for monitoring service performance, making it difficult to demonstrate how it was focusing on priorities for improving services. This, together with poor relations between political groupings, meant that scrutiny and challenge were ineffective.
5. Since then, the Council's approach to addressing these issues has been monitored by its local auditors and scrutiny partners. In 2013, the Council introduced a change programme, known as 'Transforming Angus'. Initially, this led to substantial changes in its management structure. With most of its former management team retiring, a more streamlined structure was introduced. Transforming Angus then focused on a series of projects aimed at modernising the delivery of services and helping to reduce costs.
6. As a result of these significant changes, the Controller of Audit carried out an audit of Best Value that was focused on four main issues:
 - the impact of the new council management structure on how the council is delivering services
 - the effectiveness of the council's leadership including member/officer working relationships

- whether there are effective systems of scrutiny and performance management across all services that help the council identify and prioritise areas where it needs to continue to improve
 - how the Transforming Angus programme is contributing to the Council's vision for the people of Angus and will help meet the financial pressures it faces.
7. The attached report provides the audit team's findings and conclusions on these issues. It reflects work carried out in March 2016 and the latest position in relation to financial information.

The report

8. The report is made by the Controller of Audit under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
9. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
- a) the accounts of local authorities audited under the Act;
 - b) any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and
 - c) the performance by a local authority of their statutory duties in relation to best value and community planning.
10. A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member of the Council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Council it is effectively in the public domain.

Procedure

11. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
- a) direct the Controller of Audit to carry out further investigations;
 - b) hold a hearing; or
 - c) state its findings.
12. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.
13. The Controller of Audit and members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence presented in the report.

Conclusion

14. The Commission is invited to:

- a) consider the report by the Controller of Audit on the audit of Best Value of Angus Council; and
- b) decide how it wishes to proceed.

Paul Reilly
Secretary to the Commission
31 August 2016

APPENDIX: BEST VALUE AUDIT: ANGUS COUNCIL, MAY 2010:
ACCOUNTS COMMISSION FINDINGS

1. The Accounts Commission accepts this report from the Controller of Audit on Angus Council's performance of its statutory duties on Best Value and Community Planning. The Commission accepts the Controller of Audit's judgements that, in respect of these duties, the council needs to improve more quickly and that its prospects for future improvement are fair.
2. The Commission gratefully acknowledges the co-operation provided to the audit team by the elected members, chief executive and other officers of the council and its community planning partners, in particular for their constructive approach to being a pathfinder Best Value 2 area. The Commission also gratefully acknowledges that this report arises from work conducted in close co-operation with colleagues from other local government inspectorates.
3. The council's services are generally of a good quality and are well regarded by the local community. The council has stated a clear ambition for its area and is making progress with its partners towards local strategic outcomes.
4. We welcome the council's commitment to improvement. However, there is a gap between the council's improvement ambitions and its capacity to achieve them. Weaknesses in corporate processes mean that it is not able to demonstrate consistent and continuous improvement in its services. In general, progress against many of the recommendations made to the council in the 2004 Best Value audit has been disappointing. There are welcome signs that the pace is now picking up, and this now needs to progress as quickly as possible.
5. The council does not have a coherent corporate approach to identifying and prioritising improvement actions based on comprehensive performance data. This inhibits its ability to make clear decisions on service improvement and demonstrate how and where it is improving. It needs to deliver on its commitment to develop systems to give good quality service performance information, so that it can move from incremental individual service-based improvements to demonstrating and managing consistent all-round improvement.
6. We welcome evidence of consultation, but more work needs to be done by the council on community engagement. There are weaknesses in the available information on service performance and citizen and customer satisfaction. These mean that elected members lack the necessary performance management data and robust options appraisal which would allow them to ensure that the council delivers value for money for local citizens. It is essential that the council properly develops this corporate capacity if it is to be able to sustain good services under the challenge of increasing budget pressures.
7. The requirements of effective scrutiny do not appear to be sufficiently well understood. This limits the council's ability to focus leadership on delivering key priorities. The lack of progress since 2004 on establishing independent scrutiny of the authority's performance is particularly disappointing. The newly-formed Scrutiny and Audit Subcommittee is chaired by the leader of the council, which cannot be regarded as good practice.
8. Elected members also need to develop their ability to work together in a constructive way to provide strong strategic leadership, and to challenge and hold officers to account. The council's political leadership and senior management need to work together to ensure that the information systems, processes and governance structures are in place to ensure robust and transparent challenge of officers by members.
9. The issues identified in this report will inform the Assurance and Improvement Plan for scrutiny of Angus Council over the next three years. Local audit and inspection teams will continue to monitor progress

Angus Council

Best Value audit report

ACCOUNTS COMMISSION 

Prepared for the Accounts Commission by the Controller of Audit
August 2016

The Accounts Commission

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Controller of Audit Report

Summary

1. Overall, the council has made progress since the Accounts Commission last reported in 2010. It has set out clearly where it wants to be as an organisation and how it plans to get there. It is heading in the right direction, but it needs to increase the pace of change and the momentum of key projects.
2. Important improvements have been made in the leadership provided by senior managers and elected members, helping the council to become more ambitious in modernising its business processes.
3. Senior management restructuring has reduced the council's annual costs by an estimated £800,000. This has also helped to develop a more strategic and corporate approach by senior managers. The council is now much less insular, with managers looking to models used by other councils to help modernise business processes and service delivery. There is now greater consistency between departments, in terms of service planning and a shared vision of how the council needs to develop. A series of initiatives, such as the establishment of a Leadership Forum, have helped improve communications with middle managers and other staff and encouraged more delegation of operational decision-making.
4. There is still a need for increased transparency in the decision-making by elected members, and a greater focus on priorities for service improvements. But, overall, the role played by elected members has improved. In contrast to the antagonistic relations evident in previous years, there is now more cross-party consensus on the broad vision for Angus and for the council. A cross-party budget-setting group has helped set common priorities and, in a significant break from the past, the Scrutiny and Audit Committee is chaired by a non-administration member. There are also good working relations between elected members and senior managers, with regular briefings to help keep members informed and member-officer groups to oversee key developments.
5. This has put the council in a better position to meet future challenges. Like all councils, Angus faces increasing financial pressures. It has estimated that it needs to find savings of around £26.5 million over the next three years, and plans for some of these savings to come from efficiencies and service reductions. The council's ability to make its savings targets largely depends on the success of its Transforming Angus programme. Many of the projects in Transforming Angus reflect work already completed by other councils as their approaches to Best Value have matured. But the proposals all look to be sensible and soundly-based, including, for example, to reduce the number of council properties, improve its procurement processes, and digitalise many of its citizen and internal transactions.
6. The Transforming Angus programme has had some success, particularly in helping to change the organisational culture within the council. But the pace of change has been slow in some key projects and it is too early to assess its overall impact in modernising how the council

delivers services and reducing costs. A culture and leisure trust was established in December 2015, with the aim of saving around £2.5 million over the next five years. Adult home care services are now provided by a social enterprise company, forming part of a larger Help to Live at Home project which is planned to save £11 million by 2020. These are signs that Transforming Angus is now gathering momentum. However, some of its projects were conceived in 2012, but are not expected to deliver full year-on-year financial savings until 2017 or 2018 or, in some cases, 2020.

7. Managers and elected members will need to continue to show strong leadership to help ensure the success of Transforming Angus. The council's scrutiny panel reviewed the progress of the programme in 2015 and this has led to further measures being taken to help ensure its success. A member-officer board has been set up to oversee the programme. Regular monitoring arrangements have been established, and a 'strategic partner' has been hired to help bring in some external expertise and provide additional management capacity.
8. But there are risks that Transforming Angus may not succeed in delivering the necessary savings within the required timescales. The political and operating context for the council is complex and demanding, with financial pressures, increasing demand for services, and council elections in May 2017. There are signs that cross-party relations are fragile. For example, following recent sharp disagreements over local priorities, three non-administration members resigned from the budget strategy group. This risks an end to the recent political consensus, making it difficult for the minority administration to provide effective and consistent leadership. Elected members and senior management must work together to ensure that the council's developing approach to Best Value is sustained, despite any future political disagreements and change. If it is to meet its financial challenges over the next few years, the council will need to make some difficult decisions on service priorities and ensure that Transforming Angus delivers its anticipated savings, impact and outcomes.

Audit assessment

Background

9. The Accounts Commission last published a report about Best Value in Angus Council in May 2010. Its two overall conclusions were that:
 - That council needed to improve more quickly, and
 - Its prospects for future improvement were fair.
10. At the time, the report found that the council was making slow progress in improving its corporate processes to help it deliver Best Value. In particular, it lacked a coherent framework for monitoring service performance, making it difficult to demonstrate how it was focusing on priorities for improving services. This, together with poor relations between political groupings, meant that scrutiny and challenge were ineffective.
11. Since then, the council's approach to addressing these issues has been monitored by its local auditors and scrutiny partners. Their reports have highlighted, for example:
 - the introduction of a new approach to public performance reporting in 2011, and
 - the creation of a Scrutiny and Audit Committee in 2012.
12. In 2013, the council introduced a change programme, subsequently known as Transforming Angus. Initially, this led to substantial changes in its management structure. With most of its former management team retiring, a more streamlined structure was introduced. Transforming Angus then focused on a series of projects aimed at modernising the delivery of services and helping to reduce costs.
13. As a result of these significant changes, we carried out an audit of Best Value in March 2016 that was focused on four main issues:
 - the impact of the new council management structure on its leadership (paragraphs 14 to 20);
 - the effectiveness of the council's leadership including member/officer working relationships (paragraphs 21 to 23);
 - whether there are effective systems of scrutiny and performance management across all services that help the council identify and prioritise areas where it needs to continue to improve (paragraphs 24 to 28).
 - how the 'Transforming Angus' programme is contributing to the council's vision for the people of Angus and will help meet the financial pressures it faces (paragraphs 29 to 42).




Leadership

There have been important improvements in the leadership provided by senior managers and by elected members. The council is now more outward looking, with a shared vision on the need for it to modernise.

14. Over the past few years, improvements have been made in the strategic leadership provided by senior managers. In 2007, the council reduced the number of its service departments and directors from eleven to five. In 2013, the council continued this streamlining process, implementing a new structure with further mergers. The number of service departments was reduced from five to three. At the same time, the number of senior management posts was reduced from seven to four (see Exhibit 1).
15. This was followed by a restructuring of middle-management posts which was completed in 2014. The overall number of posts remained at 35 but the number of heads of services fell sharply from 29 to 11, while the number of subordinate senior manager posts increased from 6 to 24.

Exhibit 1

Angus Council implemented a new organisational structure in 2013

	Before	After
 Departmental structure	Chief Executive's department	Chief Executive's Unit
	Education	Children & Learning
	Social work & health	
	Infrastructure services	Communities
	Neighbourhood services	
	Corporate services	Resources
 Executive team	Chief Executive	Chief Executive
	Assistant chief executive	
	5 Directors	3 Directors
 Senior managers	29 heads of service	11 heads of service
	6 senior service managers	24 service managers

Source: Angus Council

16. This latest restructuring has resulted in annual savings of around £800,000 in staffing costs. There is evidence that it has helped to improve the level of strategic leadership and corporate working provided by senior managers, and there are signs that the council is now much more

outward-looking. In previous years, senior appointments tended to be made from within the council. In contrast, three of the most senior managers currently in post, including the Chief Executive, have been brought in from other councils. This has helped bring in new ways of thinking, with the council looking to adopt different business processes and develop new ways of delivering services. It has, for example, looked to other councils such as Edinburgh, Fife and Renfrewshire to help inform its transformation and digital programmes.

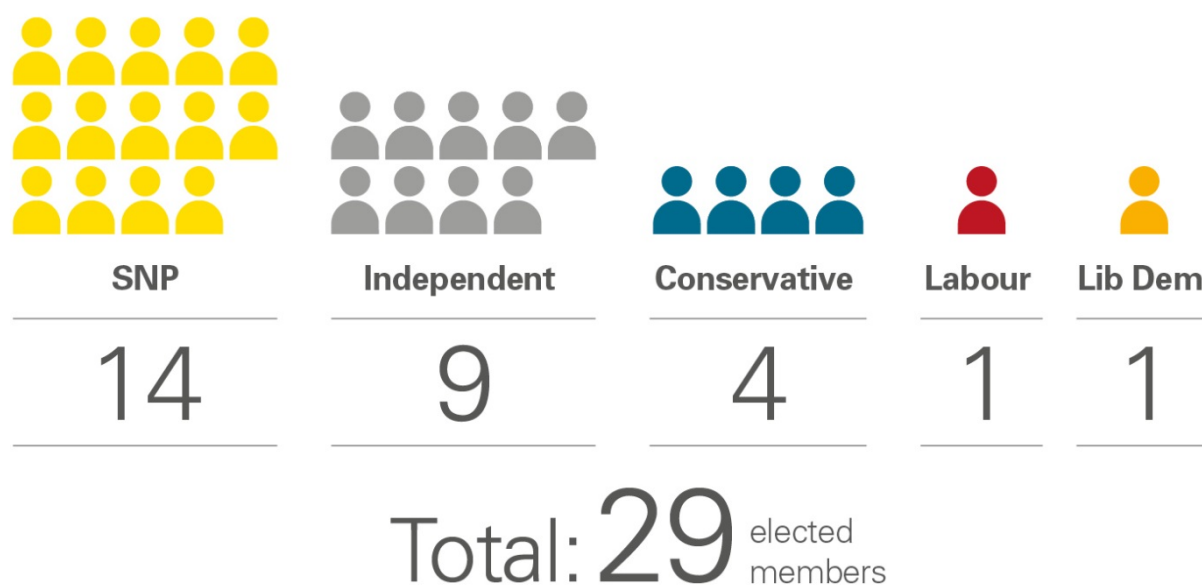
17. This further rationalisation of the council's departmental structure has also helped increase corporate working. Elected members find it easier to focus on broad strategic issues, rather than having to work within service silos. There is now much greater consistency between departments, both in terms of business processes such as service planning and staff appraisal and in terms of a shared vision for how the council needs to develop.
18. This has been accompanied by significant efforts to engage with the council's workforce as a whole. For example, a management development programme is being rolled out for all of the council's senior and middle managers. There is an increasing emphasis on making the council less hierarchical, reducing the decision-making layers, and delegating operational decisions to front-line managers. Senior managers are increasingly getting out and about, regularly holding meetings away from the council headquarters and working in person with local managers.
19. A Leadership Forum, consisting of the council's most senior 120 managers from across all services, was established in 2013. This meets every three months and helps ensure employees across the council have a shared vision of how it needs to develop. Initially, this started as a top-down information-giving event. But it has now developed into much more of a two-way communication exercise, with middle managers encouraged to share their thoughts and suggest changes which they think need to be made. We met with a number of middle managers and found them to be very positive about the Forum and the changes taking place within the council. While many felt that more time was needed to fundamentally change the culture of the council and its working practices, there was a firm belief that it was heading in the right direction.
20. In September 2015, the council's Policy & Resources Committee approved a new workforce strategy. This sets out a broad direction for the next three years, linked to the council's planned changes in its business processes, with the need for a smaller workforce, more collaborative working, and new skills. But this is not yet supported by more detailed plans, setting out specific proposals on staffing numbers, grades and skills, and links to other key strategies, including the budget strategy, need to be clearer.
21. There are good working relations between elected members and senior managers, with a shared vision on how the council needs to develop. The Chief Executive and his Directors meet at least weekly with the council Leader and other Administration office bearers. Regular meetings are also held with non-administration members. The use of member-officer groups has become established, helping to develop policy in complex areas, overseeing major programmes such as Transforming Angus, or scrutinising particular service areas or areas of concern such as flood risk management and community grants. Officers also provide regular

private briefings for members, helping to ensure they are properly informed about key proposals and giving them an opportunity to ask for more information.

22. There have also been some improvements in the leadership provided by elected members. In 2010, our report commented on the poor working relations between political groupings. Council meetings were often antagonistic and unproductive. The behaviour of a number of members was referred to the Standards Commission, and fundamental disagreement about representation on committees led to many seats being unfilled.
23. In recent years, there has been greater consensus between elected members on the broad vision for Angus and for the council. The Council has a minority administration (Exhibit 2). While disagreements and debates take place, as we would expect in any council, there are usually good working relationships between political groupings. Referrals to the Standards Commission are less frequent, and all committee seats have been filled. In a significant break from the past, the Scrutiny and Audit Committee is now chaired by a non-administration member. However, political relationships can still be fragile, with recent sharp disagreements on specific local issues and three non-administration members resigning from the budget strategy group.

Exhibit 2

Angus Council – Political make up



Source: Angus Council

Scrutiny by elected members

There have been improvements in scrutiny. But there needs to be a greater emphasis on public accountability and there is still scope for members to focus more on the priorities for improving service performance.

24. There have been improvements in how elected members scrutinise performance. In 2010, our report described scrutiny arrangements as weak. At the time, the Scrutiny and Audit Sub-Committee was chaired by the Leader of the council, fundamentally compromising its independence and objectivity. Elsewhere in the council, many substantial items of business were approved with little public debate or challenge. And the ability of members to scrutinise was hindered by a lack of reliable information on service performance and outcomes.
25. A non-administration member has chaired the Scrutiny and Audit Committee since 2012. This has greatly increased its independence and its ability to provide constructive challenge. In addition, our observations of several meetings have confirmed that it carries out its role effectively, regularly focusing on key issues and holding officers to account.
26. A series of scrutiny panels has also been established, looking at specific issues such as roads maintenance or the progress of the Transforming Angus programme. These meetings are held in private and aim to give members a more detailed understanding of specific issues. In our view, they are effective in carrying out independent and detailed reviews of key areas and making recommendations. The 2015 scrutiny panel review of the Transforming Angus programme, for example, demonstrated a good awareness of the slow progress being made on some of the key projects and the issues that needed to be addressed. The panel considered the outcomes and pace of change and recommended more focussed performance management reporting to demonstrate progress against timescales, savings and outcomes.
27. However, there is still a need for members to demonstrate a greater level of public accountability. The statutory guidance on Best Value requires key discussions and decision-making to be held in public meetings. In recent years, the emphasis on private briefings and member-officer working groups within Angus Council has had some benefits. Given the antagonistic relations between some members in previous years, it has helped to provide a safer, less politically-charged environment to ask questions and discuss options. But it has meant that members tend to ask questions and carry out their scrutiny role in private. We attended council and committee meetings which were relatively short, with little discussion of key issues prior to decisions being made. The council needs to establish more open and transparent forms of scrutiny, building on the good working relations established in briefings and member/officer groups, and encouraging more debate and questioning to be carried out in public.
28. There is also still scope for improvement in the performance information provided to elected members. This is better than it was in 2010, when our report described arrangements as inadequate. Reports on performance, improvement and transformation activity are provided to elected members more regularly throughout the year at Scrutiny and Audit, Policy and Resources and service specific committees. The format and content of performance reports

now provides greater clarity and is linked to council priorities, outcomes, improvement actions, targets and risks to success. They also include benchmarking information. However, performance reporting still tends to be based on individual services, with no high level corporate overview of performance against the council plan and its priorities. This is an important gap. Current reports do not indicate any serious weaknesses in service performance, but councils are expected to look for opportunities to make all services better. In our meetings with elected members, we found many that were unable to clearly identify which areas of the council's performance are priorities for improvement.

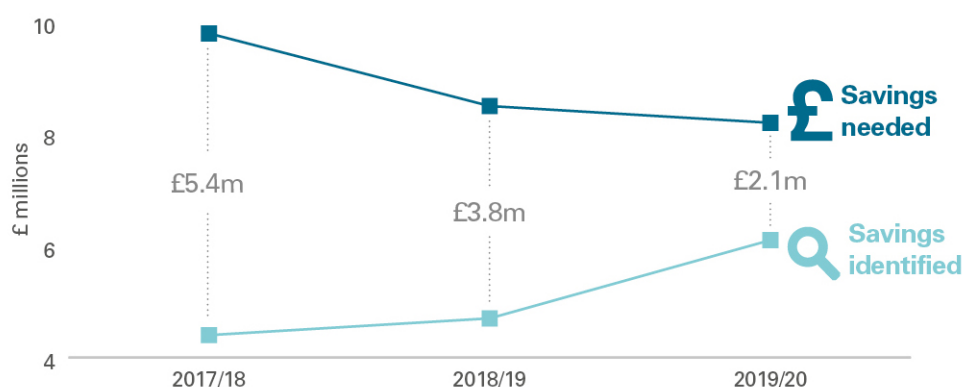
Financial position

The council faces increasing financial pressures and needs to find cumulative savings of £26.5 million over the next three years. It has approved projects that are planned to achieve £15.2 million of savings and is currently identifying other measures to deliver the remainder.

29. In recent years, Angus Council has had some success in reducing its spending, through a series of efficiencies and service reductions. Its reserves have steadily increased and are now above the council's planned levels, at £43.5 million, £27.6 million of which is committed or set aside as a contingency. In addition, it has relatively low levels of debt, compared with other councils. There are questions about the robustness of its budget-setting processes, with consistent revenue underspends of at least two per cent in each of the previous five years. But the council has now introduced a priority-based budget system to help improve its financial management.
30. Despite these efforts, the council faces increasing financial pressures. Reductions in funding, at the same time as growing demands on services, mean that the council needs to continue to make difficult decisions in order to reduce its spending. Any reserves can only be used once. Following the 2016/17 local government funding settlement, announced by the Scottish Government in December 2015, the council estimates that it needs to find cumulative savings of around £26.5 million over the next three years (see Exhibit 3). These estimates are based on its four-year financial strategy, which takes into account expected levels of income and expenditure including pay inflation, demographic change, council tax and levels of government grant. It also includes an assessment of risk to predict "base", "optimistic" and "pessimistic" levels of funding gaps and required savings.

Exhibit 3

Annual financial savings needed, identified and funding gap



Source: Angus Council

31. At present, the council has agreed savings of £15.2 million. Some of these are planned to come from efficiency measures and service reductions. But the council expects to generate most of its savings through a series of change projects, known as Transforming Angus. The remaining £11.3 million of savings have not yet been identified, with a particularly noticeable shortfall in 2017/18 and 2018/19. The council expects these savings to be provided through a series of other measures, such as staff reductions, service redesigns, income generation, and a review of the schools estate. A programme of service reviews due to be carried out during 2016/17 aims to help develop detailed proposals.

Transforming Angus projects

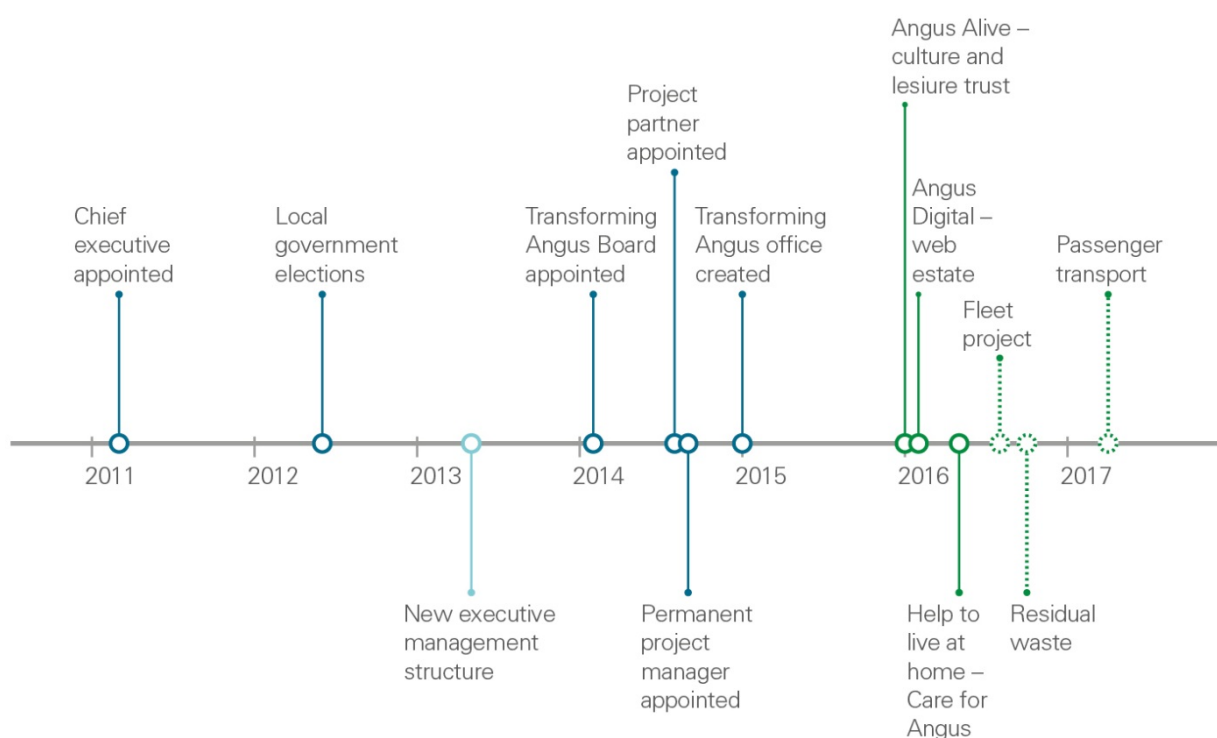
Transforming Angus has led to some important changes in organisational culture, but the council needs to increase the pace of change in how it delivers services.

32. The council is currently implementing a wide-ranging change programme, known as Transforming Angus. As mentioned earlier, this has led to important changes in the organisational culture of the council. As well as delivering savings, a new streamlined management structure has helped the council become more corporate and outward-looking. Initiatives such as the establishment of a Leadership Forum have improved staff communication and encouraged a greater degree of operational decision-making.
33. Transforming Angus is now focussing on a series of projects which aim to modernise the way services are delivered and help meet the financial challenges faced by the council over the next three years:
- **Angus Digital** - upgrading information systems, facilitating mobile working, and making more information and services accessible online.
 - **Improved business processes** - the creation of a culture and leisure trust, a procurement review, help to live at home project, and passenger transport.

- **Improved customer experience** - a Channel Shift programme aims to provide a series of online payments and requests for services such as pest control and bulky household waste.
 - **Agile working** - a review of the schools estate, other council buildings, and remote working, with the number of relevant council properties planned to reduce from 40 to 10.
34. The council plans to deliver a total of £17 million of savings from Transforming Angus, around two-thirds of the total savings it needs to make. The council also forecasts that, once all the current projects have been completed in 2020/21, they will deliver annual savings of £15.3 million - representing around six per cent of current net expenditure.
35. Elements of these changes, such as an estates review, date back to 2012. However, following the management restructuring in 2013, proposals started to be developed for a more wide-ranging programme of change. In March 2014, Transforming Angus was then formally adopted as a key element of the Council Plan 2014-17, its first since the local government elections in 2012 and the establishment of a new administration (Exhibit 4).

Exhibit 4

Transforming Angus key dates



Source: Audit Scotland

36. Some projects simply reflect the type of reforms carried out by other councils many years ago, such as the creation of a culture and leisure trust or plans to reduce the number of buildings occupied by council staff. However, they still have merit and represent a significant shift in the organisational culture of Angus Council. Moreover, there are plans to build on the current

change programme, with, for example, further proposals for joint working with neighbouring councils on procurement and commissioning.

37. The council has also sought to ensure that it has the expertise it needs to develop and implement the various Transforming Angus projects. It has established a Transforming Angus change fund of £3.7 million. A programme manager was appointed in September 2014, with staff seconded from other council departments forming a Transforming Angus office. In addition, the council has sought external support, appointing Ernst and Young (EY) as a strategic partner to the programme in August 2014. Its role is to help provide specialist advice, support and challenge.
38. Appropriate governance arrangements are in place to oversee Transforming Angus. Since 2014, a Transforming Angus Programme Board, consisting of senior managers and elected members, meets every two months. It approves business cases for specific projects and monitors the overall costs, risks and progress of Transforming Angus. It is also supported by a series of subsidiary boards that oversee individual projects. It has also been the subject of a major scrutiny panel review, carried out in May 2015. This assessed areas such as the prioritisation of projects within the programme, the work of the strategic partner, and performance management and reporting. It led to a series of improvements, particularly in the monitoring of progress in the various projects and the delivery of savings.
39. Some Transforming Angus projects are beginning to deliver benefits. For example, the Angus Alive project led to the creation of a leisure trust in December 2015. This involved the transfer of the council's museums, libraries and sports facilities to an arms-length trust. The council expects this to save £2.6 million over the following five years. Similarly, in March 2016, the council ceased to directly provide adult home care services but is working with Care About Angus, a social enterprise company overseen by Voluntary Action Angus. This forms part of a longer-term Help to Live at Home project, which the council estimates will lead to net savings of £11 million by 2020.
40. Overall, however, the pace of change has been slow, particularly in earlier years. There are signs that this pace is now picking up, with improvements made in 2014 in management capacity and governance arrangements. But many of the projects within Transforming Angus date back to 2012, and are not expected to deliver full year-on-year benefits until 2017 or 2018 or, in some cases, 2020 (Exhibit 5).

Exhibit 5

Progress of Transforming Angus (TA) projects – January 2016

TA portfolio initiative	Programme or project	Stage	Net savings ¹ (£m)	Completion date ²
Angus Digital	Angus Digital implementation	Accountability for specific workstreams has been allocated to individual boards to enable specific projects to be progressed.	TBI ³	March 2020
	Web estate			January 2016
	Information management and governance (2 workstreams)			December 2017
	Internal systems (2 workstreams)			September 2017
Improved customer experience	Channel shift (6 workstreams)	Project being developed to look at feasibility of increasing online payments and other alternatives.	TBI	April 2018
Improved business processes	Culture and Leisure trust	Leisure trust created December 2015.	2.6	January 2016
	Fleet project	Project ongoing.	TBI	July 2016
	Residual waste	Project ongoing.		September 2016
	Help to live at home (3 workstreams)	New work systems and rotas introduced April 2016. Further work ongoing to look at external market.	12.9	December 2017
	Passenger transport, including green fleet (3 workstreams)	Outline business case approved June 2015. Project ongoing.	4.2	March 2017
	Procurement review (4 workstreams)	Outline business case approved February 2016. Project ongoing.	8.6	December 2017
	Income, investment and growth	Project aims, objectives and potential savings being defined.	TBI	August 2019
Agile working	Agile working - school and other estates review	Outline business case approved December 2015. Work ongoing in council offices and schools.	9.7	September 2019

Notes:

1. Cumulative savings over the five year period up to and including 2020/21.

2. Date by which the project will be fully operational.

3. TBI – to be identified.

Source: Audit Scotland

Source: Angus Council

41. In our view, there are a number of factors contributing to this slow pace. There was some delay in obtaining the widespread support of elected members, with the formal approval of Transforming Angus not taking place until after the local government elections of 2012. There may also be a need for members to be more aware of the pace of change elsewhere and the achievements of other councils. In addition, until the appointment of a programme manager and external consultants, the council lacked management capacity to properly oversee this complex change programme. The scrutiny panel review of 2015 also identified a tendency for front-line managers to focus on short-term financial savings rather than the strategic changes needed to implement the various Transforming Angus projects.
42. There are signs that the pace of change is starting to increase and that Transforming Angus projects are beginning to contribute more significant savings. During 2016/17 the council expects the programme to provide £1.8 million of savings, with this steadily increasing in subsequent years. However, the success of Transforming Angus is central to the council's financial strategy and its desire to minimise the level of service reductions, as plans are for it to provide around two-thirds of the £26.5 million of savings needed over the next three years. Elected members and senior managers will need to continue to show strong leadership to help ensure that the various projects are fully completed and deliver the required savings within planned timescales.

Conclusion

43. The council has made progress since the Accounts Commission issued its findings on the Best Value report in May 2010. In particular, it has:
- Established revised political management arrangements that have helped strengthen scrutiny.
 - Improved the support provided to elected members, particularly through member-officer groups and private briefings.
44. The council has also established Transforming Angus, a major change programme that aims to modernise its business processes and deliver significant savings. This represents a significant shift in its organisational culture. The council faces significant financial challenges over the next few years. There is now a shared understanding, between elected members and between senior officers, that the council needs to modernise its business processes and generate significant savings in a manner that minimises the impact on services and communities.
45. The early stages of Transforming Angus have led to important changes in the organisational culture of the council. A new streamlined management structure has been accompanied by a more outward-looking and corporate approach. Communication with staff has improved through initiatives such as a Leadership Forum, helping to develop a shared vision of how the council needs to change and to help encourage greater delegation.
46. The council has now started to implement a series of projects aimed at changing the way it delivers services. The pace of change has been slow, particularly in earlier years. But there are signs that this pace is now picking up, with improvements made in 2014 in management capacity and governance arrangements. A culture and leisure trust was set up in late 2015 and changes have recently been made in adult home care services. But it needs to increase the pace of change. Many of the change projects within Transforming Angus represent developments that have already been carried out by other councils over the past decade. Four years after the core elements were identified, most projects are still at a relatively early stage with many not due to deliver full year-on-year benefits until 2020. There is also still a need for a further £11.3 million of savings to be approved.
47. In addition, the council needs to:
- Build on the progress made in supporting elected members to further develop:
 - more open and transparent forms of scrutiny,
 - a greater focus on priorities in service performance,
 - increased awareness of approaches being taken in other councils.
 - Provide a more coherent approach to performance management, which helps prioritise areas for improvement and helps elected members scrutinise effectively.

- Ensure that improvements are made to its budgeting processes to help deliver better use of its resources.
- Develop more detailed workforce plans, linked to ongoing projects and service reviews and other key strategies.
- Ensure appropriate management capacity is in place once current external support ends and that ongoing leadership development activity is effective.