

**448<sup>th</sup> meeting of the Accounts Commission for Scotland**  
**Thursday 9 August 2018, 11.15am**  
**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 15 and 16 in private (\* see note).
4. **Minutes of meeting of 7 June 2018**
5. **Minutes of meeting of Performance Audit Committee of 14 June 2018.**
6. **Audit Scotland Board update:** The Commission will consider a verbal report by the Chair and Secretary to the Commission.
7. **Update report by the Secretary to the Accounts Commission:** The Commission will consider a report by the Secretary to the Commission on significant recent activity in relation to local government.
8. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit providing an update on his recent activity.
9. **Commission meeting arrangements 2019:** The Commission will consider a report by the Secretary to the Commission.
10. **Briefing: Housing:** The Commission will consider a draft report by the Director of Performance Audit and Best Value.
11. **Briefing: Rural issues:** The Commission will consider a draft report by the Director of Performance Audit and Best Value.
12. **Briefing: Engaging with young people:** The Commission will consider a draft report by the Director of Performance Audit and Best Value.
13. **New financial powers update:** The Commission will consider a draft report by the Director of Performance Audit and Best Value.
14. **Audit of Best Value: Glasgow City Council:** The Commission will consider a report by the Controller of Audit.  
***The following items are proposed to be considered in private:\****
15. **Audit of Best Value: Glasgow City Council:** The Commission will consider the actions that it wishes to take.
16. **Commission business matters:** The Commission will discuss matters of interest.

\* It is proposed that items 15 and 16 be considered in private because:

- Item 15 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 16 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

The following papers are enclosed for this meeting:

<b>Agenda Item</b>	<b>Paper number</b>
<b>Agenda Item 4:</b> Minutes of meeting of 7 June 2018	AC.2018.7.1
<b>Agenda Item 5:</b> Minutes of meeting Performance Audit Committee of 14 June 2018	AC.2018.7.2
<b>Agenda Item 6:</b> Report by Secretary to the Commission	AC.2018.7.3
<b>Agenda Item 7:</b> Report by Secretary to the Commission	AC.2018.7.4
<b>Agenda Item 9:</b> Report by Secretary to the Commission	AC.2018.7.5
<b>Agenda Item 10:</b> Report by Director of Performance Audit and Best Value	AC.2018.7.6
<b>Agenda Item 11:</b> Report by Director of Performance Audit and Best Value	AC.2018.7.7
<b>Agenda Item 12:</b> Report by Director of Performance Audit and Best Value	AC.2018.7.8
<b>Agenda Item 13:</b> Report by Director of Performance Audit and Best Value	AC.2018.7.9
<b>Agenda Item 14:</b> Report by Controller of Audit	AC.2018.7.10

**MEETING: 9 AUGUST 2018**

**MINUTES OF PREVIOUS MEETING**

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Minutes of the 447<sup>th</sup> meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 7 June 2018, at 10.15am

**PRESENT:** Graham Sharp (Chair)  
Sandy Cumming  
Alan Campbell  
Sophie Flemig  
Ronnie Hinds  
Tim McKay  
Stephen Moore  
Pauline Weetman  
Geraldine Wooley

**IN ATTENDANCE:** Paul Reilly, Secretary to the Commission  
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)  
Carol Calder, Senior Manager, PABV [Item 8]  
Anne Cairns, Audit Manager, Professional Support Team [Item 13]  
Angela Canning, Assistant Director, PABV [Item 13]  
Carol Hislop, Senior Audit Manager, Audit Services Group (ASG) [Items 9 and 10]  
Leigh Johnston, Senior Audit Manager, PABV [Items 9, 10 and 12]  
Fiona Kordiak, Director of Audit Services [Item 13]  
Zahrah Mahmood, Lead Senior Auditor, ASG [Items 9 and 10]  
Fiona Mitchell-Knight, Assistant Director, ASG [Items 9 and 10]  
Ronnie Nicol, Assistant Director, PABV [Item 8]  
Dharshi Santhakumaran, Audit Manager, PABV [Item 12]  
Rebecca Smallwood, Senior Auditor, PABV [Item 14]  
Claire Sweeney, Associate Director, PABV [Items 11 and 12]

Item No    Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 10 May 2018
5. Audit Scotland Board update
6. Update report by the Secretary to the Accounts Commission
7. Update report by the Controller of Audit
8. Local government overview report: impact and approach for 2019
9. Best Value Assurance Report: West Dunbartonshire Council
10. Best Value Assurance Report: West Dunbartonshire Council
11. Strategic Scrutiny Group Update
12. Performance audit – draft report: Children and young people’s mental health
13. National Fraud Initiative
14. Scottish Government and CoSLA Consultation: Early learning and childcare service model for 2020: draft response
15. Commission business matters

1. Apologies for absence

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

2. Declarations of interest

The following declarations of interest were made:

- Sandy Cumming, in item 14, since a close family member is employed in early learning and childcare policy.
- Geraldine Wooley, in item 13, as a member of Fife Joint Valuation Appeal Committee, in relation to references in the report to council tax fraud.

3. Decisions on taking business in private

It was agreed that the following items be taken in private:

- Item 10 require 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 11 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 12 proposes a draft audit report which the Commission is to consider in private before publishing.
- Item 13 proposes a draft report which the Commission is to consider in private before it is published.
- Item 14 is a draft response to a Scottish Government consultation on which the Commission may wish to discuss confidential policy matters.
- 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.

No business was notified by members for item 15 and thus the Chair advised that the item would not require discussion.

4. Minutes of meeting of 10 May 2018

The minutes of the meeting of 10 May 2018 were approved as a correct record, subject to:

- In relation to item 2, second bullet point, replacing “employed by East Ayrshire Council” with “resident in East Ayrshire”.
- In relation to item 8, first bullet point, replacing “Stephen Moore” with “Sophie Flemig”.

Arising therefrom, the Commission:

- In relation to item 8, eighth bullet point, noted advice from the Controller of Audit on the involvement of Capita in providing services for Scottish councils.
- In relation to items 10 to 12, noted advice from the Secretary that the Commission’s annual report, engagement plan progress report, updated strategy, and updated engagement plan were published on 7 June.

5. Audit Scotland Board update

The Commission noted a report by the Secretary providing an update on the business of the Audit Scotland Board.

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.

During discussion, the Commission:

- In relation to paragraph 64, in response to a query from Pauline Weetman, noted advice from the Controller of Audit that he would consider the application of the NAO report *Transformation guidance for audit committees* to audit work.
- In relation to paragraph 70, noted advice from Alan Campbell that he, as sponsor of the forthcoming impact report on roads maintenance, would consider how published Automobile Association impact figures feature in the impact report.
- In relation to paragraph 71, in response to a query from Geraldine Wooley, to note advice from the Secretary that he would clarify the country coverage of the Moore Stephens report on funding in the social care sector.

*Action: Secretary*

- In relation to paragraph 75, in response to a query from Stephen Moore, to note advice from the Secretary that he would clarify the recipients of the UK Government's funding commitment to the replacement and removal of unsafe cladding on council and housing association tower blocks.

*Action: Secretary*

Following discussion, the Commission noted 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.

Following discussion, the Commission noted the update.

8. Local government overview report: impact and approach for 2019

The Commission considered a report by the Director of PABV providing a summary of the initial impact of the two local government overview reports published during 2017/18, *Local government in Scotland: Financial overview 2016/17*, and *Local government in Scotland: Challenges and performance 2018*; and inviting the Commission to consider the development of overview reporting for 2019 and beyond.

Following discussion, the Commission:

- Noted the initial impact of the overview reports in 2017/18.
- Noted advice from the Director and Secretary, in response to a query from Sophie Flemig, that further work is ongoing in relation to improving the

approach to gauging impact of the overview and other audit work, progress of which would be reported to the Commission's committees.

- Agreed, in addition to the focus areas set out in paragraph 28 of the report, and in relation to points raised by various members, that the following be considered in the development of overview reports:
  - Addressing matters associated with non-domestic rates.
  - Increasing the focus on the funding distribution mechanism.
  - Considering the relationship between population patterns and funding distribution.
  - Focusing more on workforce management issues, such as the role of staff input and feedback.

*Action: Director of PABV*

- Agreed the proposed approach to overview reporting in the future, including timescales for 2018/19.

*Action: Director of PABV*

- Agreed that the Commission, rather than its committees, consider the scope and emerging messages for both overview reports.

*Action: Director of PABV*

- Agreed further in this regard that the Commission, in considering scope and draft report, consider in more depth how to convey messages in the reports to stakeholders.

*Action: Secretary and Director of PABV*

9. Best Value Assurance Report: West Dunbartonshire Council

The Commission considered a report by the Secretary to the Commission presenting the Controller of Audit's Best Value Assurance Report on West Dunbartonshire 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.

10. Best Value Assurance Report: West Dunbartonshire Council [private]

The Commission discussed how to proceed in relation to the statutory report by the Controller of Audit on the Best Value Assurance Report of West Dunbartonshire Council.

Following discussion, the Commission agreed to make findings, to be published on 28 June 2018.

*Action: Secretary*

11. Strategic Scrutiny Group update [private]

The Commission considered a report by the Director of PABV updating the Commission on the work of the Strategic Scrutiny Group (SSG).

Following discussion, the Commission agreed:

- To note the update on the work of the Strategic Scrutiny Group

- To advise councils and ministers in early course of the progress and current position as set out in the report.

*Action: Secretary and Director of PABV*

12. Performance audit – draft report: Children and young people’s mental health [private]

The Commission considered a report by the Director of PABV seeking approval of the draft performance audit report *Children and young people’s mental health*, 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, Sheila Gunn and Geraldine Wooley.
- To approve the publication and promotion arrangements for the report.

*Actions: Director of PABV and Secretary*

13. National Fraud Initiative [private]

The Commission considered a report by the Director of Audit Services on the 2016/17 National Fraud Initiative exercise, presented to the Commission for comment.

Following discussion, the Commission agreed:

- To note the draft report of the 2016/17 NFI exercise.
- To note the proposed publication arrangements.
- To promote the messages in the report to stakeholders including the Local Government and Communities Committee.
- Further in this regard and in particular promote with councils the following:
  - The benefits of the optional data matching exercise in relation to social care payments in relation to deceased customers.
  - The good practice case study in relation to duplicate and erroneous payments to creditors.
  - The benefits of audit committee consideration of the results of the external auditor review of NFI arrangements, particularly the relatively poor and deteriorating performance of local government in comparison to other sectors.

*Action: Director of ASG and Secretary*

14. Scottish Government Consultation: Early learning and childcare service model for 2020: draft response

The Commission considered a report by the Secretary to the Commission presenting a proposed draft response from the Commission on the Scottish Government and COSLA consultation paper ‘A blueprint for 2020: the expansion of early learning and childcare in Scotland - early learning and childcare service model for 2020’.

Following discussion, the Commission agreed the terms of the response, to be



made by Audit Scotland on behalf of the Commission and the Auditor General, subject to the response reflecting the points raised in discussion.

*Action: Director of PABV and Secretary*

15. Commission business matters

The Chair, having advised that there was no business for this item, closed the meeting.

**MEETING: 9 AUGUST 2018**

**REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION**

**AUDIT SCOTLAND BOARD UPDATE**

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## **Purpose**

1. This report provides an update on the business of the Audit Scotland Board.

## **Background**

2. Audit Scotland is established in statute to “provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions”.<sup>1</sup>
3. Audit Scotland (i.e. its Board) consists of the Auditor General, the Chair of the Commission, and three other members.<sup>2</sup> These three members, including a Chair, are appointed by the Scottish Commission for Public Audit.<sup>3</sup>
4. As well as being a member of Audit Scotland’s Board, the Commission Chair is also a member of its two committees, the Audit Committee and the Human Resources and Remuneration Committee.
5. In *Public Audit in Scotland*<sup>4</sup>, the Commission, the Auditor General and Audit Scotland set out how they together deliver public audit in Scotland. They state that “by working together and each fulfilling our distinct roles, the Auditor General, the Accounts Commission and Audit Scotland will ensure a strong system of public audit works to support transparency and promote improvement in the performance of public bodies.”
6. To this end, the Commission at its meetings considers for its interest the business of Audit Scotland Board.

## **Current Board business**

7. This report provides the Commission with the latest available minutes from meeting of the Audit Scotland Board, in this case the meeting of 2 May 2018. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 6 June 2018, but the minute of this meeting is not yet publicly available as it is yet to be ratified by the Board. This will be available after the next Board meeting on 22 August 2018 and considered by the Commission thereafter.

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<sup>1</sup> Public Finance and Accountability (Scotland) Act 2000, Section 10(3).

<sup>2</sup> Public Finance and Accountability (Scotland) Act 2000, Section 10(2).

<sup>3</sup> The Scottish Commission for Public Audit was established under Section 12 of the Public Finance and Accountability (Scotland) Act 2000 and is made up of 5 MSPs. Its main areas of responsibility are to (a) examine Audit Scotland’s proposals for the use of resources and expenditure and report on them to the Parliament; (b) appoint an auditor to audit the accounts of Audit Scotland; (c) lay these accounts and auditor’s report before the Parliament; and (d) appoint three of the five members of Audit Scotland’s Board, including its Chair.

<sup>4</sup> *Public Audit in Scotland*, Accounts Commission, Auditor General and Audit Scotland, May 2015.

9. The Commission has agreed however that the agenda for the most recent Board meeting be provided (even if the minute is not yet available). The agenda is attached in Appendix 2. The Chair will provide a verbal update on any relevant business for members' interest, and invites questions from members to this end.

### **Conclusion**

10. The Commission is invited to consider this update for its interest and seek further information from the Chair as appropriate.

**Paul Reilly**  
**Secretary to the Commission**  
**1 August 2018**

# Minutes



Wednesday 2 May 2018, 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

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## **Present:**

I Leitch (Chair)  
C Gardner  
G Sharp  
H Logan  
R Griggs

## **Apologies:**

None

## **In attendance:**

D McGiffen, Chief Operating Officer  
M Walker, Assistant Director, Corporate Performance and Risk  
M Taylor, Assistant Director, Audit Services (item 9)  
R Seidel, Audit Manager, Performance Audit and Best Value (item 9)  
M Roberts, Senior Manager, Performance Audit and Best Value (item 9)  
F Mitchell-Knight, Assistant Director, Audit Services (item 10)  
A Clark, Assistant Director, Performance Audit and Best Value (item 11)  
F McKinlay, Assistant Director, Performance Audit and Best Value (item 12)  
T Meldrum, Senior Auditor, Performance Audit and Best Value (item 12)  
A Devlin, Corporate Governance Manager (item 13)  
J Webber, Senior Executive Assistant

## **1. Welcome and apologies**

The Chair welcomed members and attendees to the meeting of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Monday 30 April 2018.

## **2. Declarations of interest**

There were no declarations of interest.

## **3. Decision on items to be taken in private**

The members agreed that item 18 the draft Corporate Plan would be considered in private as it is intended for future publication.

## **4. Chair's report**

Ian Leitch provided a verbal update on meetings with Diane McGiffen and Caroline Gardner on general business matters.

The members welcomed the update.

## **5. Accountable Officer's report**

Caroline Gardner advised the Board of a busy period for parliamentary engagement which included evidence sessions with the Public Audit and Post Legislative Scrutiny (PAPLS)

Committee on NHS Tayside. Caroline advised that she and Mark Taylor were giving evidence to the Social Security Committee on Thursday 3 May and invited members to note forthcoming events being hosted by the Budget Process Review Group.

Caroline also advised of the forthcoming publication of the early learning and childcare report, two section 22 reports on New College Lanarkshire and Edinburgh College and the Colleges Overview report.

Caroline advised she was taking part in a meeting of the Scottish Parliament's Women's Development network and was speaking at a conference of the College Development Network on 15 May 2018.

Caroline invited the Board to note the forthcoming recruitment campaign primarily for the new financial powers and social security work and to note the comparison for Audit Scotland in the gender median pay gap report published on 30 March 2018, reflecting the commitment to fairness and gender balance across the organisation.

Following discussion, the Board welcomed the update.

## **6. Accounts Commission Chair's report**

Graham Sharp advised the Board that the Accounts Commission had considered the forward programme of performance audit work and had heard from the Improvement Service on the Local Government benchmarking framework at its meeting on 12 April 2018. At that meeting the Commission had a useful session on the strategic planning priorities for Audit Scotland led by Diane McGiffen, a report on the how council's work programme and a report on the principles of effective scrutiny.

Graham advised of a forthcoming meeting with Dundee City Council on a recent statutory report and that the May Accounts Commission meeting will consider two Best Value reports, review the draft annual quality report and discuss the Commission's strategic priorities.

Graham updated the Board on the recruitment of new Commission members.

The Board welcomed the update.

## **7. Review of minutes**

### **Board meeting, 28 March 2018**

The Board considered the minutes of the meeting of 28 March 2018, which had been previously circulated, and agreed these were an accurate record of the meeting, subject to the insertion of 'benchmarking' in the reference to the Local Government Benchmarking Framework at item 6, and the correction of the reference to the 2018/19 proposed operational budget at item 9.

## **8. Review of actions tracker**

The Board noted the updates provided by the action tracker. The Chair asked for clarification in relation to actions ASB66 and ASB71 and Martin Walker, Assistant Director, Corporate Performance and Risk, confirmed both actions related to the report at item 10 of the agenda.

## **9. New financial powers and constitutional change update**

*Mark Taylor, Assistant Director, and Rebecca Seidel, Audit Manager and Mark Roberts, Senior Manager, joined the meeting.*

Mark Taylor, Assistant Director introduced the New Financial Powers and Constitutional Change report, which had been previously circulated.

Mark advised the Board that Audit Scotland was building capacity for the additional work on new financial powers with two teams established for auditing social security and public financial

management. Mark also welcomed Mark Roberts to the team and advised that he would be leading on work relating to EU withdrawal.

Mark advised that the Social Security Bill had passed through Parliament and the Audit and Accountability Framework (AAF) remained under development by the UK and Scottish governments.

Russel Griggs asked how Audit Scotland would interface with the Department of Work and Pensions (DWP), noting the respective responsibilities of Audit Scotland and the National Audit Office (NAO). Mark advised that the draft AAF set out the basis of what would be reported and will include elements of devolved social security, including the extent of interaction with DWP. He advised that an appropriate AAF would be needed to ensure the audit could operate effectively in such areas, and that a Memorandum of Understanding with the NAO covers Scottish Income Tax arrangements.

The Board discussed other aspects of the report and Rebecca Seidel advised the Board of engagement with Committee clerks and the Scottish Parliament's Information Centre (SPICe) on the revised budget process, with drop-in sessions for MSPs and workshops on offer. She provided assurance about handling potential conflicts of interest.

The Board reflected on the work underway, the challenges around resources, skills and timing and Russel Griggs asked whether there were any in-year budget implications. Diane McGiffen advised that there were no in-year budget implications, the budget for the new financial powers work had been reviewed as part of the longer term workforce planning which had also identified opportunities for ongoing learning and development as well as upskilling.

Following discussion, the Board noted the work underway and welcomed the update.

*Mark Taylor, Rebecca Seidel and Mark Roberts left the meeting.*

## **10. Review of the new approach to auditing best value**

*Fraser McKinlay, Director, and Fiona Mitchell-Knight, Assistant Director, joined the meeting.*

Fraser McKinlay, Director of Performance Audit and Best Value introduced the Review of the new approach to auditing best value report, which had previously been circulated.

Fraser invited the Board to note the Review of the approach to best value was to ensure the approach was fit for purpose and met the Accounts Commission's objectives. Fraser invited Fiona Mitchell Knight to summarise the report.

Fiona Mitchell Knight invited the Board to note the review was to ensure the work took a risk-based approach and was proportionate in order to provide assurance to the Accounts Commission about best value across all 32 councils.

Graham Sharp advised that the Commission recognise that best value audit is a substantial task with good progress made in year one of the new approach and that further development areas had been identified, including ongoing Commission engagement events with local government. Fiona advised of work underway to update audit manuals and issue guidance notes for auditors.

Heather Logan welcomed the report and asked how development actions were being monitored. Fiona Mitchell Knight advised of active monitoring of local risks through the audit plans and by the working groups which in turn forms part of the annual assurance to the Commission. Graham Sharp explained the role of the Local Government Benchmarking Framework in the context of the statutory performance indicators that the Accounts Commission prescribes.

The Chair welcomed the report and asked how the increase in work required had been managed. Fraser McKinlay advised that there had been an increased resource requirement in year one of the new approach and that this had been managed within existing resources using colleagues involved in the local audit team and colleagues from across Performance Audit and Best Value and that resource needs were expected to reduce over the five year audit

appointment. Fraser also advised that the best value audit work provided valuable context for financial reporting which in turn provided wider scope assurance to the Accounts Commission.

Following discussion, the Board welcomed the report.

*Fiona Mitchell-Knight left the meeting*

## **11. Work programme and publication schedule**

*Antony Clark, Assistant Director, joined the meeting.*

Antony Clark, Assistant Director, Performance Audit and Best Value, introduced the work programme and publication schedule report, which had previously been circulated and which had been jointly agreed by the Auditor General for Scotland and the Accounts Commission and which is refreshed each year.

Russel Griggs asked whether the schedule was likely to change in light of the new financial powers coming to Scotland. Antony advised that the schedule is designed to provide some flexibility to adapt and respond to changing needs.

Heather Logan noted the openness and transparency briefing due to be published in May and asked whether public bodies were retaining an appropriate focus on this area. Antony advised that every annual audit reports on governance and that supplementary audit guidance would be issued as part of the annual planning guidance to auditors.

Caroline Gardner advised that the process around the work programme and publication schedule was much more robust, building on the extensive programme development work and based on the strategic priorities of the Auditor General and Accounts Commission.

Following discussion, the Board welcomed the report.

*Antony Clark left the meeting.*

## **12. Engagement with young people**

*Tricia Meldrum, Senior Auditor, joined the meeting.*

Tricia Meldrum, Senior Auditor, Performance Audit and Best Value, introduced the Engagement with young people report, which had previously been circulated.

Tricia Meldrum invited the Board to note the continued work with young people and specifically the benefits this can bring to audit work.

The Board were keen to explore how the engagement informed programme development, audit scoping and the audit work and the added value it brought to the process and audit reports. Tricia advised that the engagement formed part of a broader engagement, which focussed on ensuring that the audits covered areas of interest to and sought views from 'hard to reach' groups, with a view to supporting diversity and equality. Diane McGiffen advised that the work also supported Audit Scotland's commitment to the Year of Young People 2018.

Following discussion, the Board welcomed the report.

*Fraser McKinlay and Tricia Meldrum left the meeting.*

## **13. Data protection policy**

*Alex Devlin, Corporate Governance Manager, joined the meeting*

Alex Devlin, Corporate Governance Manager, introduced the data protection policy, which had previously been circulated.

Alex advised the Board that the date of implementation of the new data protection act was still to be announced while the requirements for GDPR came into effect from 25 May 2018. He invited the Board to approve the updated policy.

The Chair asked Alex to email Board members the link to the updated e-learning package and encouraged members to complete these before the end of May.

The Board discussed the lawful reason for processing personal information as part of audit work and approved the policy.

**Action:**                **Alex Devlin to send members the link to the updated e-learning package. (May 2018)**

*Alex Devlin, Corporate Governance Manager, left the meeting*

#### **14. Information security management policy**

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Information security management policy report, which had been previously circulated.

The Board was invited to approve the policy which had been updated to reflect changes for GDPR and following discussion, the Board approved the policy.

#### **15. Any other business**

Diane McGiffen provided a verbal update on pay negotiations, confirming that PCS had balloted its members and the results were expected on 9 May 2018.

#### **16. Review of meeting**

The members agreed that there had been a varied and comprehensive agenda with full discussion on the various reports and the Chair thanked everyone for their contribution.

#### **17. Date of Next Meeting**

It was noted that the next Audit Scotland Board meeting was scheduled for 11.30am on Wednesday 6 June 2018 in the offices of Audit Scotland, 102 West Port, Edinburgh.

*The Board then moved into private session.*

### **Items taken in private**

#### **18. Corporate plan 2018-21**

Martin Walker, Assistant Director, Corporate Performance and Risk, introduced the Corporate Plan 2018-21 report, which had been previously circulated.

Martin invited the Board to review and approve the Corporate Plan 2018-21 for publication.

The Board discussed and agreed a number of amendments to provide more emphasis in a number of areas including, audit quality, the expansion of the support for the Accounts Commission, the potential inclusion of KPIs, the work to support external engagement, independence and the overall value of audit as part of the Public Audit model in Scotland.

Following discussion, the Board approved the 2018-21 Corporate Plan subject to amendments which would be circulated by email for final approval.

**Action:**                **Martin Walker to circulate the amended 2018-21 Corporate Plan for approval by correspondence. (May 2018)**



# Agenda

Wednesday 6 June 2018, 11.30am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

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1. Welcome and apologies
  2. Declarations of interest
  3. Decision on items to be taken in private For approval
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## Standing items

4. Chair's report – verbal update
  5. Accountable Officer's report – verbal update
  6. Accounts Commission Chair's report – verbal update
  7. Review of minutes:
    - Board meeting, 2 May 2018 For approval
    - Audit Committee, 14 March 2018 For information
  8. Review of action tracker For information
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## Business performance

9. Q4 Financial performance report For information
  10. Q4 Corporate performance report For information
  11. Q4 Becoming world class improvement programme For information
  12. Data Protection update For information
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## Governance

13. 2017/18 Annual report on freedom of information and environmental information For approval
14. 2017/18 Annual report on complaints For approval
15. 2017/18 Annual report from the Chair of the Audit Committee For approval
16. 2017/18 Annual report from the Chair of the Remuneration and Human Resources Committee For approval
17. 2017/18 Governance statement on internal control and certificate of assurance For approval

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|--|--------------|
| 18. Policy on the provision of non-audit services by Audit Scotland's external auditor | For approval |
| 19. Any other business   |              |
| 20. Review of meeting  |              |
| 21. Date of next meeting: 22 August 2018   |              |
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### **Items to be taken in private**

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#### **Governance continued**

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| 22. 2017/18 Annual report on Audit quality<br>[Item to be taken in private to support the effective conduct of business –<br>information intended for future publication]      | For approval |
| 23. 2017/18 Annual report on International work<br>[Item to be taken in private to support the effective conduct of business –<br>information intended for future publication] | For approval |
| 24. 2017/18 Draft annual report and accounts<br>[Item to be taken in private to support the effective conduct of business –<br>information intended for future publication]    | For approval |

MEETING: 9 AUGUST 2018

REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION

UPDATE REPORT

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## Introduction

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

## Commission business

### *Publications:*

4. On 7 June, the Accounts Commission published its [strategy and annual action plan 2018-23](#). This sets out the Commission's working context, strategic audit priorities, and actions over the coming year.
5. On 7 June, the Accounts Commission published its [annual report 2017/18](#). It contains a summary of the reports that the Accounts Commission has published during the year. It also reports on other work undertaken by the Commission and a [report of progress](#) of actions that were committed to in the annual action plan 2016/17.
6. On 7 June, the Accounts Commission published its [engagement strategy and plan 2018/19](#). The strategy identifies stakeholders, the reasons why the Commission engages with them, and the methods and channels used for engagement.
7. On 7 June, the Commission published its [engagement plan progress report](#), setting out progress against its action plan of 2017/18.
8. On 28 June, the Accounts Commission published [Best Value Assurance Report: West Dunbartonshire Council](#). The Commission found that there has been a steady improvement in service performance in the council, particularly in priority areas in housing and educational attainment. It also found that the council's projected budget gap will necessitate continuing changes in how it delivers its services. Commission members Ronnie Hinds (Deputy Chair), Sophie Flemig and Geraldine Wooley will meet the council to discuss the report on 7 August.
9. On 27 June, the Accounts Commission and the Auditor General published their impact report [Maintaining Scotland's roads: a follow-up report](#). In their findings, they report

some good progress in operational areas, such as continuing improvements in roads asset management processes, benchmarking, and shared efforts to address workforce and training pressures. They also found that there has been no notable change in the proportion of roads in acceptable condition since publication of the last audit in August 2016. The Chair is to write to councils advising of the key messages in the report.

10. Audit Scotland collects [media coverage](#) on all the reports published by the Accounts Commission. Audit Scotland also provides a weekly summary of the [key media stories regarding local government](#). Both are available through Audit Scotland SharePoint, on the Accounts Commission Members' Extranet.
11. The download statistics of the reports published over the last 12 months (as at 20 July) are set out in the **Appendix**.

***Other business:***

12. At the Commission meeting on 10 May 2018, the Commission agreed that thought should be given as to how to make supplementary planning guidance more accessible to Commission members and the public. Audit Director Gordon Smail advises that supplementary guidance for auditors on openness and transparency and on EU withdrawal are now available on Audit Scotland's website. Audit Scotland is now taking forward the development of annual planning guidance for the 2018/19 audits.
13. On 30 May, the Local Government and Communities Committee took evidence on [Local Government in Scotland: Challenges and Performance 2018](#). Graham Sharp, Chair, Accounts Commission and Fraser McKinlay, Controller of Audit gave evidence, as well as Ronnie Nicol, Assistant Director of Performance Audit and Best Value, and Ashleigh Madjitey, Auditor, Performance Audit and Best Value, Audit Scotland. The committee also took evidence on the Commission performance audit report [Councils' Use of Arm's Length Organisations](#). Graham Sharp, Fraser McKinlay, and Ronnie Nicol gave evidence, as well as Derek Hoy, Auditor, Performance Audit and Best Value, Audit Scotland.
14. At the Commission meeting on 7 June, I advised that I would clarify the country coverage of the [Moore Stephens report](#) on funding in the social care sector. I can confirm that the report covers the whole of the UK.
15. At the Commission meeting on 7 June, I advised that I would clarify the recipients of the [UK Government's funding commitment](#) to the replacement and removal of unsafe cladding on council and housing association tower blocks. I can confirm that this funding is for the social housing sector in England.
16. On 12 June, Commission members Ronnie Hinds (Deputy Chair), Stephen Moore, and Sheila Gunn, along with Secretary to the Commission Paul Reilly and Pat Kenny, appointed auditor and director of Deloitte, visited East Ayrshire Council to discuss the [East Ayrshire Council Best Value Assurance Report \(BVAR\)](#) and the Commission's findings, published on 29 May, with elected representatives of the council.
17. On 28 June, East Ayrshire Council formally considered and accepted the recommendations in the BVAR.
18. On 18 June, Commission members Graham Sharp (Chair), Sandy Cumming, Tim MacKay, and Audit Scotland Audit Director and appointed auditor Brian Howarth visited Fife Council to discuss the [Fife Council Best Value Assurance Report \(BVAR\)](#) and the Commission's findings, published on 24 May, with elected members of the

council. Some of the main points of discussion were: tackling inequality in Fife; the biggest risks facing the council; and community empowerment.

19. On 28 June, Fife Council's chief executive presented a report on the BVAR to the council, which accepted the recommendations in the BVAR and the chief executive's report.
20. On 10 July, the Scottish Government announced the [appointment of four new members of the Accounts Commission](#). They are Andrew Burns, Andrew Cowie, Sharon O'Connor, and Christine Lester. Andrew Cowie and Andrew Burns' appointments will run from 1 August 2018 to 31 July 2022. Sharon O'Connor's appointment will run from 1 October 2018 to 30 September 2022, and Christine Lester's appointment will run from 1 January 2019 to 31 December 2022.
21. The Chair advises that he has asked Andrew Burns to be a member of the Financial Audit and Assurance Committee and Andy Cowie to be a member of the Performance Audit Committee.
22. The Scottish Government has confirmed that Commission members will receive a two per cent uplift in daily fees for 2018/19, which is in line with Ministers' [Public Sector Pay Policy](#). Audit Scotland has confirmed that an appropriate provision has been made in the 2018/19 budget and is thus affordable.

#### **Auditor General for Scotland**

23. On 31 May, the Auditor General published [Scottish Fire and Rescue Service: an update](#). The report found that the Scottish Fire and Rescue Service continues to deliver emergency and prevention services while progressing a complex and ambitious programme of reform.
24. On 11 June, the Auditor General published [Modern Apprenticeships – Impact report](#). The report found that Skills Development Scotland (SDS) administered modern apprenticeships well, although this was complex for various reasons, including the number of organisations involved and the uncertainty of employer demand.
25. On 2 August, the Auditor General published a report on the [Forth Replacement Crossing](#). The report found that Transport Scotland's management of the Forth Replacement Crossing project delivered value for money but a clearer plan is needed to measure its wider benefits.

#### **Audit Scotland**

26. In June, the Improvement Service and NHS Health Scotland, with the support of Audit Scotland staff, Senior Auditor Claire Richards and Auditor Aileen Campbell, published a report on their [review of Local Outcome Improvement Plans \(LOIPs\)](#). This review was conducted in response to a request from the Outcomes, Evidence and Performance board. The Improvement Service states that the report findings provide a basis from which the Improvement Service, working with relevant stakeholders, will commit to work with Community Planning Managers and partner organisations to continue to develop and deliver appropriate support for Community Planning Partnerships.
27. On 30 May, Audit Scotland published its [correspondence and whistleblowing annual report 2017/18](#). It reports that there were over 300 correspondence cases in 2017/18, which include 136 new issues of concern. 95 per cent of these were about public bodies audited by Audit Scotland; 58 per cent were about local government bodies,

and a third of these were about councils. A fifth of all concerns were whistleblowing disclosures. The Accounts Commission's Financial Audit and Assurance Committee consider correspondence intelligence on a six-monthly basis and will do so at its next meeting on 27 September.

28. On 15 June, Audit Scotland published its [international work annual report 2017/18](#). Some of the highlights of the year include visits from seven international audit institutions; joining the Organisation for Economic Co-operation and Development Auditors Alliance; speaking at the IMPACT conference in Australia in March, and deploying an international dimension to digital audit work.
29. On 3 July, the Chartered Institute of Public Finance and Accountancy (CIPFA) held the first meeting of a stakeholder group to oversee the development of a financial management code. Audit Scotland Director of Audit Services Fiona Kordiak is one of three Scottish members. The other Scottish members are Vicki Bibby from COSLA and Derek Yule from the Highland Council. The code is intended to cover UK local authority bodies. Development of the Code will be reported to the Financial Audit and Assurance Committee.
30. On 4 July, the Scottish Government opened a [consultation on a consumer body for Scotland](#). The purpose of this consultation is to gather views from stakeholders on the proposed powers and functions of a new consumer body, called Consumer Scotland. The consultation closes 28 September. It is proposed that the Commission consider a draft response on 13 September.
31. On 5 July, Audit Scotland published its [National Fraud Initiative \(NFI\) report](#). Audit Scotland Manager Anne Cairns has been promoting the report. She delivered a presentation at MacKay Hannah's event on 'Public sector fraud in Scotland, promoting good practice and preventing losses', and at the CIPFA national conference in Bournemouth. She has engagement events planned in the autumn with NFI participating bodies. In addition, the Commission Chair is writing to all councils about the report.
32. On 13 July, Audit Scotland published a [data protection and performance review](#) for 2017-18. It includes findings and actions required from a physical security test conducted earlier in 2018.

## **Issues affecting local government**

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

33. On 22 May, the Scottish Government [opened its new £7.5 million Innovation Fund](#) to communities and charities that have new ideas to tackle child poverty. A scrutiny panel from across the public, private and third sector will provide advice to the panel on applications. Fraser McKinlay, Director of Performance Audit and Best Value is a member of the scrutiny panel.
34. On 31 May, the Scottish Government [published Scotland's Fiscal Outlook: The Scottish Government's Five Year Financial Strategy](#). The medium-term strategy is a key part of the revised Parliamentary budget process that has arisen out of the Budget Process Review Group.
35. On 19 June, the [Scottish Local Government Pension Scheme structural review](#) was launched. The consultation includes four options, and consultees are being asked to consider: the cost of investing; governance; operating risks; and infrastructure. This

will be considered further by the Financial Audit and Assurance Committee at its next meeting on 27 September.

36. On 22 June, the Deputy First Minister and Cabinet Secretary for Education and Skills, the Cabinet Secretary for Communities, Social Security and Equalities, and the COSLA President published a joint letter setting out the [process for the engagement phase for the Local Governance Review](#). The main purpose of the letter was to involve Scottish public sector leaders in a dialogue about how changes to how Scotland is governed can make the lives of Scotland's people better.
37. On 25 June, [Barclay Implementation: a consultation on non-domestic rates reform](#) was launched. The purpose of the consultation paper is to inform the Scottish Government's implementation of the accepted Barclay recommendations which require primary legislation. The consultation closes on September 17. It is proposed that neither the Commission nor Audit Scotland respond to the consultation. Audit Scotland will continue to monitor progress in this regard.
38. On 27 June, First Minister Nicola Sturgeon conducted a cabinet reshuffle. [Aileen Campbell is now the Cabinet Secretary for Communities and Local Government](#). Kevin Stewart will remain as the Minister in charge of Local Government, Housing and Planning.
39. On 11 July, the Scottish Government published its [terms of reference for the Scottish City Region Deal Delivery Board](#). It explains the Board should carry out its work with reference to best practice or recommendations made by Audit Scotland.

### **Scottish Parliament**

#### *General:*

40. On 15 June, the Futures Forum, the Scottish Parliament's Finance and Constitution Committee and the Royal Society of Edinburgh brought together a group of experts from throughout Scotland to consider [the long-term sustainability of Scotland's public finances](#). The group included Caroline Gardner, Auditor General. The seminar was part of Scotland's new budget process, which is designed to include a long-term outlook and focus more on prioritisation, addressing fiscal constraints and the impact of increasing demand for public services.
41. On 12 June, the Scottish Parliament Information Centre (SPICe) published [The Scottish Government's Five Year Financial Strategy](#). This briefing provides a summary and analysis of key elements of the Scottish Government's report Scotland's Fiscal Outlook: The Scottish Government's Five Year Financial Strategy (see paragraph 34) and the Scottish Fiscal Commission's latest set of economic and fiscal forecasts.
42. Information from the Scottish Parliament Information Centre (SPICe) in response to an enquiry from a MSP set out [figures](#) which appeared in the press on 4 July showing that [the amount councils pay private finance consortia for use of school buildings built under PFI schemes will rise to £434 million](#) in the new academic year, which is nearly ten per cent of councils' education budgets. The analysis, using data published by the Scottish Government and council budget information, did not include any commitments under the Non-Profit Distributing (NPD) model / Hub successors to PFI. It is worth noting that preliminary work has begun on the joint Commission / Auditor General performance audit on value for money of the NPD model (currently anticipated publishing in autumn 2019).



## ***Parliamentary Committee News***

### *Local Government and Communities Committee:*

43. On 13 June, the Committee took evidence in its inquiry on [City region deals](#) from Keith Brown, Cabinet Secretary for Economy, Jobs and Fair Work, Morag Watt, Head of Region and City Partnerships Team, and Marion McCormack, Head of Better Regulation and Enterprise Sponsorship, Scottish Government.
44. On 20 June, the Committee took evidence on Pre-Budget Scrutiny 2019-20: [Workforce planning](#) from Dave Watson, Head of Policy and Public Affairs, UNISON Scotland; Rebecca Marek, Parliamentary and Policy Officer, Coalition for Racial Equality and Rights; Sharon Dick, President, Society for Personnel and Development Scotland; Sara Tennant, Talent and Organisational Development Manager, North Lanarkshire Council, representing the Public Sector Network.
45. On 27 June the Committee considered its [work programme in private](#). I am currently liaising with the new clerk to the Committee on the contents of the work programme.

### *Public Audit and Post Legislative Scrutiny Committee:*

46. On 24 May, the Committee took evidence on the [2016/17 audit of NHS Tayside](#). The committee heard from a range of stakeholders including: Caroline Gardner, Auditor General; Claire Sweeney, Associate Director, Fiona Mitchell-Knight, Assistant Director of Audit, and Bruce Crosbie, Senior Audit Manager, Audit Scotland; and Shona Robison, Cabinet Secretary for Health and Sport, Scottish Government.
47. On 31 May, the Committee took evidence in a roundtable format from a range of stakeholders on [Post-legislative scrutiny Biodiversity and Biodiversity Reporting Duties](#).
48. On 7 June the Committee took further evidence on [Post-legislative scrutiny Biodiversity and Biodiversity Reporting Duties](#). The Committee also took evidence on the Auditor General for Scotland's reports entitled '[The 2016/17 audit of Edinburgh College](#)', and '[The 2016/17 audit of New College Lanarkshire](#)', from Caroline Gardner, Auditor General; Helen Russell, Senior Audit Manager, and Mark MacPherson, Senior Audit Manager, Audit Scotland; and Lucy Nutley, Director, Public Services Audit, Mazars.
49. On 14 June the Committee took evidence on the Auditor General for Scotland's report entitled '[Scottish Fire and Rescue Service – and update](#)' from Caroline Gardner, Auditor General for Scotland; Mark Roberts, Senior Manager, and Kathrine Sibbald, Audit Manager, Audit Scotland.

### *Finance and Constitution Committee:*

50. On 23 May the Committee took evidence from Derek Mackay, Cabinet Secretary for Finance and the Constitution on the [Scotland Act 2012 and 2016 Implementation Reports](#). The committee also agreed its [annual report for the parliamentary year from May 2017 to May 2018](#).
51. On 6 June the Committee took evidence from a range of stakeholders on: [Scotland's Economic and Fiscal Forecasts May 2018; Scottish Government Medium-Term Financial Strategy and Subordinate legislation](#).



*Other committees:*

52. On 11 June, the Economic Affairs Committee published its report '[Treating students fairly: the economics of post-school education](#)'. The report references the Auditor General's 2016 report on universities.

**COSLA**

53. In May, COSLA produced a report on [Universal Credit Full Service cost impacts on Scotland's Local Authorities](#). The report provides evidence on the additional cost impact on local authorities in Scotland of the rollout of the Universal Credit full service (UCFS).

**Improvement Service**

54. In May, the Improvement Service (IS) published [Scottish Local Authorities' Commissioning Approaches for Advice Services in 2017/18 and Onwards](#). The report details the findings of the Improvement Service's review of the commissioning approaches used for advice services across all Scottish local authorities. The review forms part of a series of publications by the IS to track local authorities' progress towards embedding the principles of the Framework for Public Funding of Advice, which was launched with ministerial support in 2015.
55. Discussions are ongoing with the Improvement Service to help facilitate workshops as part of the IS elected member development programme on the Accounts Commission's new approach to Best Value, covering why it is important to councillors and what they should be making sure is in place in their councils. IS will hold three workshops from November 2018, at which the Commission Secretary will do presentations. A live webinar will take place ahead of these sessions, which will help to gauge elected member awareness and increase the coverage of the event.
56. On 5 June, the Improvement Service [published its Business Plan 2018/19](#). The plan identifies three thematic challenges faced by its partners and members. These are: economic development; health and social care; and education. The business plan has committed to prioritising the provision of dedicated support to help councils in these priority areas.

**By-elections**

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

**Policy news**

58. On 13 June, the Scottish Government published results from the Annual Population Survey in the year to March 2018 showing that [employment in Scotland has reached record high levels](#). The statistics show that in 2017, 2.6 million people were in employment. This represents 74.3 per cent employment, and is the highest figure on record.
59. On 11 July, National Records of Scotland reported that [the number of households in Scotland rose to 2.46 million in 2017](#), which represents a six per cent increase in the past ten years. The growth in population is partly due to the rising population but also because people are increasingly living alone or with fewer other people.

### ***Other Scottish local government news***

60. On 1 June, research carried out at the University of Edinburgh on Scottish patients found that [a quarter of intensive care patients are readmitted to hospital shortly after returning home](#). It also found that around half of these returns could be avoided, and that reasons for readmittance included high levels of carer stress, difficulty in understanding social care packages and psychological trauma.
61. On 4 June, a report commissioned by the Edinburgh-based social enterprise Social Bite for the Homelessness and Rough Sleeping Action Group (HARSAG), found that [the number of homeless people living in hostels has increased by 43 per cent since 2010](#). 10,000 people live in temporary accommodation in Scotland every night.
62. On 19 June, [data published in the annual Scottish Government statistics](#) revealed that [the number of children living in temporary accommodation in Scotland has risen for the fourth year in a row](#). There were 557 more children living in temporary housing in 2017-18 than the previous year, and homelessness overall rose by one per cent during the same period.
63. On 2 July, the CEO of Scottish Care, Dr Donald Macaskill, said that the new [National Health and Social Care Standards](#) are [not sufficient to improve conditions for health and social care service users](#), arguing that the new standards will not make much difference to service users unless extensive changes are made to the way in which social care contracts are awarded.
64. On 9 July, the Accountant in Bankruptcy [published data](#) showing that [the number of people issued with warrants for council tax arrears has risen by nearly 40 per cent](#) in the last years. In total, 463,729 summary warranted notices were issued in 2016-17.
65. On 18 July, Citizens Advice Scotland published a report 'Delivering for Business: Scottish SMEs' use of postal services' which found that [a third of Small to Medium Enterprises \(SMEs\) have poor or variable broadband services](#). This figure rose to 45 per cent of small businesses in rural areas.
66. On 20 July, East Renfrewshire Council announced it is [trialling a using asphalt material containing recycled plastic to resurface roads](#). Testing has shown the material to be more resistant to rutting and cracking than traditional road coverings. If the trial is successful, the council plans to use waste plastic collected from households for other road resurfacing projects.
67. On 25 July, figures released by the [General Teaching Council of Scotland \(GTCS\) for 2018 showed a sudden drop in applicants from overseas](#), with a marked decrease in the number from European Union countries. Fourteen European Union teachers applied for GTCS registration between 1 January 2018 and 30 June 2018. In 2017, there were 186 applicants.

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

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

68. [The SPSO's Newsletter - July](#) outlines investigation reports, recent SPSO news and highlights emerging issues. More information on the SPSO's work, including detailed investigations and decision reports, is available on the [Our findings](#) webpage. The Commission's Financial Audit and Assurance Committee will consider more detailed intelligence from the SPSO on a six-monthly basis.

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

69. On 19 June, following an investigation, the Commissioner submitted a report to the Standards Commission for Scotland setting out his conclusion that [Councillor Anne Allan of Aberdeenshire Council has contravened the Councillor's Code of Conduct](#) by failing to register her non-financial membership of the Rediscover Peterhead Business Improvement District (BID) Steering group. The report incorporates Councillor Allan's comments on the Commissioner's conclusion.

### ***Standards Commission for Scotland***

70. On 29 June, the Commission published [Professional Briefing 18](#). This includes information about: advice for councillors on distinguishing between their strategic role and any operational work; and the commission's response to a consultation by the Committee on Standards in Public Life.
71. On 3 July, the Commission found Councillor Finlay Cunningham of Comhairle nan Eilean Siar Council [in breach of Paragraph 4.20](#) of the Councillor's Code of Conduct for not notifying the council of his 33% stake in a company, JRFC Properties, which he shares with two family members. The Commission decided to sanction him with censure.

### ***Care Inspectorate***

72. On 26 June, the Care Inspectorate announced that they will be [introducing new ways of inspecting care homes](#), starting in July. This will reflect Scotland's new Health and Social Care Standards. The biggest change is that a new [quality framework](#) for care homes for older people has been published. The framework uses a series of key questions to try to understand the impact on people experiencing care and support. Inspectors will provide an overall evaluation for the key questions that they inspect.
73. On 3 July, the Care Inspectorate published its [Joint inspection of adult support and protection review](#). This is the first time there has been independent scrutiny of adult support and protection in Scotland. The inspection used a sample of six representative partnerships across Scotland to find out what adult protection partnerships were doing to make adults at risk of harm safe, supported and protected and to ascertain the effectiveness of this activity. It found that overall, the partnerships inspected have made considerable progress with adult support and protection over the last 10 years.

### ***Scottish Housing Regulator***

74. On 29 July, the Scottish Housing Regulator published [Homelessness information on council websites: a review – June 2018](#). The report found that most councils provide easy access to information about homelessness services. All 32 had information available on their website and most make it easy to find out how to access the service in and outside of office hours.

## **UK Parliament**

### ***Scottish Affairs Committee:***

75. On 11 July, the committee published its report on [Immigration and Scotland](#). The report emphasises the critical need for Scotland to continue to be able to welcome people from overseas, noting that all of Scotland's future population growth is dependent on inward migration.

76. On 23 July, the committee published its [report on Digital Connectivity in Scotland](#). While acknowledging improvements made in recent years, the report highlights the challenges poor coverage can cause for rural communities in a 'digital-first' society.

***Public Accounts Committee:***

77. On 4 July, the committee published its report on the [financial sustainability of local authorities](#). The report noted that a significant reduction in councils' spending power had been imposed at the same time as increases in demand pressure. The committee criticised the Ministry of Housing, Communities and Local Government's (MHCLG) lack of an agreed measure of sustainability for local government finance or a clear definition of 'unsustainable', and argued that MHCLG does not fully understand the issues facing local government. The committee also recommended that MHCLG publish a timetable regarding proposed changes to funding so that councils can plan effectively.
78. On 24 July, the committee published its report on [strategic suppliers](#). The report mentions longstanding weaknesses in Government contracting, and identifies a need for Government to be more assertive in shaping the markets in which it operates, with a renewed focus on driving value for taxpayers' money.

**Other UK Audit Bodies**

*National Audit Office:*

79. On 15 June, the National Audit Office (NAO) published [Rolling out Universal Credit](#). The report identified a number of issues about the way Universal Credit works in practice. The report also concluded that the project does not currently deliver value for money, and that its future value for money is unproven.
80. On 24 June, the NAO published [Survival guide to challenging costs in major projects](#). The publication outlines some of the challenges in estimating and managing costs on major projects.
81. On 4 July, the NAO published [The health and social care interface](#). This 'think piece' report draws on past work highlighting barriers that prevent health and social care services from working together effectively, examples of joint working and the move towards services centred on the needs of the individual.
82. On 16 July, the NAO published [Adult social care at a glance](#). The overview report summarises access to and types of adult social care, accountability, developments since 2014, spending on social care, and the need, outcomes and market for care.
83. On 23 July, the NAO [reinforced the importance of external auditor reporting](#) after warnings were raised by auditors but ignored by Northamptonshire County Council. In a briefing to more than 150 audit committee chairs and finance directors, head of the NAO Sir Amyas Morse said his organisation could 'make more of local auditors' findings and reporting to inform our national reporting'.

*Wales Audit Office*

84. On 23 July the Wales Audit Office announced that [Adrian Crompton has succeeded Huw Vaughn Thomas as the new Auditor General for Wales](#).

## Other general – UK

85. On 18 April, ICAS, the professional body of Chartered Accountants, published a good practice guide. '[Public sector – selecting an auditor](#)', provides guidance to audit tendering in the public sector.
86. On 4 June, the GMB union reported that local authorities in the UK have taken more than [1,000 people to court for social care debt](#) over the last two years. It also found that over 166,000 people are in debt for their social care, including at least 15,000 people from Scotland.
87. On 20 June, the National Day Nurseries Association published a survey which found that the [deficit between the cost of delivery and funding paid through English local authorities has grown to an average of £2,166](#) per year per child. This is linked to the underfunding by the UK government of its policy to provide 30 hours of funded childcare for nursery children.
88. On 26 June, the UK government confirmed that it will invest [£1.67 billion in social housing to deliver 23,000 affordable homes](#) across England. The Communities Secretary James Brokenshire also announced that £1 billion of HRA borrowing would be made available for councils to deliver new housing.
89. On 26 June, research conducted by Zurich Municipal found that [less than half of risk professionals across 38 surveyed councils felt that colleagues have sufficient risk awareness](#) when managing commercial projects and investments, and less than a quarter believed that their authority made decisions on commercial activities with a full understanding of the risk implications.
90. On 28 June, the Local Government Association published a shared services map, which showed that there are now [555 individual shared service arrangements in England](#). These shared service arrangements have allowed councils to make £840 million in savings.
91. On 4 July, a study published by national property consultancy Carter Jones, and Revo, a national membership organisation for retail property and placemaking, found that [councils have spent around £3.8 billion on commercial property assets between 2013-17](#). Some local authorities have been borrowing to invest in income generating property assets outside of the local authority's immediate domain.
92. On 4 July, Local government minister Rishi Sunak launched a [new digital declaration, backed up by £7.5 million funding, to help councils transform their online services](#).
93. On 13 July, the Court of Appeal [overturned a ruling from a tribunal in 2017 which ordered social care providers to pay support workers](#) the minimum wage for sleep-in shifts. It also overturned the ruling providers should pay carers six years of back pay. A poll conducted in May by Agenda Consulting and Towers & Hamlin LLP found 68 per cent of the care providers surveyed said their organisation [would be unviable if they were required to pay six years of back pay](#). Around 34 per cent stated this would be the case if it was only two years worth of back pay.
94. On 19 July, Communities Secretary James Brokenshire confirmed the amendment of the local government bill, which means that [councils will now be allowed to triple the council tax on homes left empty between two and five years](#), and quadruple it on homes left empty for more than a decade.

95. On 24 July, the UK government announced it is [investing £4.5 million into programmes to refer patients to community services such as walking clubs or arts activities](#). Known as ‘social prescribing’, the aim is to improve patients’ wellbeing by recognising that health is affected by a range of social, economic and environmental factors. A UK study found that after four months, 80 per cent of patients referred to a social prescribing scheme had reduced their use of A&E, outpatient appointments and inpatient admissions.
96. On 25 July, the UK government published their [revised National Planning Policy Framework \(NPPF\)](#). The framework sets out a new methodology for councils to calculate the housing need of their local community. This is based on factors such as the affordability of existing homes for people on lower and medium incomes.
97. On 1 August, Northamptonshire Council announced at an emergency council meeting “radical service reductions” and a “rigorous” action plan, including cuts to services for adults and children, road maintenance and waste management in response to the issuing on 24 July by the council’s chief financial officer of a [second Section 114 notice](#) this year<sup>1</sup>. A special full council meeting has been called for 10 August to discuss the action plan. The council has projected that £60m to £70m of savings will be required this financial year in order to achieve a balanced budget.
98. On Chief Executive of the Chartered Institute of Public Finance and Accountancy (CIPFA), Rob Whiteman, stated on 24 July that other councils should learn the lessons of Northamptonshire Council to avoid financial mismanagement elsewhere. He said: ‘The NAO’s most recent financial sustainability report points out that 10% of upper-tier authorities are similarly vulnerable to financial failure. That could be more than twenty councils at risk along with the essential services for several million citizens. Understanding and acknowledging the scale of pressures, and responding early, to financial stress is essential to avoid seeing more councils fail.’

## Conclusion

99. The Commission is invited to consider and note this report and in particular to agree:
- a) that it consider at its next meeting a draft response to the Scottish Government consultation on a consumer body for Scotland (paragraph 30)
  - b) that the Financial Audit and Assurance Committee consider the consultation on the Scottish Local Government Pension Scheme structural review (paragraph 35)
  - c) not to respond to the Scottish Government consultation on implementation of the Barclay Review (paragraph 39).

**Paul Reilly**  
**Secretary to the Accounts Commission**  
**3 August 2018**

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<sup>1</sup> Section 114 (3) of the Local Government Finance Act 1988: “*The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.*”



**APPENDIX:****ACCOUNTS COMMISSION REPORTS IN PAST 12 MONTHS - DOWNLOADS**

Report	Date	Report downloads	Podcast downloads
<a href="#">West Dunbartonshire Council Best Value Assurance Report</a>	28 June 2018	225 (+225)	21 (+21)
<a href="#">Maintaining Scotland's roads: a follow-up report – Impact report</a>	27 June 2018	99 (+99)	n/a
<a href="#">Accounts Commission annual report 2017/18</a>	7 June 2018	307 (+307)	n/a
<a href="#">Accounts Commission engagement strategy and plan 2018/19</a>	7 June 2018	121 (+121)	n/a
<a href="#">Accounts Commission Strategy and annual action plan 2018-23</a>	7 June 2018	149 (+149)	n/a
<a href="#">Accounts Commission engagement plan 2017/18 progress</a>	7 June 2018	47 (+47)	n/a
<a href="#">Best Value Assurance Report: East Ayrshire Council</a>	29 May 2018	554 (+290)	49 (+49)
<a href="#">Best Value Assurance Report: Fife Council</a>	24 May 2018	961 (+582)	18 (+18)
<a href="#">Councils' use of ALEOs</a>	17 May 2018	763 (+298)	<30 (+<30)
<a href="#">Local government in Scotland: Challenges and performance 2018</a>	5 April 2018	2824 (+582)	62 (+<30)
<a href="#">Local government in Scotland: Challenges and performance 2018 - Supplement</a>	5 April 2018	117 (+43)	n/a
<a href="#">National Scrutiny Plan 2018/19</a>	4 April 2018	438 (+143)	*
<a href="#">Statutory report on Edinburgh schools (Edinburgh City Council)</a>	3 April 2018	880 (+103)	137 (+<30)
<a href="#">Statutory report on significant fraud in Dundee City Council</a>	22 Mar 2018	1083 (+161)	119 (+<30)
<a href="#">Early learning and childcare</a>	15 Feb 2018	3117 (+523)	140 (+<30)
<a href="#">Early learning and childcare - supplement</a>	15 Feb 2018	230 (+109)	n/a
<a href="#">Falkirk Council Best Value follow-up audit 2017</a>	1 Feb 2018	1457 (+258)	118 (+<30)
<a href="#">Best Value Assurance Report: Clackmannanshire Council</a>	25 Jan 2018	1730 (+149)	<30 (+<30)
<a href="#">Best Value Assurance Report: Orkney Islands Council</a>	14 Dec 2017	1056 (+122)	*
<a href="#">Local government in Scotland: Financial overview 2017</a>	28 Nov 2017	3217 (+416)	38 (+<30)
<a href="#">Local government in Scotland: Financial overview 2017 – Supplement 1</a>	28 Nov 2017	*	n/a
<a href="#">Local government in Scotland: Financial overview 2017 – Supplement 2</a>	28 Nov 2017	240 (+148)	n/a
<a href="#">Local government in Scotland: Financial overview 2017 – Supplement 3</a>	28 Nov 2017	115 (+69)	n/a

Report	Date	Report downloads	Podcast downloads
<a href="#">Local government in Scotland: Financial overview 2017 – Supplement 4</a>	28 Nov 2017	66 (+26)	n/a
<a href="#">Best Value Assurance Report: West Lothian Council</a>	23 Nov 2017	1159 (+93)	94 (+<30)
<a href="#">Best Value follow-up audit: East Dunbartonshire Council</a>	16 Nov 2017	671 (+67)	79 (+<30)
<a href="#">Best Value Assurance Report: East Renfrewshire Council</a>	07 Nov 2017	1414 (+110)	158 (+<30)
<a href="#">Equal pay in Scottish councils</a>	7 Sep 2017	2373 (+208)	197 (+<30)
<a href="#">Best Value Assurance Report: Renfrewshire Council</a>	31 Aug 2017	2680 (+297)	*
<a href="#">Self-directed support: 2017 progress report</a>	24 Aug 2017	5164 (+490)	78 (+<30)
<a href="#">Self-directed support: 2017 progress report – Supplement 1</a>	24 Aug 2017	35 (+<30)	n/a
<a href="#">Self-directed support: 2017 progress report – Supplement 2</a>	24 Aug 2017	282 (+134)	n/a
<a href="#">Self-directed support: 2017 progress report – Supplement 3</a>	24 Aug 2017	53 (+53)	n/a
<a href="#">Self-directed support: 2017 progress report – Easy read summary</a>	24 Aug 2017	141 (+77)	n/a

**Key:**

- (x) Increase in numbers since last month
- \* This figure is below 30
- n/a Not applicable.



**MEETING: 9 AUGUST 2018****REPORT BY: SECRETARY TO THE COMMISSION****MEETING ARRANGEMENTS 2019**

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**Purpose**

1. The purpose of this report is to propose meeting arrangements for the Commission for 2019.

**Background**

2. The Commission has in its Strategy a commitment to continuously improve how it does its business and to consider how it can manage better its business.
3. This paper seeks the Commission's approval of a schedule of meetings for 2019. It also reviews aspects of how the Commission conducts its business.

**Summary proposal**

4. The Commission has in place an approach to meeting which has the following features:
  - 11 monthly Commission meetings, with a break in July.
  - Meetings generally on the second Thursday of every month.
  - Meetings start at 10.15am, preceded by an informal private business session at 9.30am.
  - Quarterly committee meetings, with two optional dates (see paragraph 9 below) in late spring and autumn.
  - Committees meet on the same day, with the Financial Audit and Assurance Committee meeting at 10.00am and the Performance Audit Committee starting at 2.00pm.
  - A guest speaker session during committee meeting days.
5. The attached Appendix proposes a schedule of meetings for 2019.

**Conducting our business**

6. The Commission has progressed a number of aspects of its meeting arrangements in recent years, including improvements to the agenda style; scheduling a members' private business session; holding a meeting of its committees in the Audit Scotland office in Glasgow; and improvements to its physical venue arrangements such as introducing enhanced acoustics for those attending meetings.
7. It is proposed to continue the practice of holding the September meeting of the committees in Glasgow. (Members have already agreed that this year's committee meetings - on 27 September – will be held in Glasgow.)
8. The Commission is asked to consider if there is anything else in its current meeting arrangements that it would like to review.

## **Committee days**

9. The Commission's committees meet quarterly. This year, in addition, there were two optional dates identified, in June and August 2018. The Performance Audit Committee met in June and both committees are meeting in August.
10. I have consulted with Audit Scotland colleagues who have indicated that they are comfortable with this arrangement for next year. I therefore propose the same arrangement for 2019.
11. This year the Commission has also continued the practice of having a guest speaker on the day that its committees meet. It is proposed that this practice continue.
12. The Chair has agreed the subject of the next two speaker sessions as follows:
  - 23 August: Third / voluntary sector
  - 27 September: Scottish economy
13. Some proposals have been made by Commission members over the past year which will be accommodated into the programme. These are as follows:
  - Social impact (Joseph Rowntree Foundation)
  - Scottish Crown Estate
14. The Commission's suggestions are sought for the four committee dates in 2019.

## **Strategy seminars**

15. In considering the proposed schedule, the Commission should also consider the scheduling of its annual strategy seminar. It is therefore proposed that the annual strategy seminar take place on 12 and 13 March. If the Commission is agreeable, then detailed arrangements will be made and reported to the Commission.
16. Further, in line with Commission's desire for a complementary half-yearly event, it is proposed that this event take place on the afternoon of 11 September 2018.

## **Conclusion**

17. The Commission is invited:
  - a) To consider the proposed schedule and arrangements for meetings of the Commission and its committees in 2019.
  - b) If minded to retain a speaker session during committee days, note the proposal for speakers for the remainder of 2018 (set out in paragraph 14) and suggest a schedule of speakers for 2019.
  - c) To consider the proposal that the annual strategy seminar take place on 12 and 13 March 2019 and the mid-year seminar on 11 September 2019.

**Paul Reilly**  
**Secretary to the Accounts Commission**  
**1 August 2018**

## **APPENDIX**

### **ACCOUNTS COMMISSION**

#### **MEETING SCHEDULE 2019**

10 January	Accounts Commission
7 February	Accounts Commission
21 February	Committees
7 March	Accounts Commission
12 & 13 March	Strategy seminar
11 April	Accounts Commission
25 April	Committees
9 May	Accounts Commission
13 June	Accounts Commission
20 June	Committees (optional date –only if business requires)
8 August	Accounts Commission
22 August	Committees (optional date –only if business requires)
11 September	Mid-year strategy seminar
12 September	Accounts Commission
26 September	Committees (Glasgow)
10 October	Accounts Commission
14 November	Accounts Commission
28 November	Committees
12 December	Accounts Commission

#### **Proposed ‘committee day’ arrangements:**

10.00am – 12.00pm: Financial Audit and Assurance Committee

12.15pm – 12.45pm: Lunch

12.45pm – 1.45pm: Visiting speaker

2.00pm – 4.00pm: Performance Audit Committee

**MEETING: 9 AUGUST 2018**

**REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE**

**BRIEFING: HOUSING**

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### **Purpose**

1. This report introduces a briefing paper to update the Accounts Commission on activity in the housing sector since our 2013 *Housing in Scotland* report. This is in accordance with our programme development commitments in this policy area.
2. The paper is based on the feedback from the [housing roundtable](#) held April 2016, and a range of stakeholder engagement activity over the last 12 months.
3. The information included in the briefing paper has not been subject to audit.

### **Next steps**

4. As set out in Commission's five-year rolling work programme, a performance audit on housing will be conducted in 2019/20. It had previously been proposed that a second round table discussion with stakeholders later this year could be held to assist consideration of the focus on that work. However, given the timescales involved in preparing for a 19/20 publication, and as we have been engaging with a significant number of external stakeholder in developing this briefing for the Commission, we feel we have sufficient material to move directly to providing a performance audit options paper for the meeting of the Performance Audit Committee in November. We will establish an advisory group for this performance audit in line with our normal practice.
5. In addition to the content of the attached Briefing Paper, we are monitoring the development of the thematic work being planned on homelessness by the Scottish Housing Regulator, to avoid any potential duplication of effort.
6. Our recent programme development activities indicate that there are a number of key areas that could feature in an options paper to the Commission. These include:
  - The planning arrangements in place for housing and the extent they can deliver the right number of houses, of the right type, in the right places at the right time. This would allow us to focus attention on the specific issues associated with the provision of "affordable housing".
  - The range of issues associated with housing for older people, which would allow us to develop our themes around the aging population, the growing pressures on health and social care and equalities issues.
7. We will be able to provide a full presentation of our programme development analysis later in the year and the Commission's thinking in response to this Briefing Paper will also shape the options paper we provide.

## **Conclusion**

8. The Commission is invited to:

- a) discuss the content of the attached briefing paper
- b) agree to the proposal that we should not hold a second stakeholder roundtable
- c) agree to the submission of an options paper on the topic for a housing performance audit to the Performance Audit Committee in November 2018
- d) provide any comments that might help inform our options appraisal
- e) consider if it wishes to engage with stakeholders around the briefing paper or any matters contained in it.

**Fraser McKinlay**  
**Director of Performance Audit & Best Value**  
**1 August 2018**

# Briefing Paper:

# HOUSING IN SCOTLAND



Prepared for the Accounts Commission and the Auditor General  
August 2018

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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## Purpose

1. The purpose of this briefing paper is to update the Accounts Commission and the Auditor General on activity in the housing sector since our 2013 *Housing in Scotland* report, in accordance with our programme development commitments. The paper is based on a range of stakeholder engagement activity over the last 12 months, although the information included has not been subject to audit. A joint performance audit has already been included in the work programme for 2019/20, but the topic has not yet been decided.

## Background

2. Housing makes a substantial contribution to economic growth, prosperity, health and wellbeing, social care and education. The supply of affordable, good quality housing for families and individuals is a core part of thriving communities.
3. The proportions of housing stock by tenure show little change since 2011. More than three quarters of homes in Scotland remain in the private sector. The main shift has been in the number of homes that are in the private rented sector, with all other tenures showing a slight decrease.
  - A decrease in the percentage of homes that are **owner occupied** from around 60 per cent to 57 per cent.
  - An increase in the percentage of **private rented homes** from around 12 per cent to 15.4 per cent.
  - A slight decrease in the proportion of housing tenure represented by **council houses**, from 11 per cent to 10.8 per cent.
  - The **registered social landlord sector** has seen a decrease from 12.8 per cent to 12.2 per cent.
  - The number of **vacant or second homes** has remained almost the same from 3.9 per cent to 3.8 per cent.

### ***Housing in Scotland Performance Audit, July 2013***

4. The Accounts Commission and Auditor General for Scotland published a joint report, [Housing in Scotland](#) in July 2013, found here. This was an overview of the housing sector which considered how efficiently and effectively it worked and what key challenges it faced. The focus was on the public sector (Scottish Government and councils) but it also considered housing associations and other Registered Social Landlords (RSLs) and the private sector.
5. The audit report stimulated and made a significant contribution to the debate on housing policy in Scotland, by clearly presenting details of housing funding, spending and demand.



The Scottish Government, the Scottish Housing Regulator, councils and leading academics all welcomed the report.

### Key findings

6. The 2013 report found that the housing sector was facing several significant challenges. In summary these were:
  - The recession had affected the availability of housing and the sector was working with constraints on lending, competing and increasing demands on capital resources, and reduced government subsidies.
  - The supply of housing, both private and social, was not meeting current or projected levels of need.
  - Funding for housing was complex and lacked transparency.
  - Between 2008/09 and 2011/12, revenue budgets fell by a quarter and capital by almost a third. To maximise private investment in housing, the Scottish Government was promoting alternative models of finance. However, these contained significant risks and it was not clear the sector had the capacity to successfully adopt these.
  - Planning for housing was challenging and housing did not always play the role that it could in improving outcomes in health, economic growth and community empowerment.
  - The financial planning and management for some social housing stock, particularly council housing, could be improved.

### Key recommendations

7. The 2013 report made several recommendations for the Scottish Government and councils. In summary these were:
  - The Scottish Government should improve its reporting of housing budgets, spend and what this money has delivered to ensure that this is transparent.
  - The Scottish Government should provide better national information on housing needs and greater clarity about priorities for spend and 'alternative models' of financing.
  - Councils should ensure housing strategies and service provision is evidenced based and that they review the long-term financial position of their housing stock.
8. The Scottish Government responded positively, welcoming the report as a constructive contribution to improving policy and practice, and reporting that it had responded to some recommendations in the report and that action was in hand for most of the others. COSLA and ALACHO (Association of Local Authority Chief Housing Officers) also welcomed the report.

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## Progress against recommendations

9. We considered progress against each recommendation as part of an Impact Report in 2014. Progress had been made in developing a Housing Needs and Demand Assessment (HNDA) framework including a technical definition of affordable housing by proportion of income spent by tenure. However, it is not clear whether this definition has been used in the Scottish Government's assessment of progress against their national affordable housing target.
10. Our 2013 report said that the government should be clearer in its expectations for new builds, including location, type and numbers for people with specific housing needs. The Scottish Government responded that this is the role of local authorities and that the HNDA framework supports that local analysis. From our stakeholder engagement, questions remain about whether the increased supply of affordable housing is meeting the policy objective to provide housing to those most in need.
11. Full details of progress against each recommendation are included in Appendix 1.

## Key developments since 2014

### Progress against national targets

12. The Scottish Government published its national [strategy Homes fit for the 21st Century](#) in 2011. This sets out the government's vision to provide an affordable home for all by 2020 and four key targets for housing. In addition, the Scottish Government has set targets for new homes for this and last parliamentary term. These targets are ambitious and progress has been mixed (Exhibit 1). It should be noted that the progress described is gathered from external sources and we have not audited the figures included.

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**Exhibit 1****Reported progress against national targets (unaudited)**

There is mixed progress against national targets.

Target	Progress
By December 2012, all unintentionally homeless households will be entitled to settled accommodation	Legally all unintentionally homeless households have been entitled to settled accommodation since November 2012. The proportion of unintentionally homeless households receiving settled accommodation (versus temporary) has remained at around two-thirds since 2008/09.
By April 2015, all social landlords must ensure that all their dwellings pass all elements of the Scottish Housing Quality Standard	Not fully achieved - in 2015/16, 93 per cent of social homes met the Scottish Housing Quality Standards.
By November 2016, so far as is reasonably practical, nobody will be living in fuel poverty in Scotland	Not achieved - in June 2016, the Minister for Local Government and Housing informed Parliament that it was unlikely the target would be met. Scottish Government figures showed that around a quarter of Scottish Households were living in fuel poverty in 2016 and five per cent were living in extreme fuel poverty.
By December 2020, improved design and greater energy efficiency in housing will have made a contribution to Scotland's commitments to reduce our energy consumption by 12 per cent and our greenhouse gas emissions by 42 per cent.	On track - energy consumption had reduced by 15 per cent and greenhouse gas emissions by 41 per cent by 2015.  It is not possible to attribute the contribution of improved housing to these figures.

Target	Progress
To deliver 6,000 affordable homes each year, at least 4,000 of which should be for social rent (target covers 5 years 2011/12 – 2015/16 so 30,000 new affordable homes, 20,000 for social rent).	<p>It is reported that during the target period, a total of 33,490 affordable homes were completed, of which 22,523 were for "social rent".</p> <p>Guidance for the new Housing Needs and Demands assessments provided a technical definition/description for affordable housing. It is not clear whether these figures take account of that definition and therefore it is difficult to validate these figures. It is also not clear, the extent to which these houses have been built where they are needed.</p>
To deliver 50,000 affordable homes, 35,000 for social rent between 2016/17 and 2020/21. (This works out as 10,000 new affordable homes a year of which 7,000 will be for social rent).	It is too early to tell the success of this target. However, in the first year (2016/17) it is reported that 7,336 new affordable homes were completed, 4,580 of which were for social rent.

Source: Audit Scotland

### Policy and legislative changes

13. Homes for the 21st Century 2011 remains the national strategy for the Scottish Government. Following publication of our report in 2013, the Scottish Government worked with a range of stakeholders across the public and private sector to establish and agree the Joint Housing Delivery Plan for Scotland (JHDP). This was published in May 2015 and is intended to support the national strategy. It includes a range of actions covering six main themes:

- Investment, supply and planning
- Sustainability
- Place-making
- Independent Living
- Housing Options

- Private Rented Sector
14. Discussion with stakeholders indicates that there is a good level of collaboration and joint ownership of the JHDP. A national Joint Housing Policy and Delivery Group has been established to advise and assist the Scottish Government on future policy and strategy and to identify issues and solutions to delivery.
  15. There have been a number of UK and Scottish government pieces of legislation which have impacted on the housing sector. The key ones are:
    - Welfare reform and the roll out of universal credit:
      - UK government reform of the welfare system introduced a number of significant changes for people receiving housing benefit and for their social and private landlords. Reduced payments for spare bedrooms and payment direct to tenants rather than landlords were the most significant for the housing sector.
      - Under the reforms a number of benefits, including housing, are being rolled into one, the Universal Credit. The roll out is still at an early stage but councils are finding that it is having a detrimental effect on their collection of housing rental income.
    - Abolition of right to buy social housing - this was abolished in the Housing (Scotland) Act 2014.
      - Part 1 of the Housing (Scotland) Act ended the Right to Buy for all tenants of social housing in Scotland - a right which was first introduced in 1980. It ended on 1 August 2016. The Scottish Government estimates that removing the Right to Buy will keep up to 15,500 homes in the sector over a ten-year period.
    - New planning bill:
      - The Planning (Scotland) Bill was introduced to Parliament on 4 December 2017, and is currently at Stage One of the legislative process. The Bill proposes high level changes to the framework within which planning operates, with the aim of strengthening 'the planning system's contribution to inclusive growth, housing and infrastructure delivery and empowering communities'.

## **Funding**

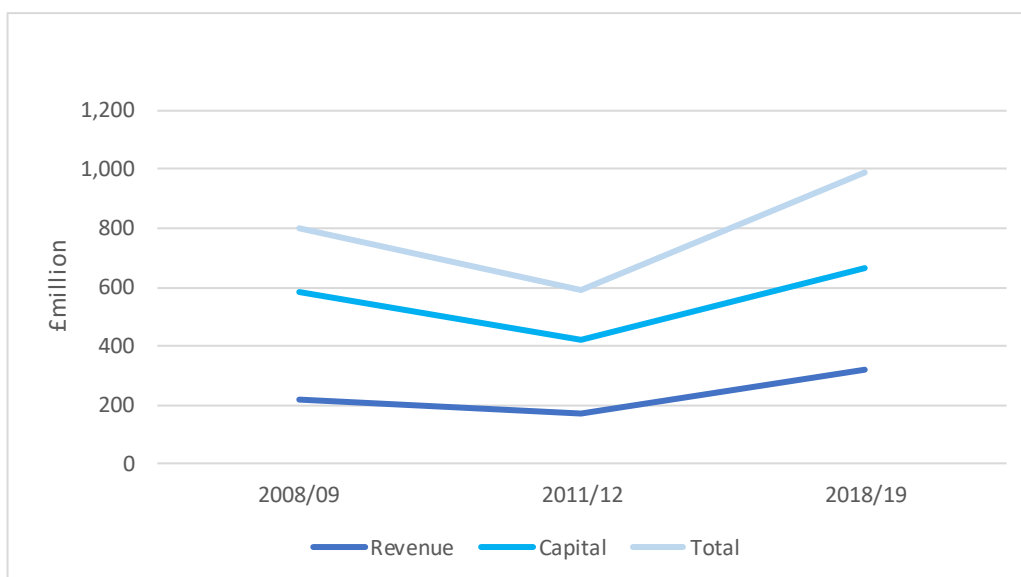
16. Our 2013 audit was carried out at a time of significantly reduced budgets for housing. Since then, Scottish Government budgets have increased significantly and are now above where they were in 2008/9. (Exhibit 2)

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## Exhibit 2

Scottish Government funding for housing, in real terms (2018/19 prices)

Housing budgets have fluctuated significantly since 2008/09.



Source: Audit Scotland

Note: Housing budget figures include the Scottish Government's housing budget as well as the Transfer of Management of Development Funding, funding for the Scottish Housing Regulator, and the warm homes fund. We have removed all regeneration budgets and have not deducted income. This is the same calculation as used in the 2013 report.

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17. Our audit in 2013 found that funding arrangements for housing were complex and lacked transparency in some areas, particularly funding for new homes. Since its publication the Scottish Government reports improvements in financial reporting. We have not undertaken any audit work to validate this as part of this briefing. However, anecdotal evidence from stakeholders suggests there has been improvement but that it is still difficult to find some information and keep track of new funding announcements.
18. In our 2013 report, we said the Scottish Government should clarify its expectations of the role alternative models of finance will play in the future financing of council and RSL housing. However, there has been little scrutiny of their impact on housing needs, impact on local economies, value for money etc.

### Management of housing stock

19. The housing stock held by Scotland's councils and registered social landlords (RSL) is a significant national asset. Its value must be protected by managing, maintaining and investing in it properly. Current performance levels have long-term financial consequences

which can either maintain, enhance or reduce the value of the asset. Our 2013 audit considered council and RSL rental income against their spend on management, repairs and investment and their lost income through empty properties. We projected this over 30 years. The data showed that, all things being equal, over 30 years, RSLs' income will exceed their expected spend by £3.9 billion while council income will be £1.9 billion less than is needed to cover the costs of existing stock to maintain the asset value.

20. In 2012 the Scottish Government introduced the Scottish Social Housing Charter, which it expects councils and RSLs to meet in relation to how they manage their stock. The Scottish Housing Regulator publishes annual performance reports against the Charter. Its 2016/17 report finds improved or maintained outcomes in all relevant indicators (repairs and maintenance, housing quality and rent and service charges). SHR has reported steady improvement in performance across most Charter outcomes since 2013/14.
21. Rent levels are a key factor in the financial management of housing stock. Council rent is generally lower than RSL rent. Councils are expected to reflect local circumstances in determining rent levels. There has resulted in wide variation among councils of up to 70 per cent for similar sized properties. This raises questions about how fair and affordable rents are for tenants, and has an impact on levels of poverty. The need for affordable rents must be balanced with the continued need to invest in new developments and improve current stock.

## **Welfare reform**

22. UK government reform of the welfare system introduced a number of significant changes for people receiving housing benefit and for their social and private landlords. Reduced payments for spare bedrooms and payment direct to tenants rather than landlords were the most significant for the housing sector.
23. In our 2013 audit we noted that these changes were expected to have significant financial implications for councils and RSLs in terms of rent arrears and increased management costs and possible evictions. We also noted that private landlords may no longer wish to rent to people in receipt of housing benefit if income cannot be guaranteed. This would have implications for available housing for those in need.
24. Under the reforms, a number of benefits including housing benefit, are being rolled into one, the Universal Credit. The UK's Department for Work and Pensions (DWP) began a roll-out of Universal Credit in Scotland in March 2016. By March 2017, Universal Credit had rolled out across five councils (East Dunbartonshire East Lothian, Midlothian, Inverclyde and Highland council (Inverness Jobcentre only).
25. The Local Government financial overview found that rent arrears across these councils increased by an average of 14 per cent in 2016/17, compared with an average of four per

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cent across the remaining councils. Audit Scotland's [Housing Benefit Performance Audit: Annual update 2016/17](#) highlighted that councils are finding that the roll-out of Universal Credit was having a detrimental effect on their collection of housing rental income.

26. The Scottish Government's Joint Housing Delivery Plan does not include any actions around the impact of welfare reform and how to minimise any negative impact particularly around the operation and roll out of universal credit. This is seen by some in the sector as a short-coming in the approach.
27. Audit Scotland has recently created a new social security team to meet the new audit responsibilities around devolved powers for welfare and benefits and consider the role and performance of all the agencies involved. This development is still at an early stage but will include housing benefit and universal credit. The Accounts Commission considered a paper on ['The changing social security landscape'](#) in March this year.

### **Energy efficiency**

28. Energy efficiency has become a significant focus for the housing sector. European targets, national objectives, a range of funding streams and increasing fuel poverty all contribute to the heightened profile. In addition to energy standards for private housing, there are a range of targets set for the social housing sector to meet. Targets include social housing meeting Energy Efficiency Standards for Social Housing (EESH) by 2020 and all new buildings to be nearly zero energy balance by 2021.
29. The energy efficiency of housing is generally improving. The level of carbon emissions from the average Scottish dwelling, as predicted from standard energy use, fell by 11.4 per cent between 2010 and 2016. The average Energy Performance Certificate (EPC) Environmental Impact Rating (EIR) has increased by three points, to 63, in the last year, indicating a reduction in carbon emissions per square metre of area. The percentage of properties at or above the national home energy rating is increasing. This is all broadly in line with 2020 targets for social housing, which range between 60 and 69, depending on the type of build and whether it is gas or electric heating.
30. At the same time, fuel poverty is decreasing. In 2016, the fuel poverty rate decreased by four percent, equivalent to around 99,000 fewer households living in fuel poverty. In 2016, 26 per cent or 649,000 households were fuel poor, compared to 31 per cent or 748,000 households in 2015. The 2016 rate is the lowest rate recorded by the Scottish House Condition Survey since 2005/6 and is the same as in 2007.

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<sup>1</sup> Directive 2010/31/EU on the energy performance of buildings. NZEB is an accepted definition of a building that has very high energy performance.



31. At the time of our 2013 report the Scottish Government estimated £1.8 billion would be needed to improve the energy efficiency of Scotland's homes. Around 15 per cent of the Scottish Government's housing budget is now allocated to this each year, a total of £421 million between 2015/16 and 2018/19. In addition, the Scottish Government also funds a number of national initiatives which aim to improve energy efficiency including an interest free loan scheme for owner occupiers.

## Homelessness

32. Tackling homelessness has been a government priority for many years. The Homelessness etc. (Scotland) Act 2003 gave everyone who was assessed as unintentionally homeless the right to temporary accommodation until a permanent home becomes available. The number of people in temporary accommodation more than doubled, from around 4,000 in 2002/03 to over 10,000 in 2011/12. Since then the number has remained fairly constant, but with increases in 2016/17 and 2017/18 taking the figure to just short of 11,000. Data suggests that the average number of days people are spending in temporary accommodation has more than doubled from 77 days in 2009/10 to 171 days in 2017/18. For households with children the average duration in temporary accommodation in 2017/18 was even higher at 204 days<sup>2</sup>. As permanent council and RSL homes are not always available, councils have increased their use of private temporary accommodation and more than doubled the number of council houses dedicated for use as temporary accommodation. This means there are fewer council homes available for permanent rent.
33. Our 2013 audit found that temporary accommodation accounts for the largest percentage of council spending on homeless services and that this was increasing. It costs more to house people in temporary accommodation than in a secure home due to higher rents and maintenance costs. We estimated that housing people in temporary accommodation cost councils about £27 million more than it would have cost to house them in a permanent home.
34. In its most recent national report on progress against the national housing charter, the Scottish Housing Regulator only found poorer performance for services for homeless people. In all other areas performance had been maintained or improved. In response to these assessments, SHR intends to undertake thematic inspection work around homelessness in 2020/21.

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<sup>2</sup> The figure for 2009/10 is from the Scottish Housing Best Value Network (SHBVN) and recent data is not available. The figure for 2017/18 is from the Scottish Government's publication Homeless in Scotland 2017/18 and includes all households so is broadly comparable

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## Housing for older people

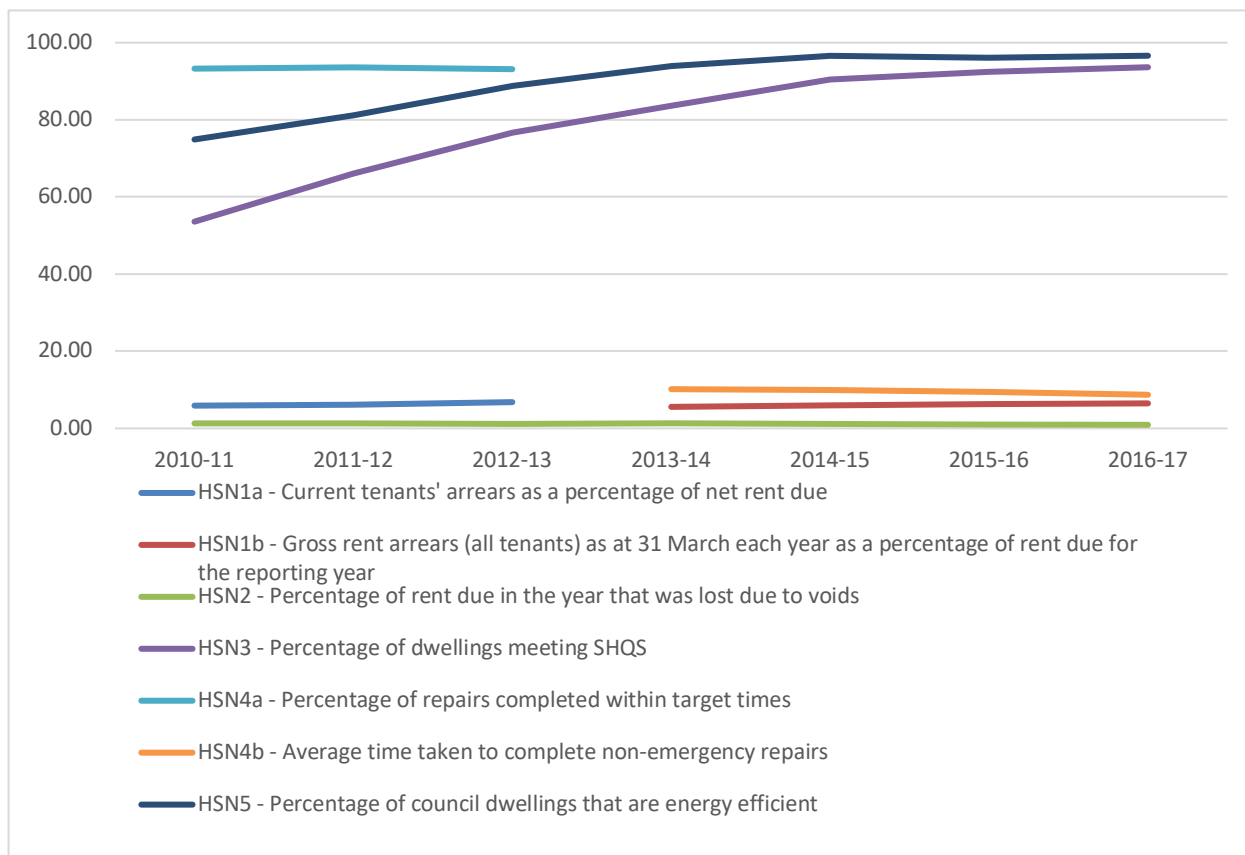
- 35. Scotland's population is ageing. The number of people aged 75 and over is predicted to increase by 27 per cent over the next ten years and by 79 per cent within the next 25 years. People are not just living longer but living longer in ill health. This will result in significant challenges for the housing sector as more people will live for longer, often alone.
- 36. Demand is expected to increase for supported living and sheltered housing as well as home and residential care. The Competition and Markets Authority concluded recently that the model for residential care was unsustainable without additional funding. In addition, the National Health and Social Care standards, available here, introduced from 1st April 2018, set ambitious and challenging care standards which may have significant additional resource implications.
- 37. The Scottish Government has a ten-year strategy for housing for older people (2011 - 2021). Its aim is that all older people are supported to enjoy a full and positive life in their own home or in a homely setting.
- 38. Housing has a role in helping people maintain independence and reduce the costs for health and social care. However, our 2013 report found that despite some good local examples, housing providers were not as involved in the shift of care from institutions to local communities.
- 39. A Housing Advice Note was issued to Integration Joint Boards, councils and health boards in September 2015. This statutory guidance provides a framework for all housing providers to be included in the integration of health and social care arrangements. In 2016, Audit Scotland hosted a housing stakeholder roundtable discussion on housing and wellbeing. It focused on the challenge of an ageing population from a housing perspective, the role of social housing providers in health and social care integration, and how investment decisions on housing for older people in Scotland is changing provision. The aim of this discussion was to help inform future audit work across housing as part of our future work programme.
- 40. The Scottish Government estimates that the number of older people requiring an adaptation to make their home more accessible will increase by 60 per cent between 2008 and 2033. There is anecdotal evidence of very long waits for adaptations (four years in some cases) and of expensive aids and adaptations being removed from council and housing association properties once tenants move on.
- 41. Our ongoing audit of IJB's is considering the role of housing although this is not the focus of the audit. Early work suggests that housing is at the periphery of IJBs focus.

## **Performance reflected in the Local Government Benchmarking Framework**

- 42. The housing performance indicators included in the Local Government Benchmarking Framework show a generally improving picture of performance (Exhibit 4).
- 43. The percentage of repairs completed within target time has remained stable at around 93 per cent. The average time to complete non-urgent repairs has reduced from 10.2 days to 8.7 days between 2013/14 and 2016/17.
- 44. The percentage of council dwellings that are energy efficient has increased from 2010/11 to 2014/15 and has now stabilised at around 96 per cent. The percentage of dwellings meeting the Scottish Housing Quality Standard has increased from 54 per cent to around 93 per cent over the same period.
- 45. The percentage of rent lost due to voids (empty, unlet properties) has fallen from 1.3 per cent in 2010/11 to 0.93 per cent in 2016/17. Less positively, current tenant rent arrears as a percentage of rent due increased from 5.9 per cent to 6.8 per cent between 2010/11 and 2012/13 after which data was no longer collected for this indicator. From 2013/14 gross rent arrears as a percentage of rent due was measured and performance against this indicator shows a decline from 5.6 per cent to 6.5 per cent in 2016/17. Rent arrears levels are influenced by financial austerity and welfare reform.

## Exhibit 4

### National housing performance indicators trend from 2010/11 to 2016/17



Source: Improvement Service Local Government Benchmarking Framework

## APPENDIX 1

### Progress against recommendations since 2013 report

There has been good progress against many of the recommendations contained in the Housing in Scotland 2013 report.

Recommendation	Progress
The Scottish Government should:	
Improve the detail and reliability of national information on housing, including an assessment of the needs of current and future populations. This should assess need for council and RSL homes and affordable homes.	The Scottish Government commissioned work to improve information on the tenure, type and location of future properties and the characteristics of people registering for social housing. It also improved the Housing Need and Demand Assessment to ensure consistency and provide better local knowledge in terms of needs and demands.
Provide clarity by defining social housing and affordable housing in terms of tenure and rent levels, and promote their consistent use and a common understanding across organisations involved in housing.	The Scottish Government developed technical explanations in the guidance notes for the new Housing Needs and Demand Assessments. This set out the percentage of income it expected people in different tenures to spend on housing. These definitions could be used in other documentation and guidance to improve consistency and understanding across the sector.
Evaluate the success of the new build programme, including all new initiatives and schemes designed to support people who cannot afford to buy their own home, to ensure value for money.	The Scottish Government agreed in principle with this recommendation but noted that it may not be possible to evaluate all new initiatives. It expects that the development of the Housing and Regeneration Vision and Outcomes Framework, will allow future evaluations to be undertaken on a more consistent and comparable basis.

<p>Improve its reporting of housing budgets, spend and what the money has delivered to ensure that it is easy to track, takes account of in-year revisions, and provides details on amended spend as and when it occurs.</p>	<p>The Scottish Government has worked to improve information provided in the annual outturn reports and has revised its routine reports to take account of in-year revisions and provided updated information in real time on their Affordable Housing Supply Programme webpages.</p>
<p>Review the financial pressure on the sector, including its ability to meet the national targets and quality standards, and councils' and RSLs' capacity to develop alternative models of finance, and assess the implications for funding for new homes.</p>	<p>This recommendation was partly addressed in spring and summer 2013 by a short-life working group to review the financial pressures facing councils and RSLs, which increased the subsidies to councils and RSLs by £16,000 per unit. However, the evidence behind the increased subsidy is not clear from the working group report and the report does not consider alternative models of finance.</p>
<p>Clarify what it considers the spending priorities should be (eg SHQS, energy efficiency or new builds) for social landlords who are unable to meet all existing demands on resources.</p>	<p>Following publication, the Scottish Government announced that the top priority for social landlords was to comply with statutory duties and the standards and outcomes set out in the Scottish Housing Charter.</p>
<p>Evaluate the effectiveness of funding streams to ensure changes will lead to clear benefits and reduce the burden on organisations working to deliver on the ground.</p>	<p>The Scottish Government expect that its Housing and Regeneration Vision and Outcomes Framework will allow future evaluations to be undertaken on a more consistent and comparable basis.</p>
<p>Clarify its expectations of the role alternative models of finance will play</p>	<p>The Scottish Government published a checklist style assessment tool for</p>

<p>in the future financing of council and RSL housing. Provide leadership and support to councils and RSLs in understanding how best these sources of finance can be used and how the risks involved can most effectively be managed.</p>	<p>landlords which it believes, alongside other initiatives and supports, will build confidence, capacity and appetite for using alternative models of finance.</p>
<p>Demonstrate how its long-term vision for housing underpins relevant national policies and informs local planning and practice.</p>	<p>The Scottish Government reports that the Housing Regeneration Vision and Outcomes Framework will be used to inform wide-ranging housing policy discussions within the Housing Policy Advisory Group and with Scottish Government Housing Regeneration and Welfare senior management team.</p>
<p>Clearly state its expectations for new builds, including location, type and numbers for people with specific housing needs and monitor the impact of reduced subsidies on the type and location of new builds and assess this against indications of need.</p>	<p>Although the Scottish Government stated that it 'can and should' do this in broad terms it has not done so other than stating the new build target for Scotland. The Scottish Government believes that much of the planning and expectation setting should be done at local authority level and that the new improved Housing Needs and Demand Assessment should help with this.</p>
<p>Work with councils to review the impact that reduced subsidies and alternative models of finance will have on rent levels and the need for greater clarity and consistency of rents for council and RSL tenants, including defining an affordable rent.</p>	<p>The Scottish Government reports that it has reviewed the impact of financial pressures on rent levels and has increased subsidies specifically to enable councils and housing associations to keep rents for new build properties at or close to the current benchmark.</p>
<p>Review the impact reduced subsidies and alternative models of finance will have on the provision of new homes and work with RSLs to clearly state</p>	<p>The Scottish Government report that its short-life working group reviewed the financial pressures facing councils and RSLs and revised subsidies to ensure the</p>

what it expects the medium- to long-term future and structure of the RSL sector to look like.	ongoing provision of new homes. It reports that it values the diversity of the RSL sector but that 'it is not the role of the government to direct the way the sector evolves – other than through legislation from time to time and requirements for regulation'.
The Scottish Government and councils should:	
Clarify guidance on recording of spend through the HRA and the general account for housing to improve transparency to tenants and provide a clearer picture of council spending on homelessness services.	<p>The Scottish Government produced new guidance on the operation of the Housing Revenue Account (HRA), which includes more clarity on spending on homelessness services.</p> <p>The guidance is explicit in stating that income from rents should benefit tenants. A Scotland wide council user group has been established by the Scottish Housing Best Value network, to support the introduction of the guidance and share good practice.</p>
Work together to develop a clear understanding of the condition of private sector housing and what investment is required in the future.	Both parties agree with this recommendation and report ongoing dialogue and joint working. There has been a particular focus on improving the energy efficiency of private homes.
Councils should:	
Ensure housing strategies and the associated plans and investment decisions are clearly based on evidence of local housing needs and are developed in conjunction with all relevant partners including RSLs and tenants.	Councils were involved in the development of the revised Housing Needs and Demand Assessments. These should improve the evidence base of housing plans and developments.



<p>Review the way housing services are designed and delivered in light of the recent reductions in the number of people assessed as homeless and councils' duties to homeless people.</p>	<p>Councils report they review the ways in which local housing services are designed and delivered on an ongoing basis, to track fluctuations in income arising from challenges such as welfare reform, reductions in capital receipts, and real term rent cuts. A national Joint Steering Group for homeless prevention will develop a robust framework to monitor and develop the delivery and design of housing services to homeless people.</p>
<p>Review the role their Community Planning Partnership (CPP) plays in housing to ensure arrangements are clear and the CPP effective in bringing partners together.</p>	<p>It is not clear what progress has been made with regards the role of CPP in housing.</p>
<p>Review the performance and long-term financial position of their housing stock and develop strategies, including rent strategies, to address any future liabilities and maintain the value of their assets.</p>	<p>Councils report that they have used and developed the methodology in our report to increase knowledge and understanding of the long-term financial position of housing stocks and the importance of rent setting strategies in this.</p>

Source: Audit Scotland

**MEETING: 9 AUGUST 2018**

**REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE**

**BRIEFING: RURAL ISSUES**

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### **Purpose and structure of the briefing paper**

1. This paper introduces a briefing paper on Scotland's rural and islands policy and summarises how Audit Scotland reflects rural issues in its work, both currently and into the future.

### **Background: planned programme development activity**

2. An important aspect of Audit Scotland's ongoing programme development involves the three policy clusters (HCC, JELL, PIE) discussing significant policy or performance-related developments across the public sector with the Auditor General for Scotland (AGS) and the Accounts Commission. Those discussions regularly highlight issues which either require further investigation or which the AGS or the Commission would like to see considered as potential areas for future audit work.
3. A number of the areas of policy interest were raised by the Accounts Commission at its mid-year strategy seminar last September. It was subsequently agreed as part of the December 2017 work programme refresh that a series of outputs from programme development activity, including briefing papers, be presented to the Commission and AGS during 2018/19 and 2019/20. Such outputs would give allow the Commission to consider areas of future work and reporting, and engage with stakeholders as appropriate. This briefing paper on how rural issues are being considered by Audit Scotland as part of programme development activity and in local and national audit work is one of these.

### **Briefing paper**

4. The attached briefing paper was commissioned from Professor Sarah Skerratt. It is organised in three parts:
  - Part 1 - An overview of rural and islands policy.
  - Part 2 - How Audit Scotland has responded to these drivers.
  - Part 3 - What next for rural in Audit Scotland?
5. An important aspect of our approach to programme development involves connecting with specialist experts in areas of key policy interest to Audit Scotland, the Accounts Commission and the AGS. For example, in relation to community empowerment, equalities and the use of big data.
6. Given the significance of the rural agenda in Scotland because of developments such as the Islands Bill (now an Act), Professor Sarah Skerratt from Scotland's Rural College (SRUC) was seconded to Audit Scotland from April 2016 to March 2018. An important part of her role was to support colleagues across the organisation to bring a "rural lens" and integrate rural perspectives into our work both strategically and operationally. Sarah brought a depth of expertise and connection with key stakeholders which have proved invaluable in helping Audit Scotland to better understand rural issues and reflect them in our work.

7. This briefing paper sets out Sarah's analysis of key rural and islands policy developments in Scotland. It also summarises her work with staff in Audit Scotland and explains how Audit Scotland will continue to maintain a focus on rural issues in our audit work into the future following the end of her secondment.
8. Further information on any of the topics covered in the briefing paper can be made available for Commission members should they wish.

## **Conclusion**

9. The Commission is asked to:
  - a) consider this briefing paper
  - b) note how Audit Scotland has been focusing on rural as context to inform local and national audit work, and considering the specific audit implications of the Islands Act
  - c) note the proposed approach to maintaining a "rural lens" and integrating rural perspectives into future audit
  - d) consider any implications for the Commission's work programme
  - e) consider whether the Commission wishes to engage with stakeholders on the briefing paper or on the matters contained in it
  - f) consider if wishes any further work by Audit Scotland in this regard.

**Fraser McKinlay**  
**Director of Performance Audit and Best Value**  
**20 July 2018**

# **ACCOUNTS COMMISSION AND AUDITOR GENERAL FOR SCOTLAND BRIEFING ON RURAL ISSUES**



**Professor Sarah Skerratt**  
**July 2018**

## Introduction

1. This briefing paper provides an overview of Scottish Government rural and islands policy and summarises how Audit Scotland reflects rural issues in its work, both currently and into the future.
2. This briefing paper is organised in three parts:
  - Part 1 - An overview of rural and islands policy.
  - Part 2 - How Audit Scotland has responded to these drivers.
  - Part 3 - What next for rural in Audit Scotland?

## Part 1: An overview of rural and islands policy

3. This section of the briefing paper is in two parts: firstly, a brief overview of national policies, strategies, statements etc. that relate to, and have an impact on, rural; and secondly, those policy approaches that are directly designed for rural Scotland.

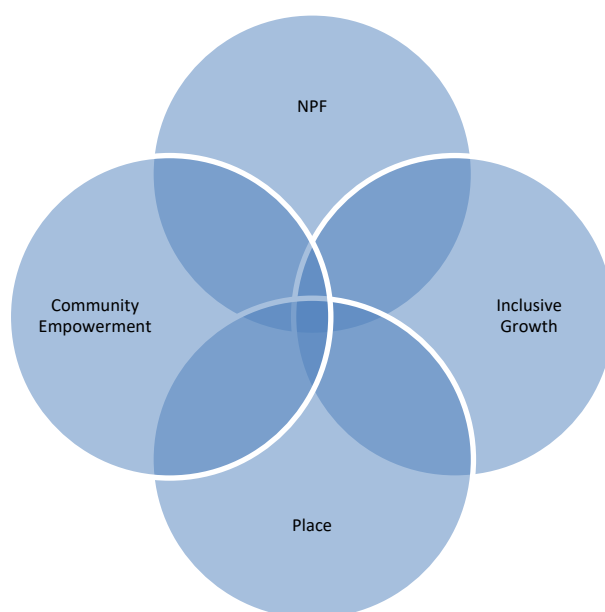
### **National policies, strategies and schemes that affect rural Scotland**

4. All policies and strategies that relate to rural sit within the over-arching framework comprising four elements (Exhibit 1).
  - The **National Performance Framework (NPF)** introduced in 2007 and revised in June 2018.
  - **Inclusive Growth**, appearing first in the Scottish Government's Economic Strategy 2015 and re-stated since.
  - **Place**, with much emphasis on 'creating local plans for local places.'
  - **Community empowerment**, with the Community Empowerment (Scotland) Act 2015 reflecting the growing focus on ensuring community voices play an increasing role in how decisions are made within the public sector.

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## **Exhibit 1**

The four interlocking macro policy drivers of the Scottish Government



Source: Audit Scotland

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5. Further elements of the national policy and strategy landscape in Scotland are now explored, as they relate to rural Scotland.

## Scottish Government Budget Bill

6. Budget Bill: The Scottish Government's Draft Budget 2018-19 was announced in the Scottish Parliament on 14th December 2017. In the Strategic Overview of the Budget, rural was mentioned under the following headings:

- **Affordable Housing and Homelessness:** *"continue our support for the Rural and Islands Housing Funds"* (see rural section below for more detail on these funds).
- **Trade and Investment:** *"launch our Rural Tourism Infrastructure Fund to help address infrastructure needs in rural areas."*
- **A Sustainable Economy:** *"This year's Programme for Government was the greenest in Scotland's history and this budget acts on those commitments: supporting our low carbon work across renewable energy; energy efficiency; sustainable travel; waste reduction; and rural land use."*
- **Fair Work for Everyone:** *"produce a Rural Skills Action plan to enhance employment opportunities for young people."*
- **The Non-Profit Distributing (NPD) model** (developed as an alternative to the traditional Private Finance Initiative (PFI) model in Scotland): *"a new rural hospital facility in Orkney."*

7. In writing about the Enterprise Agencies, the Draft Budget stated that:

The **Highlands and Islands Enterprise** (HIE) budget of £71 million provides regional leadership and works to secure inclusive growth across the Highlands and Islands. The budget supports HIE to work collaboratively with partners in delivering investment in digital and transport connectivity; education and skills; economic and quality employment opportunities; sustainable communities with a focus on population growth and investment in communities and regional infrastructure. In 2018-19 Highlands and Islands Enterprise will: *"strengthen communities through development of community-owned income generating assets; embedding a place-based approach to development, collaborating closely with key partners focusing on the regeneration of more remote and rural areas."*

8. Under the **Health** Portfolio Priorities, the Draft Budget highlights the ongoing commitment to the National Rural Mental Health Forum: *"to help people in rural areas maintain good mental health."* The Forum was established by Fergus Ewing MSP in March 2017 and further supported by the Minister for Mental Health, Maureen Watt MSP, in June 2017.
9. Under **Communities, Social Security and Equalities** Portfolio Responsibilities, we read that funding will continue for the Rural and Islands Housing Funds.
10. Under **Environment, Climate Change and Land Reform** Portfolio Responsibilities, Priorities include: *"Unlocking new opportunities will help provide jobs and sustain services for communities across Scotland, including marine-related and wider rural business, to help deliver sustainable inclusive growth across Scotland."* To address Climate Change specifically, there is a budgetary commitment to: *"continue to offer funding for Community and Renewable Energy Scheme loans and grants for rural businesses (including farmers and land managers) to help meet costs associated with the pre-planning stage of renewable energy projects and support our wider aims on local energy systems."*

## Programme for Government 2017-18 Strategic Actions

11. **Land Reform:** Land reform is a national, rather than solely rural, priority as the Land Reform (Scotland) Act 2016 covers the whole of Scotland, not just rural areas. The Scottish Government established the Scottish Land Commission (Act Part 2) whose purpose is: *"to provide direction, leadership and strategic thought to land reform in Scotland... where the ownership, management and use of land and buildings contributes to the collective benefit of everybody."* The Scottish Land Commission launched their Strategic Plan (September 2017), guided by three strategic objectives of: Productivity, Diversity and Accountability, and focused on four key areas covering both urban and rural land: Land for housing and development; Land ownership; Land Use Decision-making; and Agricultural Holdings. The Land Rights and Responsibilities Statement was published on 28th September 2017, with an overall Vision of: *"A Scotland with a strong and dynamic relationship between its land and people, where all land contributes to a modern and*

*successful country, and where rights and responsibilities in relation to land are fully recognised and fulfilled.”* The aims of the Statement are to inform and encourage, around six Principles.

12. Alongside the 2016 Act, **The Scottish Land Fund (SLF) 2016-2020**, (£10m per annum from the Scottish Government) *“supports community organisations across Scotland to own land, buildings and other assets...”* with grants of up to £1million. The Scheme is delivered by Highlands and Islands Enterprise (HIE) and Big Lottery Fund, to *“support projects that involve land and property ownership, that are community-led, community controlled and will deliver socio-economic impacts.”*
13. **Enterprise and Skills Review and Implementation:** In May 2016, the First Minister announced a review *“to ensure that all public agencies are delivering the joined-up support that our young people, universities, colleges, training providers, businesses and the workforce need”*. The Review concluded in June 2017 leading to the establishment of a new Enterprise and Skills Strategic Board (created in November 2017) to sit above and align and coordinate the activities of the four enterprise and skills agencies (Highlands and Islands Enterprise, Scottish Enterprise, Skills Development Scotland and Scottish Funding Council), and improve general economic performance. The Strategic Board first met in December 2017.
14. In June 2017, two further Review Reports set out high-level descriptions of the **South of Scotland Agency (SOSA)** and **Regional Partnerships**. The vision for SOSA is to *“drive inclusive growth, increase competitiveness and tackle inequality in the area”*, through an approach *“tailored to the area’s challenges and opportunities”*, requiring a *“long-term commitment from partners to work together to address the deep rooted challenges of the area to ensure that all can meet their potential”*. In September 2017, an Interim Economic Partnership was set up for the South of Scotland with Professor Russell Griggs as Chair, with full Agency establishment scheduled for 1st April 2020.
15. The **Regional Partnerships Report** highlights 13 City and *“non-City”* regional partnerships. However, it is unclear what will happen to the *“rural hinterlands”* within the City Region areas, as well as those areas not covered by any Partnership Deal, as picked up by the Scottish Parliament’s Local Government and Communities Committee in their Report *City Regions – Deal or No Deal?* (Exhibit 2):

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## Exhibit 2

### City Regions – Deal or No Deal?

197. It is perhaps unfortunate that the name of these initiatives suggests that any such investment must be targeted only at Scotland's cities and their surrounding regions. Whilst we understand that there are great gains to be made in our major urban conurbations, this cannot be at the expense of other towns in Scotland, some of which are larger in population terms than some of our cities, or of our more remote and rural areas.
198. In this respect, we welcome the recent developments in relation to the Ayrshire Growth Deal and the work underway through the Borderlands Initiative or as part of the Islands Bill. It is important though that these initiatives are not the 'poor cousins' of City Region Deals. We welcome the assurances from both governments that their ambition is towards greater coverage right across Scotland. As Lord Duncan said, this "should mean that the mosaic of Scotland is all coloured in" and "every part of Scotland should receive the benefits irrespective of whether it is in an urban area, near an urban area or there is not urban area at all for that". We recommend that both governments jointly set out a clear timetable on when that will happen.
199. At this stage, it is not clear to us how the remoter, rural or other areas outwith Scotland's cities will benefit from these Deals. Such areas have benefited in the past from investment via the EU's ERDF and CAP Pillar 2 programmes but it is not yet clear whether such funding will continue after Brexit and also how the objectives in these programmes sit with the emphasis being placed on city regions.

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Source: Local Government and Communities Committee, Scottish Parliament, January 2018

## Programme for Government 2017-18: Commissions, Task Forces and Bills

16. The following are highlighted within the **2017-2018 Programme for Government**, each with specific implications for rural Scotland:

- **Climate Change Bill:** The Draft Climate Change Plan (RPP3) was laid before the Scottish Parliament (19.01.17) with the Inquiry taking place January-March 2017. An important component of the debate is the contribution of agricultural/forestry land use to Greenhouse Gas Emissions and “*Carbon sinks*”.
- **Planning Bill:** Based on the Planning Review (2015-2017), making its way through Parliament since (05.12.17). The Policy Objectives are a shift away “*from that of a regulator to a positive and active enabler of good quality development; a shift from reacting to development proposals to proactively supporting investment and quality place-making*”, incorporating community views. This is relevant to rural areas due to the perception that “*the planning system*” works against development in rural Scotland, focusing efforts instead on areas already possessing infrastructure (water, electricity, sewage), thus reducing availability of much-needed affordable rural housing.
- The two-year **Poverty and Inequality Commission** (03.07.17) and a Consultation on a **Public Sector Socio-Economic Duty** (18.07.17) to address disadvantage through rethinking strategic approaches. Measuring rural poverty continues to be a challenge.
- A **new definition of Fuel Poverty** was created (Nov 2017), to take into account its layered complexities. This new definition resulted directly from a Recommendation by the **Rural Fuel Poverty Task Force** (2016).
- **Local Democracy Bill** (consultation launched summer 2018) – rural dimensions are being specifically investigated.
- **National Social Isolation Strategy**, with rural featuring heavily as a component of isolation.
- **Reducing Suicide and Self Harm Strategy**, with rural occupations being a recognised facet of high suicide rates, and the associated importance of the Scottish Government-funded National Rural Mental Health Forum.

## Programme for Government 2017-18: Rural legislative priorities

17. There are several specifically rural legislative priorities highlighted in the Programme for Government 2017-2018:

- Forestry and Land Management (Scotland) Bill
- Islands Bill
- Crown Estate Bill

18. **Forestry and Land Management (Scotland) Bill:** This was laid before the Scottish Parliament on 10th May 2017 and is currently making its way through the three Bill Stages. In summary, the Bill:

- transfers the powers and duties of the Forestry Commissioners in Scotland to Scottish Ministers
- provides Scottish Ministers with a duty to promote sustainable forest management and publish a forestry strategy (this superseded the Scottish Forestry Strategy 2006)
- widens the provisions currently available for management of forestry land. It includes provisions on the management of land for sustainable development
- sets out provisions for compulsory purchase and the delegation of management functions to community bodies.



19. **Islands (Scotland) Act 2018:** This is a key piece of legislation, since it is the first time that the Scottish Parliament has legislated based on place or geographical location. The Policy Memorandum outlines the Purpose of the Bill as: *“ensuring that there is a sustained focus across Government and the public sector to meet the needs of island communities both now and in the future.”* Of key relevance is Part 3, described in the Policy Memorandum as the *“cornerstone”* of the Bill, since it provides for *“island-proofing”*, that is: *“considering the particular needs and circumstances of island communities when the Scottish Government and other relevant public authorities are exercising their functions and making decisions”*. The Bill seeks to ensure that islands communities are *“not unreasonably disadvantaged due to their location”*. This means that potential direct or indirect consequences of new or revised legislation, policies, strategies or services must be assessed and adjustments made, with annual reporting accompanying the Islands Plan. This is potentially a significant Duty, with 66 *“relevant authorities”* being listed as having to uphold this Duty (including the Accounts Commission and Audit Scotland). The three Stages of the Bill were completed prior to the Scottish Parliament entering Summer Recess at the end of June 2018, with Royal Assent on 6 July 2018.
20. **Crown Estate Bill:** The Smith Commission recommended that management of Crown Estate assets in Scotland, and their revenues, should be devolved. The Scotland Act 2016 made provision for this and on 1st April 2017, Crown Estate Scotland (CES) (Interim Management) was established, to manage the assets on an interim basis until new legislation sets out permanent arrangements. CES:
- Is responsible for managing a range of rural, coastal and marine assets, as well as some commercial property.
  - Leases land and property to 2000 individuals and businesses, working with them to help them succeed.
  - Supports aquaculture, farming, forestry, tourism and offshore renewables through leasing, research and other activities.
  - Invests in marine leisure facilities to support coastal communities.
  - Is guided at all times by our core values of excellence, commercialism, collaboration and integrity.
21. **The Crown Estates Business Plan 2017/18** highlights the Strategy Framework, with three elements: Performance (contributing to sustainable economic growth), Partnerships (contributing to tenants’ success, working collaborative, and engaging with stakeholders and communities), and People (maintain high-performing teams by investing in skills, and communicating proactively and openly). The Crown Estate Scotland’s consultation on its long-term management opened on 1<sup>st</sup> April 2017 with the results being made available on 26 January 2018.

## **Rural Economy and Connectivity/ Programme for Government 2017- 2018: Rural economy – preparing for the future**

22. Draft Budget 2018-19: The Rural Economy and Connectivity Portfolio Responsibilities are:

*“a diverse portfolio, responsible for rural Scotland and wider connectivity (physical and digital) through working with the public, private and third sectors and with local communities. It includes the Scottish Government responsibility for farming and food production, the rural economy, food and drink, fisheries, aquaculture, forestry, digital connectivity, islands and the national transport network.”*

23. To deliver this eight priorities are listed for 2017-2018 (Exhibit 3):

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### **Exhibit 3**

#### **Rural Economy and Connectivity priorities**

1. delivering a reformed Common Agricultural Policy;
2. enabling everybody in Scotland to access superfast broadband by 2021 – the only country in the UK to make this commitment;

3. enabling and encouraging sustainable development, enterprise and investment in the rural economy;
4. building on current success in our world-class food, drink and forestry sectors;
5. repopulation and empowering rural, coastal and island communities;
6. investing in low carbon transport and promoting active travel to deliver our climate change ambitions and to tackle poor air quality in towns and cities;
7. providing vital transport links to improve physical connectivity, economic productivity, the environment, public health and social inclusion;
8. delivering our better journey times and transport connections, with reduced emissions and greater quality, accessibility and affordability.

Source: Scottish Parliament

24. Within that broad portfolio **the Programme for Government 2017-2018: Rural economy – preparing for the future** sets out four priority themes:

- 1) Enabling and encouraging **sustainable development, enterprise and investment**.
- 2) Developing a strategic approach on **environmental policy**.
- 3) Harnessing the potential of our **natural assets** and protecting **natural resources**.
- 4) **Repopulating and empowering** Scotland's rural, coastal and island **communities**:
  - Rural Skills Action Plan (2018).
  - Increase rural housing stock (£25 million Rural Housing Fund, launched February 2016; £5 million Islands Housing Fund, launched September 2016; £2 million Croft House Grant, launched April 2017).
  - 100 per cent access to superfast broadband.
  - Low carbon technologies; attract more people into farming.
  - Maximise potential from modern approach to crofting.
  - Islands Bill.
  - Crown Estate Bill.

### Strategies, Schemes and Task Forces designed for rural Scotland

25. The following Strategies, Schemes and Task Forces for are also either designed for or relevant to rural Scotland:

- **Ambition 2030: A Growth Strategy for farming, fishing, food and drink. Scotland – A Land of Food and Drink (launched March 2017)**. This is described as being an “*industry-led, ambitious strategy*” that will depend on the “*commitment of the Partnership between industry, government and its agencies to succeed*”. **Challenges** are: career choices, profitability, collaboration, world-class research base, cross-sectoral collaboration, diet and nutrition, market diversity, sustainability, support sources. **Priorities** include: embracing change, identifying trends (demographics, urbanisation, changing behaviours, wellbeing, technology, consumer conscience), sharpening focus, being brand aware and market growth. **Pillars of Growth** are: People and skills; Supply chain relationships and Innovation.
- **Women in Agriculture Taskforce (launched June 2017)**: “Will tackle inequality in Scottish agriculture and ensure the potential of women in farming is realised to better represent the forward-facing, 21st Century Scotland in which we live.” Its activities will centre around the recommendations in the *Women in Farming and the Agricultural Sector* research report. The Task Force published its progress report in June 2018, and will publish its final report in September 2019.

- **Farming Opportunities for New Entrants (FONE) Scheme:** In July 2015 the Scottish Government announced plans to set up a working group to maximise the amount of publicly owned land used to help the farmers of the future. Publicly owned land is managed by many different organisations in Scotland and it was decided to develop a **Farming Opportunities for New Entrants** programme (**FONE**). **FONE** met for the first time during December 2016 with a remit to: “Develop a Farming Opportunities for New Entrants Programme”.
26. In addition, the Scottish Government’s Superfast Broadband Programme also has an important rural focus:
- **Superfast Broadband:** On 19th December 2017, Fergus Ewing MSP, Cabinet Secretary for Rural Economy and Connectivity, stated his decision to prioritise rural Scotland in the first phase of the “*Reaching 100 per cent*” (R100) programme: “*We have taken the decision ... to target investment where it is needed most – in rural and remote Scotland... Fast and reliable digital connectivity is a fundamental expectation of all communities, regardless of location...*” The Scottish Government’s Draft Budget (December 2017, pp.146-147), outlines the Scottish Government’s Digital Connectivity Priorities (Exhibit 4):

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## Exhibit 4

### Scottish Government Digital Connectivity Priorities

The reaching 100 per cent (R100) programme will see £600 million of public funding invested over the four financial years to March 2022 to help create a future-proofed, truly national fibre network – a vital first step towards achieving the commitment. An initial procurement will formally begin this month and is expected to take around a year. Broadband activity will continue on the ground during 2018-19, through continued deployment of the Digital Scotland Superfast Broadband (DSSB) programme. This will be funded through a contractual mechanism (Gainshare), where new investment has been generated by early take-up on the fibre network. Gainshare will see new deployment in every local authority area across Scotland during 2018, avoiding any significant gap between DSSB and R100 deployment. We will ensure in partnership with key service providers, that in addition to the improvements in digital infrastructure, that rural businesses are also aware of and are able to access existing provisions to acquire the skills on broadband IT that they need.

Source: Scottish Government

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27. The Scottish Government’s **National Council of Rural Advisers** has a remit to provide evidence based advice to Scottish Ministers on the implications of Scotland leaving the EU, and to recommend future actions that could sustain a vibrant and flourishing rural economy. It is currently consulting to help inform recommendations for Scottish Government on future policy direction for the rural economy (*‘a rural conversation: together we can, together we will’*).

### European Programmes with a Rural dimension

28. There are a number of European Programmes which have a significant rural-related dimension. These include:
- **Scottish Rural Development Programme (SRDP) 2014-2020:** This £1.3billion programme delivers **Pillar 2** of the EU Common Agricultural Policy (CAP), funding economic, environmental and social measures for the benefit of rural Scotland. The key purpose of the SRDP 2014-2020 is to help achieve sustainable economic growth in Scotland’s rural areas and the priorities remains broadly the same as the previous programme. The SRPD includes **LEADER**, and **Less Favoured Area Support Scheme (LFASS)**, paid to c.11,000 farmers and crofters.

- **Advice on EU Withdrawal/post-Brexit:** Given the significance of EU support to rural communities, the Cabinet Secretary for Rural Economy and Connectivity, Fergus Ewing MSP, established a **National Council of Rural Advisers** (22.06.17), who produced their Interim Report (29.11.17) and consultation document on 12.06.18. The Council work alongside **four Agriculture Champions** (appointed January 2017) to advise on the development of a **Strategy for the sector**, with four themes: Education and Training; Food and Drink; Sustainability; and Public Value. They produced their Strategy document on 31 May 2018.
- Cabinet Secretary Fergus Ewing MSP also published a Statement on post-Brexit transitional arrangements, and launched a further consultation on 20 June 2018 on payment systems post-Brexit.

## **Part 2: How Audit Scotland has responded to these drivers**

29. The policy landscape around rural is complex and lacks a “*coherent narrative*”. The recent exception to this is the Islands Act (2018) with its associated Duties for Ministers and key public bodies (including Audit Scotland and the Accounts Commission).
30. Given this, the approach to incorporating rural within Audit Scotland’s work has been twofold. Firstly, to focus on rural as context to inform local and national audit work, and secondly to focus on the specific audit implications of the Islands Bill which became an Act on 6 July 2018, including the new legal duties placed on Audit Scotland and the Accounts Commission in relation to having regard to island communities and Shetland mapping which are covered in detail later in this paper.

### **Rural as context**

31. Rural as context: we have developed a spectrum of approaches: from advising on rural aspects of themes when audits are in their scoping phase, to examining draft final reports from a rural perspective, through to more in-depth work integrating rural expertise within rural Best Value Assurance Report (BVAR) audit processes. The following examples are illustrative of these approaches:

#### **Advising on rural aspects of themes when audits are in their scoping phase:**

32. Advising on rural aspects of themes when audits are in their scoping phase: example topics include mental health (Child and Adolescent Mental Health Services [CAMHS]), City Regions and non-city, or Growth, regions, Enterprise Agencies, and community empowerment. This breadth demonstrates the way in which rural potentially has implications across many audit areas:
  - For example, the sparsity of CAMHS services, and difficulty for rural youth in transitioning from child to adolescent support in rural areas, are exacerbated by lack of anonymity and associated stigma, near-absence (and high cost) of public transport, and service centralisation; taken together, these factors greatly enhance individual isolation and personal remoteness in geographical spaces that are already remote. This “*rural mix*” has implications for satisfaction of service users.
  - The City Deals audit provides the opportunity to challenge the commonly-held assumptions around “*trickle-down*” or “*trickle-out*” of urban-focused investment down/out to rural regions, and the urban-centric view that rural areas are not innovative but simply recipients of progressive, urban ideas.
  - Discussions around the audit issues raised by Enterprise and Skills Review and the formation of the new public body (South of Scotland Enterprise Agency) allowed for reflections around the diversity of rural Scotland, for example: how north and south Scotland’s needs and opportunities are substantially different; how the rural agenda differs according to the historical and legislative context; how even within one rural region (e.g. Dumfries and Galloway or Scottish Borders) there are multiple rural ‘regions’ within citizens’ own minds which affect their

willingness and ability to participate in public sector initiatives;

- Discussions around community empowerment took into account the physically dispersed nature of rural communities and the associated public sector challenges and costs of reaching “all”; the fact that rural poverty does not occur in geographical concentrations (as in urban areas) and often exists “below the radar”, with those in such hidden poverty typically being inhibited in their engagement with public sector empowerment opportunities, particularly asset acquisition; and the additional underlying factor of lack of mobility in rural areas over considerable distances (due to poor public transport and costs of private transport). This collective mix means that there is a risk of publicly-funded empowerment opportunities in rural Scotland further-enabling those who are already-empowered, connected and mobile.

33. The following approaches and actions demonstrate the layered and interconnected nature of rural factors, and the ways in which they can “filter” the services and investments of public sector bodies.

### **Examining draft final reports from a rural perspective**

34. *Examining draft final reports from a rural perspective* with the aim of exploring the ways in which the findings could or should be differentiated according to their rural location. Reports covered in this way include the Colleges Overview, NHS Overview, and Local Government Overview. Rural inputs served to “sensitise” the reports to place and rural contexts, enhancing their credibility and legitimacy particularly to those in rural settings. Types of rural observations include:

- Recruitment and retention of staff within the NHS is a systemic and significant challenge in rural areas (and has links with affordable housing, schooling and employment for spouses), related to other approaches to infilling vacant posts which have implications for the public purse and service users’ experience.
- Outmigration of youth is a trend in rural Scotland; therefore colleges that manage to support education *within* rural areas could counter this trend.
- Local governments in rural areas have to serve a degree of population sparsity that is fundamentally on a different scale from those in urban settings. This population spread puts pressure on resources and decision-making that may be unrecognisable to those outwith such contexts. Scotland’s major city population densities are as follows: Glasgow City = 3,412 people/km<sup>2</sup>; Dundee City = 2,433; Edinburgh City = 1,878; and Aberdeen City = 1,187. The comparative population densities for the rural/islands local authority areas: Argyll and Bute = 13 people/km<sup>2</sup>; North Ayrshire = 153; Highland = 9; Orkney Islands = 20; Shetland = 15; and Comhairle nan Eilean Siar = 8. Alerting Audit Scotland colleagues to the public sector resource implications and challenges of this single statistic is critically important.

### **Integrating a rural perspective into the Best Value Assurance Reports**

35. Integrating a rural perspective into the Best Value Assurance Reports has taken place in two main ways:

- **Orkney Islands Council BVAR (2017):**
  - Inputting specialist and expert knowledge and advice at the initial scoping of the BVAR for an islands context.
  - Bringing a “*rural lens*” to a content analysis of written Council statements around outcomes, service provision and community empowerment.
  - Carrying out the outer isles fieldwork with community groups, legitimising outer isles perspectives and ensuring were built into the audit findings.
  - “*Island-proofing*” the final audit report, bringing additional rigour to the analysis around, for example: implications of Council decisions concerning service investment/disinvestment (and likely impacts on islanders) and match or mismatch between Mainland Orkney narratives around empowerment/inclusion and those from the

Outer Isles of Orkney.

- **Dumfries and Galloway BVAR (2018):**

- Contributing expert rural and regional knowledge to help critique and support team judgements.
- Sensitising the BVAR team to how residents in the local area experience rural, and therefore can or cannot interact with the public sector. It gives further guidance on the “reach” of the public sector in specific rural contexts, particularly enabling checks around empowerment narratives from different perspectives (public sector and citizen).

## Implications of the Islands Act

36. The Accounts Commission for Scotland and Audit Scotland are both named as Scottish public authorities with mixed functions or no reserved functions under the Schedule to the Islands (Scotland) Act 2018. This means that the Accounts Commission for Scotland and Audit Scotland must:

- i. have regard to island communities in carrying out their functions
- ii. prepare an island communities impact assessment in relation to a-
  - (a) policy
  - (b) strategy, or
  - (c) service,

which in their opinion is likely to have an effect on an island community which is significantly different from its effect on other communities (including other island communities) in the area in which the Accounts Commission for Scotland and Audit Scotland operate their functions.

- iii. publish information about the steps which they have taken to comply with the duty to have regard to island communities during the reporting period<sup>1,2</sup>
- iv. when publishing in any form a document that includes a map of Scotland ensure that the Shetland Islands are displayed in a manner that accurately and proportionately represents their geographical location in relation to the rest of Scotland.

37. Rural is diverse, not only in policy terms, but simply from a geographical perspective. Scotland's islands therefore comprise a slightly more tangible sub-set of rural to explore (though not without their own diversity), with the added impetus of the Islands Act creating a need for timely focus. Within Audit Scotland, we have therefore:

- Created an Islands Forum with cross-organisational membership, plus a Terms of Reference.
- Written an Islands Briefing Paper which sets out the context of those island local authority areas included in the Islands Act.
- Organised a series of meetings of the Islands Forum:
  - **Meeting 1 (October 2017):** agreed purpose and added value of the Forum to auditors across the organisation (that is, financial and performance auditors).
  - **Meeting 2 (April 2018):** two guest speakers highlighted the complexities and specificities of delivering NHS services in an island context as well as the history and direction-of-travel of *Our Islands Our Future* and the future Islands Deal.

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<sup>1</sup> A “reporting period” is any period determined by the authority up to a maximum of one year

<sup>2</sup> The relevant authority may publish the information in such a manner as the authority considers appropriate (for example in an annual or other report prepared by the authority).



- **Meeting 3 (October 2018):** this will be focused on the Duties of the Islands Act, in which both Audit Scotland and the Accounts Commission are named as two of the 66 public bodies accountable under the Act 2018.

## **Part 3: What next for Audit Scotland?**

### **Strategic and thematic drivers**

38. There are a number of “*rural drivers*” which are likely to require an ongoing commitment from Audit Scotland. These are both strategic and thematic.
39. **Strategic:** The 2017 recommendations from the Budget Process Review Group (BPRG) are being put in place by the Scottish Parliament, with the outcome that subject Committees are already issuing calls for evidence to support their scrutiny of public spend in relation to delivery of those National Performance Framework outcomes that fall within their remit. For rural issues therefore, Audit Scotland could usefully build relationships with the Rural Economy and Connectivity Committee, and the Environment, Climate Change and Land Reform Committee, to assist their scrutiny of value for public money around specific rural evidence.
40. **Strategic and thematic:** Undoubtedly, a watching brief on the Islands (Scotland) Act will be required, to ensure that Audit Scotland and the Accounts Commission remain both “*on the front foot*” in a proportionate way in terms of their duties to have regard to island communities in their work, and build up a sound comprehension of the implications of this Duty for those public bodies within their audit purview. We will also need to meet the specific Shetland mapping requirement across all of our audit outputs.
41. **Thematic:** Further public sector areas that may require an ongoing rural perspective, and could therefore benefit from consideration in a future work programme refresh, include:
  - Enterprise Agency evolution and development (including the South of Scotland).
  - Non-city region partnerships.
  - Mental Health services (e.g. CAMHS).
  - Social Security and its implementation and fairness in rural areas.
  - Superfast broadband and commitments to 100 per cent coverage in Scotland by 2021.
  - Repatriation of EU funds post-Brexit (Westminster/Holyrood), and impacts of different funding mechanisms and payment levels on agricultural and wider rural communities.
  - Land Reform, and associated activities of the Land Commission and Crown Estate, including implementation of recommendations from reviews etc.
  - Ongoing implementation of the Community Empowerment (Scotland) Act 2015 in rural areas.

### **Ensuring the “rural lens” will still be used in the future**

42. It is not anticipated that a separate “rural audit” will be required, since the approach thus far has been to “*rural-proof*” audits at different stages, e.g. early scoping, during the audit process itself, during judgement discussions as another source of triangulation, and during report drafting. It may be, however, following ongoing programme development discussions (for example in the three clusters, and/or through discussions with the AGS and the Accounts Commission) that a particular stream of work coalesces in this area and is substantial enough to merit an analysis that stands alone, bringing together strands of interest from across audit work.
43. It is expected that:
  - “*rural-proofing*” of audit work will continue
  - the Islands Forum will continue as a means of colleagues exchanging information and experience with one another from their islands audit work, as well as the more formal element of being prepared for any Duties associated with the Islands Act.

- to support Audit Scotland in this work, Professor Sarah Skerratt will therefore continue to (a) chair the Islands Forum as it meets three/four times per annum (or additionally as required in relation to the Duty), and (b) act as Audit Scotland's expert adviser on rural matters.

**Professor Sarah Skerratt**

**Audit Scotland adviser on rural issues**

**July 2018**



**MEETING: 9 AUGUST 2018**

**REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE**

**ENGAGING WITH YOUNG PEOPLE**

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## **Purpose**

1. The purpose of this paper is to provide the Accounts Commission with an update on Audit Scotland's work to engage with young people as part of broader programme development, and to inform the Commission about how we are marking the Year of Young People 2018.

## **Background**

2. PABV undertakes a range of programme development work to develop and refresh the rolling work programme and to identify key risks across public services in Scotland. Part of programme development is about engaging with stakeholders, including people who use public services. This helps develop a better understanding of issues and the impact of those issues on people who use services, helping us better identify and scope audit work. It also improves our relationships and increases our visibility among people who use services. Better reflecting the interests of the citizen, service users and communities in our work is one of the actions in the Accounts Commission's Strategy and Annual Action Plan 2017-22.
3. The Justice, Education and Lifelong Learning (JELL) cluster has been carrying out work to improve our engagement with young people, following a successful pilot project involving Young Scot. Following the pilot, we agreed the following actions:
  - To introduce a Youth Advisory Panel, and through the Panel:
    - consider how to involve young people in our monitoring work
    - consider opportunities for young people to be involved in audits.
  - To involve young people when tailoring our outputs by:
    - highlighting what it really means to them
    - using real stories to create greater impact.
  - To tell people what we have done and how we used their feedback and suggestions.
4. This paper provides the Commission with an update on how we are taking forward these actions through programme development and audit work.
5. The Scottish Government has designated 2018 as the Year of Young People, defined as people aged 8 to 26. Across Audit Scotland, we see this as an opportunity to widen out our activity and focus across the organisation and more widely promote our work with young people. This will help to make activity more sustainable and part of our working practices in the long term. We are coordinating a range of activity to address this.

## **Working with young people**

6. Following a tendering process, we recently appointed Youth Scotland, a third sector organisation, as our partner to establish a standing panel of young people to work with us. The panel will be in place for two years. It will involve 16 to 20 young advisors, likely to be aged 15 to 19 at the start. There will be many opportunities for Audit Scotland staff to be involved in working with Youth Scotland and the panel, and staffing training and knowledge transfer around engaging with young people staff is part of the contract. The expected outcomes from this engagement with young people are:
  - Young people are able to influence and participate in all stages of our audit work.
  - Our audit work has more impact among young people.
  - Young people are able to provide us with advice on a range of issues.
  - Young people are involved in some of our audits.
  - The young people involved gain valuable experience and skills.
  - Increased skills and capacity among Audit Scotland staff to do more direct engagement with young people.
7. One of the areas that we will want the panel to consider is school education. In February, we held a round table on educational outcomes involving a range of stakeholders, including third sector organisations that work with young people. We plan to have a different type of event with young people to increase our understanding of the key issues as they affect pupils and former pupils. This will help us plan for the audit on educational outcomes in 2019/20. We will also engage with the panel on our planned audits on improving outcomes for looked after children, youth justice, outcomes for children with additional support needs, and child poverty.
8. We have already been working more directly with young people on the audit of Children and young people's mental health (CYPMH). The team worked with a group of young people affected by mental health at the scoping stage of the audit. They are working with that group again as they develop and refine the key messages, and will tell the group how they have used their suggestions. A member of the Scottish Youth Parliament is a member of the external advisory group for the CYPMH audit, and we will consider the learning from this experience to inform future audits.
9. We recently met the Care Inspectorate to discuss their experience of working with Young Inspection Volunteers as part of their teams inspecting children's services. The Care Inspectorate feels this has been a positive and valuable experience for both the quality of the inspection and for the young people involved. We plan to invite some of the Young Inspection Volunteers to talk to the standing panel when it is established, to share experiences as the panel considers how young people could be more involved in audits.

## **Communication and promoting our messages**

10. One of the recommendations coming out of the pilot project was about better communicating the messages in our report to people who may be interested or affected. Our actions include:
  - using real people's stories to explain and highlight our messages in a way that people can more easily relate to
  - communicating our messages using different methods.

11. We put this into practice in our recent reports for the Auditor General and Accounts Commission on Early learning and childcare (ELC) and on Self-directed support (SDS). The ELC team commissioned research with parents and used their stories throughout the ELC report. The SDS team carried out their own research with people supported by SDS and their carers, and their stories were included to illustrate points in the report. The team also worked with the Scottish Commission for Learning Disability to produce an easy-read version of the report aimed at people with learning disabilities. The Communications team commissioned a short video on ELC aimed at parents, which has been promoted on our website as part of a parents' hub, and using social media. We have had positive feedback on the use of people's stories in both reports, and on the easy-read version of the report for people who use SDS. The full ELC video and three micro videos shared on social media have been viewed over 5,500 times since they were launched on 26 February.
12. We are planning to work with young people on how best to communicate the messages from the report on CYPMH so that they are more accessible to young people. Communicating our messages will be a key area of focus for the standing panel of young people.

### **Year of Young People 2018**

13. The Scottish Government has designated 2018 as the Year of Young People, defined as people aged 8 to 26. We see this as an opportunity to fully implement the actions we agreed after our pilot project with Yong Scot, and also to widen out activity and focus across the organisation and more widely promote our work with young people. This will help to make activity more sustainable and part of our working practices in the long term. We are coordinating a range of activity to address this, including:
  - developing a [Year of Young People e-hub](#) on our external website that highlights how we are working with young people, both at a corporate level and on audits, and promoting this through social media
  - improving our external engagement with young people, as set out in this report
  - raising awareness among staff of the issues that affect young people, the work that young people are doing themselves and opportunities to work with them, by inviting external speakers such as members of the Scottish Youth Parliament and other youth organisations
  - agreeing plans to open up recruitment to more school leavers
  - using the new e-hub on the external website to promote and share audit work that we are already doing that is of particular relevance to young people.
14. We will be working with a group of members of staff aged 26 and under throughout the year to harness their ideas and put agreed actions into practice.

### **Conclusion**

15. The Commission is asked to:
  - consider this paper and any implications for its work programme
  - consider any further information it wishes in this regard.

**Tricia Meldrum**  
**Senior Manager**  
**27 July 2018**

**MEETING: 9 AUGUST 2018**

**REPORT BY: MARK TAYLOR, AUDIT DIRECTOR, AUDIT SERVICES AND PABV**

**NEW FINANCIAL POWERS AND CONSTITUTIONAL CHANGE UPDATE**

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## **Purpose**

1. This paper provides an update on key developments surrounding financial devolution and constitutional change.

## **Background**

2. We provided an update to the Accounts Commission in January 2018 on the new financial powers and the UK's withdrawal from the EU. Significant developments since then include:
  - The Scottish budget was passed on 21 February 2018 and included a new five-band income tax system. In May, a revised Scottish budget process was launched with the publication of the Scottish Government's first medium-term financial strategy.
  - The Social Security (Scotland) Act received Royal Assent on 1 June 2018. The first devolved benefit is expected to be introduced this summer. A new Cabinet Secretary post for social security was created in the Scottish cabinet re-shuffle on 26 June 2018.
  - The Scottish Crown Estate Bill was introduced to Parliament in January 2018. It provides for the devolution of the management of Crown Estate assets to local authorities, public bodies and community organisations.
  - The introduction of devolved Air Departure Tax has been delayed again until at least March 2020. It will not be introduced until issues around exemptions for passengers flying from Highlands and Islands airports have been resolved.
  - The EU Withdrawal Act received Royal Assent on 26 June 2018. It did not receive legislative consent from the Scottish Government, which is concerned about what will happen to some powers in devolved areas when they return to the UK Parliament after EU withdrawal.
  - We published the latest in a series of performance audits on managing the implementation of the Scotland Acts on 28 March 2018. The report was considered by the Public Audit and Post-Legislative Scrutiny Committee on 19 April and the Social Security Committee on 3 May.

## **Scottish budget**

3. The Scottish Government's 2018/19 budget was passed by Parliament on 21 February 2018. This included a new five-band income tax system and introduced marginal changes in tax rates across the five bands. This policy is forecast to fund an additional £219 million in the Scottish budget. The Scottish Fiscal Commission forecast income tax revenues of £12.2 billion in 2018/19.
4. In June 2017, the Budget Process Review Group recommended a framework for a revised budget process. This included a year-round approach to budget setting, scrutiny and evaluation, with increased emphasis on outcomes and what spending is

achieving. The Scottish Parliament backed changes to the budget process, and the new approach will be in place for the 2019/20 budget.

5. As part of the new budget process, the Scottish Government published its first medium-term financial strategy on 31 May 2018. The five-year strategy sets out the funding arrangements that the Scottish Government now operates within, its approach to financial management, and possible funding scenarios for the Scottish Budget based on modelling using the Scottish Fiscal Commission forecasts. These models highlight the variability in the potential growth of the Scottish budget, which reflects uncertainty around the block grant adjustment, revenues from devolved taxes, and the economic impact of EU withdrawal.
6. The medium-term financial strategy also outlines the Scottish Government's approach to supporting Scotland's economy and its policy priorities. It identifies six key resource budget commitments - health, police, early learning and childcare, attainment, higher education and social security. The Scottish Government estimates that the proportion of the overall resource budget utilised by these commitments will grow from 56 per cent in 2019/20 to 64 per cent in 2022/23. All other funding commitments will need to be met from the remainder of the budget. This will require decisions on the prioritisation of commitments and spending, and the balance of funding between the Scottish Government's priorities and allocations to local government and other key public services.
7. We are working with colleagues in the Scottish Parliament and others to help communicate and support implementation of the revised budget process. This has included briefing parliamentary committees and hosting awareness-raising events with stakeholders from the Parliament, Scottish Government and public bodies. The revised process also has implications for Audit Scotland, and we are engaging with parliamentary committees and colleagues to ensure our audit work helps support the new budget process and improved scrutiny.

### **Social security powers**

8. At its meeting in March, the Accounts Commission considered a briefing paper on the potential impact on local authorities of the implementation of Scotland's devolved social security powers. This highlighted the important role of Scottish councils in the administration of aspects of the social security system in reserved and devolved areas.
9. The Social Security (Scotland) Act received Royal Assent on 1 June 2018. The Act sets out the overarching approach to delivering the devolved social security benefits. Detailed arrangements for implementing each devolved benefit will be set out in secondary legislation. The Act provides for the establishment of a Scottish Commission on Social Security, which would be responsible for scrutinising the new social security system including any secondary legislation. Scottish ministers are expected to appoint the chair and members of the Commission by early 2019.
10. In the Scottish cabinet re-shuffle on 26 June 2018, Shirley-Anne Somerville was appointed to the new post of Cabinet Secretary for Social Security and Older People. She will be responsible for Scottish social security policy and all devolved benefits.
11. The Scottish and UK Governments have agreed to take a phased approach to delivering the devolved benefits. The first wave of benefits to be delivered are Carer's Allowance Supplement in summer 2018 and Best Start Grant and Funeral Expense Assistance in summer 2019. The Scottish Government has also committed to introducing a new Young Carers Grant by autumn 2019. The appendix provides a timeline of the devolution of social security powers.
12. Our latest performance audit on the implementation of the Scotland Acts, published in March 2018, found that the Scottish Government's social security programme has made good early progress. It is now at a critical point as it moves into the initial phase

of delivering devolved benefits. In a letter to the Social Security Committee on 21 June 2018, the then Minister for Social Security (Jeane Freeman) stated that the Scottish Government is on track to deliver the first wave of devolved benefits on time.

13. Social Security Scotland is expected to be launched as an executive agency in summer 2018, to coincide with its first payments of the Carer's Allowance Supplement. The chief executive and core leadership team are already in post and wider recruitment is underway. At least 1,900 jobs are expected to be created by the time the agency is fully operational. The agency has secured two interim locations through lease agreements with Dundee (Dundee House) and Glasgow (220 High Street) councils. The Scottish Government has announced that the Agency will be have a presence in every local authority area, with staff co-located in existing public and third sector services to provide pre-claim advice and support. In December 2017, the Scottish Government agreed an Overarching Partnership Agreement with COSLA setting out the guiding principles to ensure social security services are delivered in a consistent way across Scotland.<sup>1</sup>
14. Audit Scotland is the appointed auditor for Social Security Scotland and the payments that it administers. The AGS will also appoint the auditor for the Scottish Commission on Social Security. We have now established a team that will be responsible for all our financial and performance audit work on social security, including our existing housing benefit performance audit work. The housing benefit annual performance report will be considered by the Accounts Commission at its meeting in September 2018. We will continue to review our resource needs for this work and build additional capacity as more social security benefits are devolved through to 2021.

### **Crown Estate Scotland**

15. The Scottish Crown Estate Bill was introduced to the Scottish Parliament in January 2018. It has been considered by the Environment, Climate Change and Land Reform Committee and the Delegated Powers and Law Reform Committee. The stage one debate was held on 19 June 2018 and Parliament agreed to the general principles in the Bill. The Bill will continue its journey through Parliament after summer recess.
16. Crown Estate assets include rural estates, mineral and fishing rights, urban assets, the seabed and the foreshore. The Bill sets the framework for the long-term management of the Crown Estate in Scotland. It identifies who can become a manager of a Crown Estate asset and provides for the devolution of management to local authorities, public bodies and community organisations. It also outlines a variety of factors that should be considered when deciding how an asset should be managed, including regeneration, social wellbeing, environmental wellbeing and sustainable development.
17. In its stage one report on the Bill, the Environment, Climate Change and Land Reform Committee noted that:<sup>2</sup>
  - local authorities, including the island councils, may be well-placed to take on the management of assets
  - the Scottish Government should clearly outline which assets it anticipates will continue to be managed on a national basis and which can be devolved to a local level
  - details of the process and criteria the Scottish Government will use to decide the suitability of a potential manager to manage an asset should be set out in guidance

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<sup>1</sup> - <https://beta.gov.scot/publications/delivey-agreement-between-scottish-ministers-convention-scottish-local-authorities/> .

<sup>2</sup> <https://sp-bpr-en-prod-cdnep.azureedge.net/published/ECCLR/2018/5/29/Stage-1-Report-on-the-Scottish-Crown-Estate-Bill/ECCLRS0518R3.pdf>

- the Scottish Government should clarify how it intends to maintain strategic oversight of all Crown Estate Scotland assets, after the management of some assets is transferred to local authorities and community organisations.
18. Crown Estate Scotland has launched a pilot scheme to encourage local authorities, development trusts and other bodies to manage Crown Estate land and property in their local area. The scheme hopes to test innovative management approaches with the potential to offer improved economic, social, environmental and wellbeing outcomes. Stage one applications (outline proposals) are due by 16 August 2018 and stage two of the process (developing more detailed business plans) will run from October 2018 to January 2019.

### **Air Departure Tax**

19. Devolved Air Departure Tax (ADT) was initially expected to be introduced in April 2018. In late 2017 the Scottish Government confirmed that this would be delayed until at least March 2019, due to issues raised around the exemption for flights from the Highlands and Islands.
20. In a written response to a parliamentary question in June 2018, Derek McKay, Cabinet Secretary for Finance and the Constitution, confirmed that ADT will now not be devolved until at least March 2020. He stated that to devolve ADT before a solution has been found to the exemption issue “would comprise the devolved powers and risk damage to the Highlands and Islands economy.” The Scottish and UK Governments continue to work together to try to resolve the issue.

### **EU withdrawal**

21. The UK Government and the European Commission (EC) continue to negotiate the terms of the UK’s withdrawal from the EU. The EC has stated that these terms need to be agreed by October 2018, so that they can be ratified by the member states and the European Parliament by 29 March 2019. Some terms have been agreed in principle, such as a transition period until the end of 2020 and the rights of EU citizens to apply for ‘settled status’ if they would like to continue to live and work in the UK once it has left the EU. It is not clear what will happen if the UK and EC do not reach agreement on the withdrawal arrangements.
22. The EU (Withdrawal) Act passed through the UK Parliament and received Royal Assent on 26 June 2018. The Act removes the ability of EU institutions to legislate for the UK and allows EU law to be transferred into UK law, paving the way for the UK Parliament to remove, amend or introduce legislation in these areas. The UK Government has published White Papers setting out proposals for agriculture and fishing policies after EU withdrawal and the UK’s future relationship with the EU. It is expected to publish a White Paper on immigration in due course. Bills on customs and trade were passed by the House of Commons on 16 and 17 July 2018, and will now be considered by the House of Lords in September 2018.
23. The Scottish Government thinks that the EU Withdrawal Act is incompatible with the devolution settlement and Ministers refused to give legislative consent to the Bill. The Scottish Government is concerned that the UK Government wishes to retain temporary control over 24 devolved policy areas, when these powers return to the UK Parliament after EU withdrawal. This includes areas such as agriculture and fishing, environmental quality, food safety, chemical regulation and procurement. These are areas that the UK Government argues will require a common UK-wide legislative approach.
24. The Scottish Parliament passed an emergency piece of legislation on 21 March 2018 - the UK Withdrawal from the European Union (Legal Continuity) (Scotland) Bill. This is intended to ensure there is continuity of EU legislation in Scotland after March 2019. The UK Government asked the Supreme Court to rule whether the legislation is within



devolved powers. The hearing took place on 24-25 July although a judgement is not expected for several weeks.

25. We are continuing to monitor issues as they develop and identify associated audit risks. As part of the 2017/18 annual audits, auditors are considering the extent to which public bodies are working to understand, assess and prepare for the UK leaving the EU. We are also speaking to stakeholders across the public sector about the potential implications of EU withdrawal and how they are responding to this. Our work programme includes a briefing paper for the Accounts Commission and AGS on the potential impact of EU withdrawal for Scotland's public sector. We plan to bring this paper, which will draw on the work outlined above, to the Accounts Commission in autumn 2018.
26. Mark Roberts, Senior Manager PABV, is our professional lead for EU withdrawal, and is leading our programme of engagement in this area. He is working with colleagues across the organisation to develop our audit work programme and manage any organisational implications.

### **Audit arrangements**

27. Discussions are continuing between the Scottish Government and HM Treasury on audit and accountability arrangements for devolved services provided by UK public bodies (such as HMRC and DWP). The Scottish Government has formally consulted with Audit Scotland on a draft framework, and HM Treasury consulted with the NAO. We are continuing to engage with the Scottish Government, to help ensure the arrangements are fit for purpose and meet the needs of the Scottish Parliament.
28. At its meeting on 8 February 2018, the Public Audit and Post-Legislative Scrutiny Committee (PAPLSC) took evidence on the draft framework from the AGS and the Scottish Government. The AGS provided a written submission to the committee, suggesting areas where the framework could potentially be strengthened to better support the interests and responsibilities of the Scottish Parliament.<sup>3</sup> PAPLSC agreed to invite views from other committees on the proposed audit and accountability arrangements. On 5 April, PAPLSC wrote to the Cabinet Secretary for Finance and the Constitution and the Chief Secretary to the Treasury setting out the views of the committees.<sup>4</sup> This letter highlights concerns that the draft framework does not fully satisfy the Parliament in its scrutiny of devolved matters. Ultimately, the framework will be agreed by the Scottish and UK Governments at a Joint Exchequer Committee.

### **Audit reporting**

29. We published the fourth in the series of performance audits on behalf of the AGS on managing the implementation of the Scotland Acts on 28 March 2018. This looked at how effectively the Scottish Government is managing the implementation of the new financial powers, with a particular focus on the devolved social security powers. The report was considered by PAPLSC on 19 April 2018. The key messages from the report include:
  - Implementing the financial and social security powers from the Scotland Acts is a large and highly complex programme. The Scottish Government needs to develop the capacity and capability to deliver these changes alongside delivering its continuing responsibilities and preparing for the implications of the UK's withdrawal from the EU. It has taken some important steps to assess its workforce and priorities, and now needs to finalise an overall plan and processes

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<sup>3</sup> [http://www.parliament.scot/S5\\_Public\\_Audit/Meeting%20Papers/Agenda\\_and\\_Papers\\_-\\_8\\_Feb\\_2018.pdf](http://www.parliament.scot/S5_Public_Audit/Meeting%20Papers/Agenda_and_Papers_-_8_Feb_2018.pdf)

<sup>4</sup> [http://www.parliament.scot/S5\\_Public\\_Audit/Inquiries/20180405\\_Letter\\_to\\_Cab\\_Sec-Chief\\_Secretary\\_to\\_the\\_Treasury.pdf](http://www.parliament.scot/S5_Public_Audit/Inquiries/20180405_Letter_to_Cab_Sec-Chief_Secretary_to_the_Treasury.pdf)



to make sure it has the people it needs. It will be challenging to recruit and deploy all the necessary people and skills in time.

- The Scottish Government has not estimated the total cost of implementation, or the extent to which this will exceed the UK Government's agreed contribution. The excess will require funding from the wider Scottish budget. Greater transparency and a better understanding of overall implementation costs are needed to support financial planning and decision-making.
- A significant amount of work is required during 2018 if planned timescales are to be met in the Scottish Government's social security programme. This relies on effective working with others such as DWP, and the development and integration of a number of IT systems. Plans need to be fully developed to reflect interdependencies, assurance activities, contingency arrangements and key decision points. The Scottish Government is currently developing a five-year financial plan to refine the implementation and operational costs of the social security programme. More detailed estimates of costs need to be developed and refined as decisions are made about service delivery and long-term IT solutions.
- The Scottish Government has established a new role of Director General Scottish Exchequer, with responsibility for fiscal autonomy and financial sustainability. Governance and organisational arrangements now need to be established to manage the new fiscal risks and opportunities in the budget. Work is under way within the Scottish Government to support agreed changes to the Scottish budget process. This provides the opportunity for it to be clearer about its overall approach to financial management over the medium term.

30. We are currently developing the scope for the next performance audit in this series, which we expect to publish in 2019.

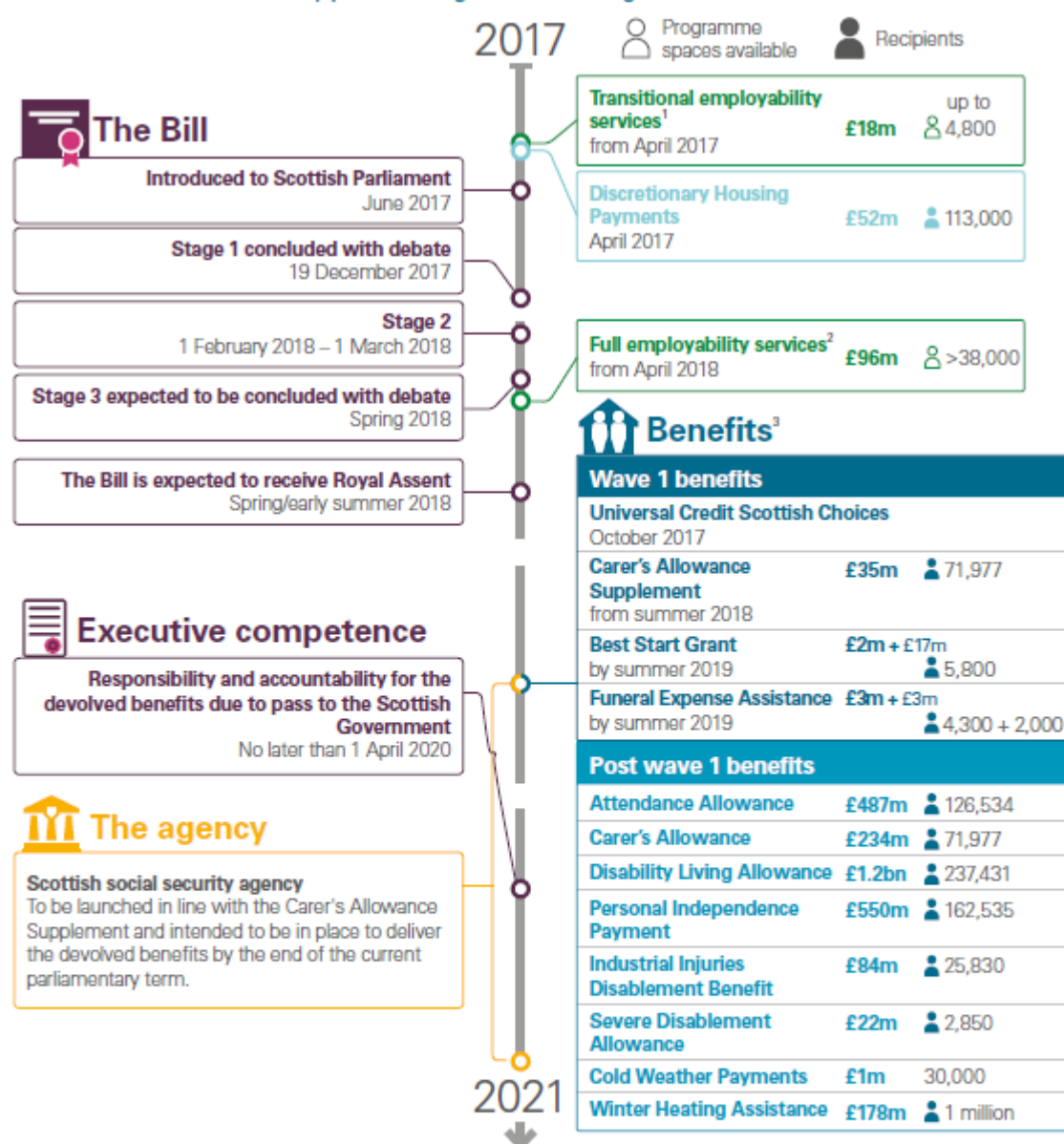
## **Conclusion**

31. The Accounts Commission is asked to note the content of this report.

**Mark Taylor**  
**Audit Director, Audit Services and PABV**  
**26 July 2018**

## Appendix

### Timeline of the social security powers being devolved through the Scotland Act 2016



#### Notes:

1. Scottish Fiscal Commission's forecast expenditure for the programme in 2017/18 and 2018/19. Providers are paid according to the number of people that move into sustained employment.
2. This is the total contract value of this programme and will be paid into 2023.
3. The benefits figures are 2016/17 spend and recipient numbers taken from *Social Security for Scotland: Benefits being devolved to the Scottish Parliament*, Scottish Government, December 2017. Carer's Allowance Supplement and the additional amounts for the Funeral Expense Assistance and Best Start Grant relate to the Scottish Government's intended expansion of these benefits, as set out in the Financial Memorandum to the Social Security (Scotland) Bill (June 2017). Cold Weather Payments can vary significantly year on year depending on the severity of the winter. Approximate number of payments shown instead of recipient number.

Source: Audit Scotland, using data from the Scottish Government and the Scottish Fiscal Commission

**MEETING: 9 AUGUST 2018**

**REPORT BY: SECRETARY TO THE ACCOUNTS COMMISSION**

**BEST VALUE ASSURANCE REPORT: GLASGOW CITY COUNCIL**

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## **Purpose**

1. The purpose of this paper is to introduce for the Commission's consideration the Controller of Audit's Best Value Assurance Report for Glasgow City Council.

## **Background**

2. A key objective of the approach to auditing Best Value is to allow the Commission to provide more regular assurance to the public about how councils are performing in relation to their Best Value statutory duties. It is intended that this will be achieved by the Controller of Audit submitting a Best Value Assurance Report (BVAR) on each council at least once during the five-year audit appointment and also by Best Value being reported in annual audit reports.
3. The attached BVAR (Appendix 1) is on Glasgow City Council. It is the tenth BVAR to be presented to the Commission.
4. While this is the first BVAR on Glasgow City Council, the report reports on the progress made by the council since previous Best Value reports. The Controller of Audit reported to the Accounts Commission in December 2005. The Commission's findings were published in January 2006 and are set out in Appendix 2. Those findings required the Controller of Audit to report progress to the Commission. The Commission's findings on this progress report were published in April 2009 and are set out in Appendix 3. The attached BVAR also summarises the findings from these previous Best Value reports.

## **The Controller of Audit report**

5. The BVAR is made by the Controller of Audit to the Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
6. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
  - the accounts of local authorities audited under the Act;
  - 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
  - the performance by a local authority of their statutory duties in relation to best value and community planning.
7. 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.
8. The report concludes with a series of recommendations proposed by the Controller of Audit which are to be part of the Commission's considerations.

## **Procedure**

9. 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:
  - direct the Controller of Audit to carry out further investigations
  - hold a hearing
  - state its findings.
10. 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.
11. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence and judgements presented in the report. This is done in the public part of the Commission meeting.
12. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform the council of its decision, which the Commission does before making the decision public.

## **Conclusion**

10. The Commission is invited to:
  - a) consider the Controller of Audit's BVAR on Glasgow City Council; and
  - b) decide in private how it wishes to proceed.

**Paul Reilly**  
**Secretary to the Commission**  
**1 August 2018**

## **APPENDIX 1: BEST VALUE ASSURANCE REPORT: GLASGOW CITY COUNCIL**

See separate paper

## **APPENDIX 2: AUDIT OF BEST VALUE AND COMMUNITY PLANNING: GLASGOW CITY COUNCIL, JANUARY 2006 - FINDINGS**

1. The Commission accepts this report on the performance of Glasgow City Council's statutory duty to secure Best Value and to initiate and facilitate the Community Planning process. The Commission recognises that the report gives a broad picture of the council's performance based on the work of Audit Scotland and the findings of other scrutiny bodies such as Inspectorates and that it does not attempt a comprehensive review of all service delivery. We acknowledge the co-operation and assistance given to the audit process by members and officers of the council.
2. Glasgow City Council is Scotland's largest council. The Commission acknowledges that the council faces significant and complex social and economic challenges. The council demonstrates vision and strategic direction, a positive attitude and commitment to radical change and clear leadership from members and officers. This gives the council a solid foundation to build on. The Commission is encouraged by the rate of improvement which the council has made in recent years on many indicators and urges the council to maintain its focus on:
  - Improving performance in key areas
  - Getting the right political and managerial structures in place
  - Developing Community Planning arrangements
  - Further developing more balanced public performance reporting.
3. The council has a good level of self awareness and recognises the areas in which it needs to improve. The Commission lays particular emphasis on the following areas:
  - Good mechanisms and arrangements are not an end in themselves but tools to secure optimum impact and thus improved outcomes for the people of Glasgow, whose health, educational attainment and employment levels remain low compared with the rest of Scotland. For example, educational attainment has, in general, been poor across Glasgow's schools and while there have been improvements in some areas over recent years, attainment levels remain below the Scottish average. The council has set ambitious targets and faces a significant challenge in achieving them. It will be important for the council to sustain its focus on improved outcomes for its citizens.
  - The council employs over 38,000 people each of whom can be a key ambassador for the council's ambitions. While the modernising employment agenda has already produced some results the council needs to place greater emphasis on corporate workforce planning, more effective human resources systems and improving how it manages and engages with its staff.
  - In order to deliver the outcomes which they set out to achieve, the council must also ensure that the full value of effective partnership working is realised.
  - The council has an extensive portfolio of assets. It needs to have comprehensive asset management plans in place in order to demonstrate efficient use of its assets as well as identifying clear and risk based priorities for future investment.
4. The Commission agrees that the improvement agenda set out in paragraph 227 of the report provides the ability to build on the momentum for improvement which already exists.
5. The Commission looks forward to receiving an Improvement Plan from the council which responds to the audit report on these findings by 15 March 2006. The Commission

requires a progress report on the matters dealt with in the Best Value audit as at 31 December 2008.

### **APPENDIX 3: AUDIT OF BEST VALUE AND COMMUNITY PLANNING: PROGRESS REPORT: GLASGOW CITY COUNCIL, APRIL 2009 - FINDINGS**

1. In December 2005, the Accounts Commission considered the Controller of Audit's report on the Best Value audit of Glasgow City Council and required the Controller of Audit to the council's progress. We accept this report as fulfilling that requirement. We recognise that the report gives a broad picture of the council's performance based on the work of Audit Scotland and does not attempt a comprehensive review of all service delivery. We acknowledge the co-operation and assistance given to the audit process by members and officers of the council.
2. When we made our findings in 2005, we said that we were encouraged by the rate of improvement that the council had made over recent years. We are now pleased to acknowledge that the council has continued to make good progress, with 12 of the 14 themes in its improvement plan either implemented or on target for implementation. We are also encouraged that the improvements being made have led to better outcomes for the people of Glasgow, particularly with increases in educational attainment levels and a reduction in unemployment.
3. We note, however, that some significant issues still need to be addressed in respect of the council's management and development of its employees, and that the statutory performance indicators and inspection reports show a mixed picture of the performance of services. We also note the slippage in certain areas of the council's improvement plan. We would urge the council to address these issues, together with the other areas highlighted in the report by the Controller of Audit.
4. We consider that Glasgow City Council is well placed to build on its current performance and we look forward to the council maintaining its momentum and continuing to improve.



# Glasgow City Council

## Best Value Assurance Report



Prepared for the Accounts Commission by the Controller of Audit  
August 2018

# The Accounts Commission

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

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

Our work includes:

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

You can find out more about the work of the Accounts Commission on our website: [www.audit-scotland.gov.uk/about-us/accounts-commission](http://www.audit-scotland.gov.uk/about-us/accounts-commission)

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

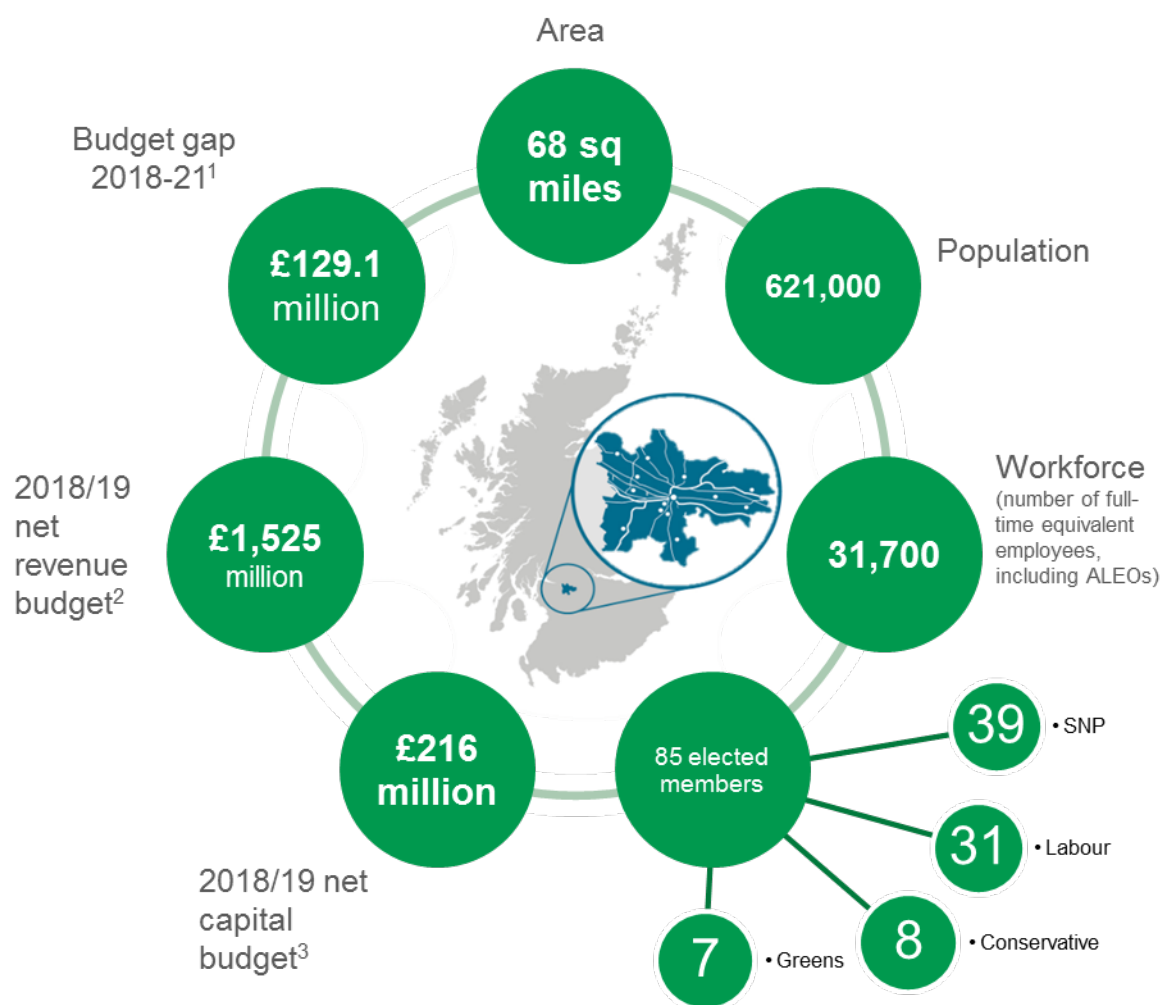
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# Key facts



## Notes:

1 – The budget gap is the gap between the council's income and spending

2 - The revenue budget pays for day-to-day items such as salaries

3 – The capital budget pays for projects such as new buildings and roads

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# Audit approach

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1. The statutory duty of Best Value was introduced in the Local Government Scotland Act 2003. The audit of Best Value is a continuous process that forms part of the annual audit of every council. Findings are reported each year through the Annual Audit Report. The Controller of Audit will also present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. This is the first assurance report on Glasgow City Council. Appendix 1 summarises the findings from previous Best Value reports on the council in the Best Value audit timeline.
2. This report seeks to provide the Accounts Commission with assurance on the council's statutory duty to deliver Best Value, with a particular focus on the Commission's Strategic Audit Priorities covering:
  - the clarity of council priorities and quality of long-term planning to achieve these
  - how effectively councils are evaluating and implementing options
  - how effectively councils are ensuring that members and officers have the right knowledge, skills and time to lead and manage delivery of council priorities
  - how effectively councils are involving citizens in decisions about services
  - the quality of council performance reporting to help citizens gauge improvement.
3. We are looking for councils to demonstrate Best Value by showing continuous improvement in how they deliver their priorities. The pace and extent of this improvement is key to how well councils meet their priorities in the future. In this report, we show how we assessed Glasgow City Council's improvement over time and our conclusions are reflected in the Key Messages on page seven.
4. Our work covers many Best Value characteristics in the statutory guidance but does not cover them all. Our audit approach is proportionate and risk-based, that is, it reflects the context, risks and performance of the individual council. It also draws on the information from audit and scrutiny work we have carried out in previous years. Our 2016/17 Annual Audit Report was our starting point. In keeping with this approach, we conducted some initial work to identify risks and council initiatives to build into our audit's scope. We:
  - reviewed previous audit and inspection reports and intelligence
  - reviewed key council documents
  - met with senior officers
  - drew on our wider public-sector knowledge and experience.

[Exhibit 1](#) shows the key areas of focus for our audit.

## Exhibit 1

### Key areas of focus for our audit



**The council's vision and priorities (what the council is trying to achieve)**



**Managing performance, self-assessment and measuring outcomes**



**The council's plans to transform its services, reduce its costs and create a more flexible workforce**



**Financial management and planning, including the challenges the council faces resolving equal pay claims**



**How the council involves communities in planning and delivering its services**



**Partnership working, for example, the Community Planning Partnership, ALEOs and the City Deal.**

Source: Audit Scotland

5. We did the detailed audit work for this report in March and April 2018. Our audit work included:
  - interviewing elected members, senior officers and a sample of the council's partners, such as police, fire and the Third Sector
  - holding focus groups with members of staff
  - observing council and committee meetings
  - reviewing documents.
6. We will continue to audit Best Value at the council over the course of our audit appointment. This will include following up on the findings from this report and more detailed audit work on other Best Value characteristics as appropriate.
7. We gratefully acknowledge the cooperation and assistance provided to the audit team by all councillors, officers and other stakeholders during the audit.

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# Key messages

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1. The council has made steady progress since its last Best Value report in 2009. It has made many changes in the last ten years to help improve services for local people and it has improved its performance in a number of areas. The council invests time and resource in self-assessment and improvement activities and involves its staff and residents in this process.
2. The council and its partners have a clear, shared vision of inclusive growth, which is set out in the new Glasgow Community Plan. The plan was developed from a good understanding of the city's challenges. The council demonstrates effective leadership and all political parties support the new strategic plan. The council is refining its corporate performance framework to monitor progress against its strategic plan. The council continues to improve partnership working and community participation to help redefine its leadership role.
3. The Glasgow Community Planning Partnership has performed well in addressing its priorities of alcohol misuse, youth unemployment and vulnerable people. However, homelessness continues to be a challenge for the city. The council's performance has improved for several other service areas. Although its overall performance compared to other Scottish councils slightly decreased in 2016/17, Glasgow performs well compared to similar cities in the UK. The council regularly consults residents and most are satisfied with the services they receive. The council can demonstrate how it responds to residents' feedback.
4. The council predicts a funding gap of £129.1 million over the next three years. In addition, the council is committed to resolving a substantial number of equal pay claims. This means that it faces a period of unprecedented financial pressure. The council is not yet in a position to reflect equal pay claims in any of its financial forecasts. We consider that these financial pressures may have an impact on how the council delivers public services. This aside, the council has a record of strong financial management and its 2016-18 Transformation Programme has delivered savings of £102.5 million. The council can demonstrate the impact of a number of individual successful transformation projects. But we are not clear how the council will measure the longer-term, non-financial benefits of the programme more widely.
5. The council is clearly committed to partnership working and has positive relationships with public sector, business and academic partners. The council recognises that it could improve its relationships with third sector partners and with communities and is actively working on this. The council works effectively with NHS Greater Glasgow and Clyde to deliver an integrated health and social care service. This has been strengthened by the Integration Joint Board (IJB). The IJB is starting to make progress to help shift the balance of care from hospitals to communities, although it is still at an early stage.
6. The council continues to review services delivered by both the council and its Arm's Length External Organisations (ALEOs). It has already made changes to property and ICT services. Services delivered by another two ALEOs (for care and community safety), with around 4,300 staff, will soon be transferred to the council.

- 7.** The council is working well with partners to progress its City Deal projects. It is on track to deliver its five infrastructure projects, worth £386 million, by 2024. The council is preparing well for the first UK and Scottish Government Gateway Review of its projects in 2019.



# Part 1

## Does the council have clear strategic direction?



**The council and its strategic partners have a clear, shared vision of inclusive growth.**

The council developed Glasgow's new Community Plan in partnership with NHS Greater Glasgow and Clyde, Police Scotland, Scottish Fire and Rescue Services, and Scottish Enterprise. It is based on a good understanding of the city's challenges.

All political parties support the council's new strategic plan. The council is refining its corporate performance framework to monitor progress against this plan.

The council demonstrates effective leadership. It continues to improve partnership working and community participation to help redefine its leadership role.

### The local context

8. Glasgow is the largest city in Scotland and the fourth largest in the UK. It covers an area of 68 square miles that contains mainly urban communities. It has a growing population: since our first Best Value report in 2006, the population has grown by eight per cent and now stands at around 615,000. The number of people living in Glasgow is forecast to grow further, by seven per cent between 2014 and 2039. In particular:
  - the number of people aged 75 and over is projected to increase by 54 per cent – which will place extra demand on health and social care services
  - the number of children and young people aged 0-15 years is forecast to rise by 6.7 per cent (significantly higher than the Scottish average of 1.7 per cent). This will increase demand on schools and other children's services.
9. Glasgow City Council is the largest council in Scotland with over 31,000 employees, including those who work for its Arm's Length External Organisations (ALEOs). It is the city's largest employer. It delivers numerous services to hundreds of thousands of people from a variety of backgrounds with very different needs.
10. Glasgow is a city of contrasts which means that the council operates in a challenging environment. On one hand, it has been one of the fastest growing economies in the UK in the last five years. It has a growing business base with around 18,000 companies and three thriving universities with over 130,000 students. The city has a highly-skilled workforce, higher than average business start-up rates and youth unemployment has more than halved since 2012. Glasgow has been recognised as one of the world's top five cities for hosting sporting events and is the top city in the UK, outside London, for its cultural offering.<sup>1</sup>

<sup>1</sup> Ultimate Sports Cities Awards, April 2018

**11.** On the other hand, the city (and the council) has many challenges to deal with:

- It has the highest level of deprivation of any local authority area in Scotland, with almost half of its residents, around 286,000 people, living in the 20 per cent most deprived areas of the country.<sup>2</sup> Recent research published by The Campaign to End Childhood Poverty estimated that a third of children were living in poverty after housing costs were considered.
- Although unemployment has decreased for the last three years in a row, the city still has a high rate of unemployment. In 2017, 5.6 per cent of Glasgow's working age population, who were looking for a job, were unemployed. The Scottish average was 4.1 per cent.<sup>3</sup>
- The council has received three quarters of Scotland's asylum seeker and refugee children into the city. Almost 13,000 school children in Glasgow speak English as an additional language and 82 per cent of these are not yet fluent.
- The city's healthy life expectancy, namely how long you can expect to live in a healthy state, is the lowest in Scotland. It is estimated to be 55.9 years for males and 58.5 years for females. The highest average healthy life expectancy for males is in East Dunbartonshire (68.3 years) and for females is in Orkney (71 years).<sup>4</sup>

### **The council and its partners have a clear shared vision of inclusive growth**

**12.** Glasgow City Council has a leading role in the Glasgow Community Planning Partnership (CPP). The CPP includes statutory partners such as NHS Greater Glasgow and Clyde, Scottish Enterprise, Police Scotland and the Scottish Fire and Rescue Service. It also involves a range of other partners such as Strathclyde Partnership for Transport, Glasgow Chamber of Commerce and the third sector, such as charities and voluntary groups. The Community Empowerment (Scotland) Act 2015 (the act) requires a CPP to produce the following plans:

- A Community Plan for the whole council area.
- A Locality or Neighbourhood Plan for each locality it has identified as experiencing significantly poorer outcomes.

**13.** The Glasgow Community Plan was approved in October 2017 and is the main joint planning document for the council and its partners. The CPP's vision is for Glasgow to be 'a world class city, with thriving and resilient communities where everyone can flourish and benefit from the city's success'. The plan sets out three focus areas to help make this vision happen:

- Economic growth
- Resilient communities
- A fairer, more equal Glasgow.

**14.** The plan also identifies two priority areas - transport and childcare – to help enable the vision. A Community Action Plan has been prepared, setting out

<sup>2</sup> Scottish Index of Multiple Deprivation, 2016

<sup>3</sup> NOMIS, 2017

<sup>4</sup> Scottish Public Health Observatory Healthy Life Expectancy

the planned actions over the next two years to deliver on Community Plan commitments.

### **The CPP developed its priorities based on a good understanding of local challenges**

15. Glasgow has an improving economy, with a high rate of employment growth across key sectors such as finance and business services, life sciences and design and manufacturing. However, it also has significant challenges around poverty and inequality across the city, including increasing levels of long-term unemployment and poor health.
16. The strategic priorities identified in the Community Plan reflect these local circumstances. The CPP developed them using research such as the 2010 Fair Society Healthy Lives (Marmot) review, lessons learned from previous strategies, and taking into account a broad range of views, including from the public and other stakeholders.
17. The council and its statutory CPP partners worked well together to develop the partnership's priorities. During a two-month consultation on the draft Community Plan, over 330 responses were received from individuals and community organisations. The feedback from the consultation broadly supported the identified focus and priority areas in the plan.

### **The council's strategic plan sets out how the council will work with its community planning partners to achieve its vision**

18. Since our last Best Value report in 2009, the council has had a vision in place to improve the city and ensure that everyone can benefit from its success. It has focused on a number of similar priorities, including the economy, learning and wellbeing, which were described firstly in its 2008-11 council plan and then through its five-year strategic plan for 2012-17.
19. In November 2017 the council approved its new Strategic Plan 2017-22. It is structured around seven themes and supports the priority and focus areas within the Community Plan:
  - A Thriving Economy
  - A Vibrant City
  - A Healthier City
  - Excellent and Inclusive Education
  - A Sustainable and Low Carbon City
  - Resilient and Empowered Neighbourhoods
  - A Well Governed City that Listens and Responds.
20. The plan sets out the desired outcomes and priorities for each theme. These in turn are reflected in the relevant Annual Service Plan and Improvement Report (ASPIR) for each council service.
21. The new strategic plan has a stronger focus on measurable outcomes and targets, so the council can more effectively show the impact of delivering services. The council uses a defined set of measures and performance indicators, known as a corporate scorecard, to measure and monitor council performance at a strategic level. This scorecard has been refreshed, to make more use of existing process and outcome measures that align to the strategic

plan outcomes and priorities. In its recent review of the corporate performance framework the council recognised the need to develop other indicators and outcomes so that it can better report against the themes in the Strategic Plan. This work is underway.

## The council demonstrates effective leadership

22. The 2006 Best Value report highlighted the clear leadership displayed by members and officers of the council. This was re-iterated in the 2014 Glasgow Community Planning Partnership report which commented on the strong collective leadership and commitment from the council and its partners in tackling social and cultural issues that affect a wide cross-section of the Glasgow population. The council continues to demonstrate effective leadership through constructive officer and member relationships.
23. The council's corporate management team (CMT) comprises the Chief Executive, the chief officer for the health and social care partnership, and four executive directors, including the Executive Director of Finance, the Section 95 officer responsible for the proper administration of the council's financial affairs. Each CMT member heads up one of the core council service areas. The CMT is supported by key members of the leadership team for HR, Communications and Strategy.
24. The council's extended corporate management team (ECMT) comprises the CMT along with other senior council officers, and representatives from the council's eight ALEOs. During the audit, the ECMT members demonstrated a consistent understanding of the council's strategic vision priorities, and a clarity on how this was being implemented within their respective service and ALEO areas.
25. Following the election on 4 May 2017, the Scottish National Party formed a minority administration for the council. This followed several decades of majority administrations led by the Labour Party. This represents a significant shift for the council and its senior staff in terms of having to secure cross-party support for decisions. Despite the minority nature of the administration, the council has been able to agree its new strategic plan and its 2018/19 budget.
26. At this early stage in the electoral cycle, cross-party working and relationships between members are constructive. Examples of this include the cross-party group of councillors acting as a sounding board for the council's equal pay negotiations (see part 3), and the Digital Glasgow board. This board, which oversees the development of the new digital strategy and monitors progress and performance against outcomes, comprises cross-party elected member representation along with the council's chief digital officer and other senior staff.
27. Forty-one new councillors were elected to the council in May 2017. This is just under half of the council's membership. Councillors were broadly positive about the induction and training they received although some felt that it had been very intensive. The council offers a range of training but councillors told us that a longer-term package of support was required, especially around developing softer skills, including chairing meetings or working with communities. The council regularly reviews the induction and training it provides to new councillors.
28. Due to the shift in political control and the election of many new councillors to the council, officers have noted a change in the style of councillor engagement and scrutiny. Initially, this represented a challenge for senior staff but they have adapted to the change. Relationships between councillors and senior staff are positive and are maintained through regular engagement. For example, the Leader meets regularly with Chief Executive and other members of the ECMT, and the Treasurer has weekly meeting with the Executive Director of Finance.

## **The council is redefining its role to provide more leadership and direction for the city**

29. The council is redefining its role by seeking to move beyond overseeing the administration of the council and providing greater leadership and direction for the city. This change has various components and the new administration has adopted the title of 'City Government' to reflect this shift in the way of working. The council envisages stronger partnership working with the business, academic and third sectors. But it remains to be seen whether this shift results in meaningful change and improvements in the outcomes set out in the community plan and the council's strategic plan.
30. As part of these efforts, the council has agreed a city charter which seeks to redefine its relationship with people living in Glasgow. It sets out what services the council will provide for people living in Glasgow but also what it expects from them in terms of actions and behaviours.

## **The council has refreshed its committee structure and scrutiny arrangements are effective**

31. During 2017, the council reviewed its committee structures. These were agreed, after four months, in September 2017. Once established, the council's new structures were similar to the previous committee structures. For example, the key decision-making committee – the City Administration Committee – effectively continues the work of the previous Executive Committee. The council also operates a business bureau which consists of the representatives of the four political parties and agrees how council business is managed. The council is undertaking a member survey to review the new governance arrangements and to identify any lessons learned in relation to the effectiveness of committees.
32. The council has two scrutiny committees: The Finance and Audit Scrutiny Committee (FASC) and the Operational Performance and Delivery Scrutiny Committee (OPDSC). Both are well chaired and effectively scrutinise the way the council is managed. Members also seek opportunities to increase the effectiveness of the committee meetings. For example, OPDSC members met informally to review the operation of the committee, including expectations on format of papers and the direction of committee discussions. In addition, FASC now circulate a members Q&A log prior to each meeting. This lists outstanding questions from the previous committee meeting along with updates from officers. This allows the committee to move more quickly onto the current business agenda.

# Part 2

## How well is the council performing?



**The council and its partners have improved several outcome areas, including economic growth, health and wellbeing, and reducing inequality. The Community Planning Partnership has performed well in addressing its priorities.**

Many council performance indicators have improved in the last five years, including those for corporate services, education and social work. However, homelessness is a significant problem for the city.

Most residents are satisfied with council services. Satisfaction is particularly high for culture and leisure services, but lower for road maintenance.

### The council and its partners report improved performance against their priorities

33. In 2013 the Glasgow CPP published its Single Outcome Agreement (SOA). This listed a number of priorities, including Vulnerable People and Youth Unemployment.
34. The CPP agreed a comprehensive set of over 80 performance measures for the partnership to track progress against its priorities and outcomes. The CPP has a large resource of shared community data and statistics from multiple sources and partners. The Understanding Glasgow Indicators Project provides publicly-available information on attitudes and beliefs and innovative outcome indicators, such as cultural vitality, together with data on health, poverty and demographics. This provides partners with a broad understanding of progress on outcomes across the city and for specific neighbourhoods.
35. Since 2013, partners have been working together to re-shape existing services and develop new services to help tackle the agreed priorities for the city. Recent performance reports show that improvements had been made across its priority areas ([Exhibit 2](#)). The new Community Plan replaces the SOA priorities but the CPP continues to tackle these issues through other partnership groups.

## Exhibit 2

### CPP performance against its five main priority areas

Glasgow CPP has made improvements against most of its priorities

Priority	Performance
Alcohol	<ul style="list-style-type: none"> <li>29 percent fewer patients were admitted to hospital due to alcohol in 2016 than in 2009.</li> <li>The levels of alcohol-related crime and anti-social behaviour fell by seven per cent in one year in 2016.</li> <li>Eight per cent of residents exceeded the weekly alcohol limit in 2014, down from 16 per cent in 2011.</li> </ul>
Youth unemployment	<ul style="list-style-type: none"> <li>Youth unemployment reduced by around 70 per cent between March 2012 and March 2017.</li> <li>The percentage of school leavers going into work, training, volunteering or studying increased from 89.4 percent in 2012/13 to 91.9 per cent in 2016/17.</li> </ul>
Homelessness and housing need	<ul style="list-style-type: none"> <li>The average number of days spent in temporary accommodation decreased by 25 per cent between 2013/14 and 2016/17, to 106 days. This is above the Scottish average of 97 days.</li> <li>The number of children in temporary accommodation increased by 60 per cent between 2014 and 2017, to around 1,600.</li> </ul>
In-work poverty	<ul style="list-style-type: none"> <li>In 2016, 11 per cent of working households found it difficult to cope on current income, down from 14 per cent in 2014.</li> <li>The underemployment rate reduced from 12 per cent in 2012 to nine per cent in 2016.</li> </ul>
Thriving Places	<ul style="list-style-type: none"> <li>The percentage of residents who feel that they can influence decisions which affect them and their neighbourhoods has remained at around 64 per cent for the last few years.</li> </ul>

Source: Glasgow Community Planning Partnership

**36.** The Glasgow CPP submits data to the Improvement Service's Community Planning Outcomes Profile (CPOP). The CPOP is a collection of 16 measures to help assess whether residents' lives are improving. The council and its partners have improved several outcome areas in the last five years including the following:

- Early years outcomes - increasing percentages of healthy birthweights, primary one healthy weights, S4 attainment levels and positive destinations for school leavers, such as work or studying.
- Employment and economic growth outcomes - increasing employment rates and median earnings for employed residents, fewer people on out-of-work benefit receipts, and fuel and child poverty.
- Health and wellbeing outcomes - increasing life expectancy and mental wellbeing rates.
- Safer and stronger community outcomes - reduced levels of crime and fires

### The council has well-developed public performance reporting

**37.** The council's approach to reporting its performance to the public is well-developed. Performance information is reported through the council's website.



The public can also view a more comprehensive range of performance information including links to external sites such as the Improvement Service.

38. The council prepares an annual performance report designed for the public based on a selection of performance indicators. The 2016/17 annual performance report provided information on overall performance and key targets. Each council service also compiles an annual service plan and improvement report (ASPIR). Each ASPIR sets out the plans for the coming years and reports on previous performance.
39. The council reports every year on a set of Statutory Performance Indicators (SPIs) and against wider set of indicators in the Local Government Benchmarking Framework (LGBF) (see below). Performance is reported to the council's scrutiny committees.
40. The council seeks ways of improving its use of public performance reporting. For example, the council recently asked for feedback through the 2017 household survey. It plans to update the structure and content of the 2017/18 annual performance report as a result of this feedback. The council also carried out a recent review of corporate performance management arrangements and reported to the Operational Performance and Delivery Scrutiny Committee in December 2017. The review identified ten recommendations for improvement. The recommendations centre around the links between council plans, connecting strategic objectives with measurable outputs, embedding a performance management culture, issuing clear guidance and making its public performance reporting more consistent.

**Although performance has improved for several service areas, the council's overall performance compared to other Scottish councils has slightly decreased**

41. The latest LGBF indicators for 2016/17 show that the council has improved performance across many service areas. For example:
  - corporate services indicators show a below-average gender pay gap, falling sickness absence rates for teachers and the highest-ever council tax collection rates
  - education indicators show improvements in levels of pupil exam attainment from areas of deprivation, attendance levels and exclusion rates
  - social work indicators show increasing numbers of elderly people being cared for in their homes.
42. The council is not performing as well in some other areas, for example:
  - three-year business survival rates
  - satisfaction with street cleaning and refuse collection (see part 5 for details of how the council is responding to this challenge)
  - satisfaction with leisure facilities and libraries.
43. The LGBF allows the council to compare its performance to others and to the Scottish average. Glasgow City Council's overall performance has reduced slightly in the last five years compared to other councils ([Exhibit 3](#)). Although



the LGBF has over 70 performance indicators, this analysis is based on 32 single-year indicators measuring performance rather than cost.<sup>5</sup>

**44.** In 2016/17:

- forty-nine per cent of the council's performance indicators were in the top two quartiles, that is, performing better than half of Scottish councils, compared with 53 per cent in 2011/12. This included:
  - the percentage of social work spending on self-directed support<sup>6</sup>
  - the percentage of older people receiving care at home
  - the percentage of children being looked after in the community.
- the number of indicators in the bottom quartile increased from 34 per cent to 37 per cent. The LGBF indicators in which the council performed less well compared to other councils included:
  - the percentage of households recycling waste
  - the amount of Council Tax collected.

**45.** In absolute terms, the council also performed less well against some education indicators, including the percentage of pupils gaining five or more awards at level 5 or higher and overall average educational attainment. However, when deprivation is accounted for, the council is performing well in these areas (paragraphs 50-53).

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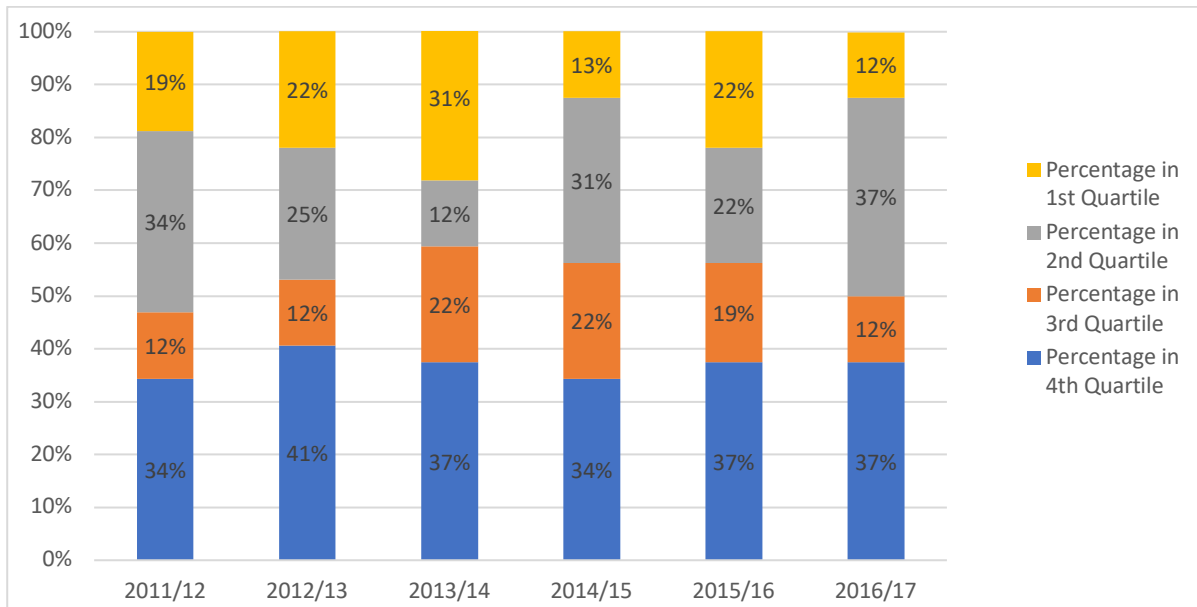
<sup>5</sup> There are 35 performance-focussed indicators in the LGBF. Glasgow City Council does not report data against the three housing indicators as it does not have a housing service. We have therefore excluded these three indicators from our analysis.

<sup>6</sup> Self-directed support (SDS) allows people to choose how their support is provided, and gives them as much control as they want of their individual budget.

## Exhibit 3

### Comparing Glasgow City Council's performance over time

The percentage of indicators where the council's performance is above average reduced slightly from 53 per cent in 2011/12 to 49 per cent in 2016/17.



Note: Measuring council performance involves considering how all councils are performing, from lowest to highest for each indicator. From this it is possible to see how one council compares to all councils. Relative performance against other councils is divided into four equal bands, or quartiles. The first quartile contains the best-performing councils for that indicator and the fourth quartile contains the poorest performing councils. The percentage figures may not total 100% due to rounding.

Source: Audit Scotland and Local Government Benchmarking Framework, Improvement Service, 2016/17

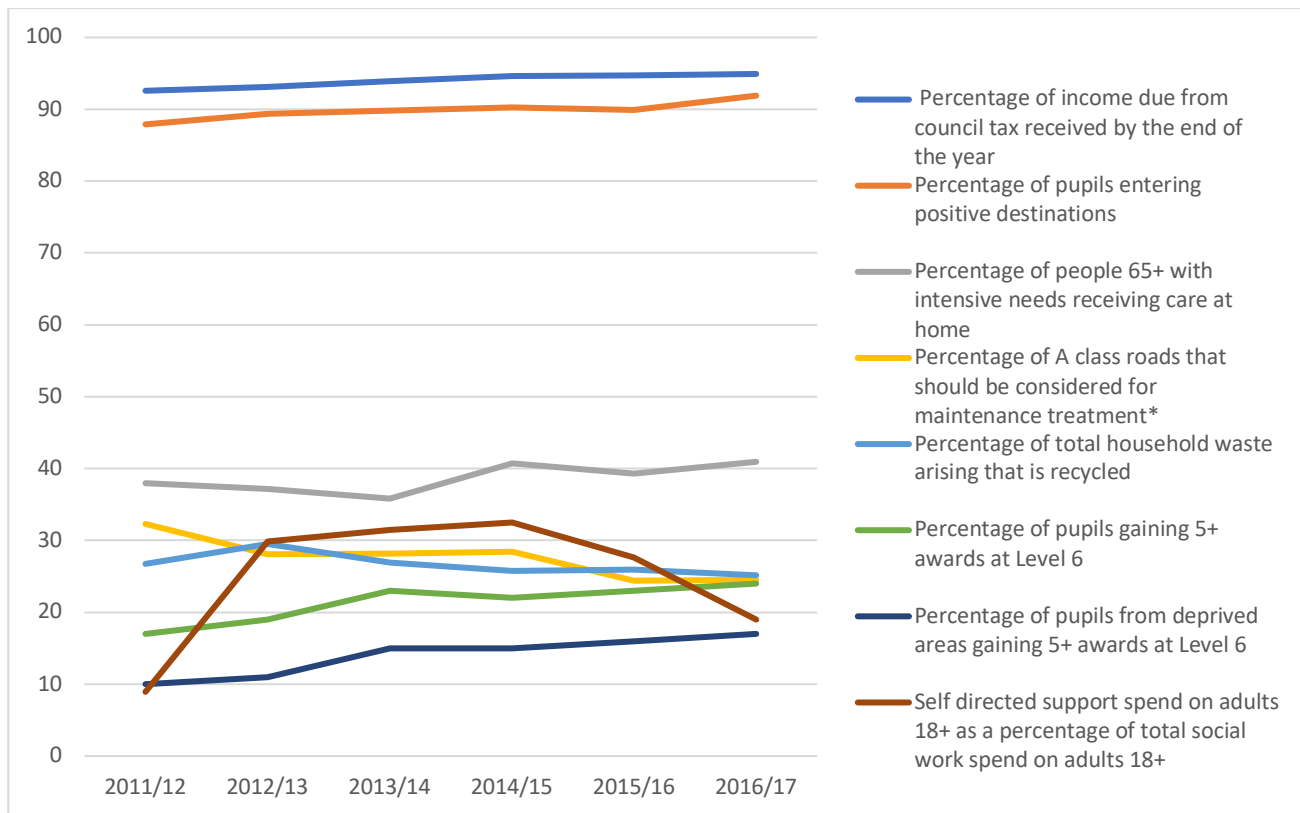
46. The Accounts Commission's report, [Local Government in Scotland: Performance and Challenges 2018](#), selected eight measures from the LGBF which indicate how councils perform in services likely to be of significant interest to the public.<sup>7</sup> It found that, across Scotland, councils' performance for these indicators over the last five years had either remained the same or improved. Between 2011/12 and 2016/17, Glasgow City Council's performance improved against seven of the eight indicators and declined for one (the percentage of households that recycle) ([Exhibit 4](#)):

<sup>7</sup> The full range of indicators includes unit costs and public satisfaction. These are available on the Improvement Service website – [www.improvementservice.org.uk/benchmarking/](http://www.improvementservice.org.uk/benchmarking/)

## Exhibit 4

### Glasgow City Council's performance against selected indicators, 2011/12 to 2016/17

Glasgow City Council's performance has improved for seven of the eight indicators



\* Note: This indicator is measured every two years.

Source: Audit Scotland; and Local Government Benchmarking Framework, Improvement Service, 2017/18

## Glasgow performs well compared to similar UK cities

47. The LGBF can be used to assess a council within family groups of comparable councils. LGBF family groups are based on factors such as population density and deprivation and allow councils facing similar challenges to share good practice and work together to improve services. However, Glasgow is a unique city and its family group members (which include Dundee City, Falkirk and Inverclyde councils) are not always the most comparable. The council often compares its performance instead to Liverpool and Manchester, which are similar in terms of size, economies, deprivation and public health. [Exhibit 5](#) sets out a sample of economic and health indicators. It shows that Glasgow is performing reasonably well on most economic indicators but less so on the health indicators.

## Exhibit 5

### Performance of selected indicators compared with Liverpool and Manchester

Glasgow is performing comparably well on most economic indicators

Indicator	Glasgow	Liverpool	Manchester
Business start-up rate (per 10,000 population)	74.9	74.3	111.9

Indicator	Glasgow	Liverpool	Manchester
GVA per head (2015)	£32,305	£22,790	£32,114
Economic activity rate (2016)	69.2%	69%	76.8%
Female employment rate (2016)	61.5%	62.4%	61.4%
Median weekly earnings (full time employees) (2016)	£524.10	£497.00	£467.50
Working age population with a degree (2016)	44.4%	34.9%	39%
Working age population with no qualifications (2016)	16.8%	15.9%	10.7%
Percentage of children in low-income families (2014)	30.8%	32.1%	36%
Percentage of adults who smoke (2010 and 2012)	29%	25.2%	27.2%
Percentage of people with limiting long-term illness (2011)	19.7%	25.4%	19.5%
Life expectancy (male) (2014)	73.4	76.4	75.8
Life expectancy (female) (2014)	78.7	80.5	79.9

Note: Green indicates that Glasgow is performing better on this indicator. Red indicates that it is performing worse.

Source: Glasgow City Council and *Exploring potential reasons for Glasgow's 'excess' mortality: Results of a three-city survey of Glasgow, Liverpool and Manchester*. The Glasgow Centre for Population Health. 2013

## Inspectorate reports on education and care have been positive

48. Education Scotland's ongoing school inspections found that the quality of the council's strategic leadership of education continued to be very good. The council performed well and outcomes for children and young people continue to improve. It also found that the council was working effectively to help close the attainment gap between children from wealthier and poorer areas.
49. Inspections by the Care Inspectorate, Health Improvement Scotland and others found no significant concerns about the delivery and performance of social work services. A joint inspection of children's services, published in May 2017, highlighted that partners in Glasgow demonstrated a strong performance in improving the wellbeing of children and young people.<sup>8</sup>

## The council has made improvements to educational attainment

50. Improving educational attainment is a high priority for both the Scottish Government and Glasgow City Council. Across Scotland, pupils from disadvantaged backgrounds do not perform as well at school as those from more privileged backgrounds. In Glasgow, almost 60 per cent of school children live in the most deprived areas. This has had consequences for the council's educational outcomes. For example, the percentage of pupils gaining five or more awards at level 5 and 6 has consistently been lower than the national average (paragraph 45).
51. In 2015, the Scottish Government launched the Scottish Attainment Challenge which aims to improve literacy, numeracy, and the health and wellbeing of children affected by the poverty-related attainment gap. Glasgow City Council

<sup>8</sup> *Services for children and young people in Glasgow, report on a joint inspection*, Care Inspectorate, Education Scotland, Healthcare Improvement Scotland and Her Majesty's Inspectorate of Constabulary for Scotland. May 2017

bid for Scottish Government funding for its 'Glasgow Improvement Challenge 2015-20' which aims to build on the council's existing work to improve attainment across the city. The programme involves numerous activities, including additional teaching time, recruiting extra staff and purchasing new digital technology to support pupils.

- 52.** The council's targeted actions have helped improve attainment. For example, since 2007 there has been:
- a 91 per cent increase in the proportion of pupils gaining one or more highs by the end of fifth year
  - a 162 per cent increase in the proportion of pupils gaining five or more highs by the end of fifth year.
- 53.** In addition, since 2011/12 overall educational performance for children from the most deprived areas has improved by 37 per cent and the percentage of pupils from deprived areas gaining five or more awards at level 5 has increased by 50 per cent.<sup>9</sup> The council has also helped to improve school attendance, reduce exclusions and increase the number of pupils from disadvantaged backgrounds going to university.<sup>10</sup>

## The council and its partners are seeking to address homelessness

- 54.** Homelessness is a significant problem for the city. In 2016/17, the council assessed 4,340 households as being homeless or threatened with homeless and in the first six months of 2017/18 it assessed just over 2,000 households as requiring homelessness assistance. In 2016/17, the council placed around half of the households it had a duty to house into temporary accommodation (including bed and breakfasts). The average length of stay in temporary accommodation was 238 days and this increased further to 249 days for the first six months of 2017/18.
- 55.** Between October 2016 and March 2017, the Scottish Housing Regulator (SHR) reviewed how well the council and registered social landlords house homeless people in the city. SHR's report highlighted some significant areas for improvement.<sup>11</sup> It found that in 2016/17 the council failed to house around half the people it had a statutory duty to provide homes for and that it was not housing enough homeless people quickly enough. However, it did find evidence of the council's commitment to deal with the weaknesses in the homelessness system. SHR has asked the council to develop an improvement plan setting out how it intends to respond to the findings in its report.
- 56.** The Glasgow Health and Social Care Partnership's 2015-2020 Homelessness Strategy sets out its proposed response to the challenge, which includes creating a community homelessness service, increasing its focus on prevention, creating a housing access team and improving support to vulnerable people. In addition, the Partnership recently proposed a new approach to increasing settled accommodation for rough sleepers ([case study 1](#)).

<sup>9</sup> Local Government Benchmarking Framework, Improvement Service, 2016/17.

<sup>10</sup> *Educational Performance, Report by the Executive Director of Education Services to the Operational Performance and Delivery Scrutiny Committee*, Glasgow City Council, December 2017

<sup>11</sup> *Housing people who are homeless in Glasgow*, Scottish Housing Regulator, March 2018

## Case Study 1

### The council is working with partners to improve outcomes for homeless people across the city, particularly for those people with multiple and complex needs.

The 'Housing First' approach to homelessness is an internationally recognised intervention for people sleeping rough and for those with complex needs. This approach ensures rough sleepers are provided with their own independent accommodation without having to go through the formal homelessness system. As tenants, service users are in a better position to later access other forms of support, such as health care.

In recent years, Turning Point Scotland have successfully run a Housing First approach in Glasgow for a small number of rough sleepers. The Glasgow Health and Social Care Partnership has been working with partners, such as the Salvation Army and Social Bite, to offer this service to more people. In May 2018, the partnership recognised an opportunity to do this by ending plans to build new hostel accommodation in the city. Instead, it proposed to reconfigure and extend one of the council's new-build emergency accommodation projects to provide independent tenancy for 54 individuals.

The partnership plans to house people in their new accommodation by September 2018. The estimated cost of the Housing First model is around £7.1 million plus annual costs of £2.5 million. The partnership is exploring the possibility of financial support from the Scottish Government. This is substantially less than the estimated £20 million cost of new hostel accommodation.

Source: Glasgow Integration Joint Board

## Most residents are satisfied with council services

**57.** The council surveys its residents every year (the Glasgow Household Survey). It commissions an independent research agency to carry out around 1,000 interviews to help gauge satisfaction. In 2017:

- seventy-two per cent of respondents expressed satisfaction with overall service provision, 14 per cent expressed dissatisfaction and the remaining 14 per cent were neutral.
- satisfaction was particularly high for the following services: culture and leisure services (87 per cent and 97 per cent satisfaction); parks (86 per cent); nursery, primary and secondary schools (86 per cent, 84 per cent and 82 per cent respectively) and recycling centres (88 per cent).
- satisfaction was lower in respect of street cleaning (57 per cent) and road and pavement maintenance (31 per cent and 50 per cent).

**58.** Compared to 2016, satisfaction with:

- overall services increased slightly (up from 68 per cent)
- secondary schools, homecare, recycling, road and pavement maintenance, culture and sports services increased
- primary schools, nurseries, social work, street lighting and street cleaning slightly decreased.

# Part 3

## Is the council using its resources effectively?



**The council has a good track record of strong financial management, consistently delivering services within agreed budgets. Over the last six years the council has successfully delivered savings of over £270 million.**

The council has predicted a funding gap of £129.1 million over the next three years. With its commitment to resolve outstanding equal pay claims, the council now faces a period of unprecedented financial pressure.

The council's 2016-18 Transformation Programme has delivered savings of £102.5 million. While the programme has delivered several individual successful projects, we are not clear how the council will measure the longer-term, non-financial benefits more widely.

### The council has made significant savings in recent years while maintaining a prudent level of reserves and borrowing

59. In recent years the council has managed its financial position mainly through successfully delivering identified savings targets. Since 2012/13 the council has delivered total savings of around £270 million while delivering services within budget ([Exhibit 6](#)). Other actions the council has taken to manage its financial position include:

- income generation
- partnership working
- use of reserves
- management of its investment programme.

### Exhibit 6

How the council's spending has varied against its budget since 2012/13

The council has a good record for achieving its budget

Year	Net expenditure budget (£ million)	Budget variance (£ million)	Budget variance (%)
2012/13	1,395	4.0 overspend	0.3
2013/14	1,335	6.2 overspend	0.5
2014/15	1,283	1.0 overspend	0.1
2015/16	1,287	2.0 underspend	0.2

Year	Net expenditure budget (£ million)	Budget variance (£ million)	Budget variance (%)
2016/17	1,483	2.8 underspend	0.2
2017/18	1,328	5.1 underspend	0.4

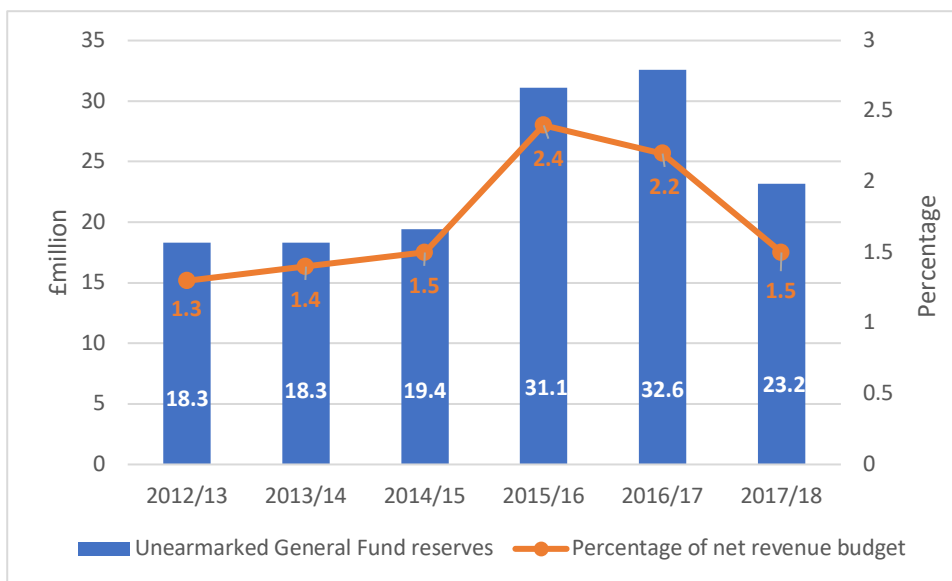
Source: Glasgow City Council financial statements. 2017/18 figures are unaudited

- 60.** The 2017/18 outturn position shows that the total net direct services expenditure will be underspent by £5.1 million, which is 0.4 per cent of the revised net expenditure budget of £1,328 million.
- 61.** In February 2018 the council approved its 2018/19 revenue budget with the total net expenditure budget set at £1,495.0 million. This identified a £20.8 million spending gap (down from its October 2017 estimate of £57.5 million) and a revenue investment programme of £20.6 million. This £41.4 million will be met from a combination of increased council tax, release of funding set-aside for pension-auto enrolment and savings of £29.2 million. The council's 2018/19 net capital budget is £216 million.
- 62.** The council reviews the level of its uncommitted reserves every year when setting the annual budget. These are funds that the council holds in the event of unexpected spending pressures, but are not earmarked for anything specific. Its approved reserves strategy is to maintain balances at two per cent of the net budgeted expenditure over the medium term. [Exhibit 7](#) shows that the level of uncommitted general fund reserves over the last five years has been in line with strategy.

## Exhibit 7

### The council's general fund reserve, 2012/13 to 2017/18

The council has maintained reserves in line with its stated policy



Source: Glasgow City Council financial statements. 2017/18 figures are unaudited

- 63.** The council's policy is to borrow only for capital investment purposes and to meet short-term cash flow requirements. As outlined in [Exhibit 8](#), the council's

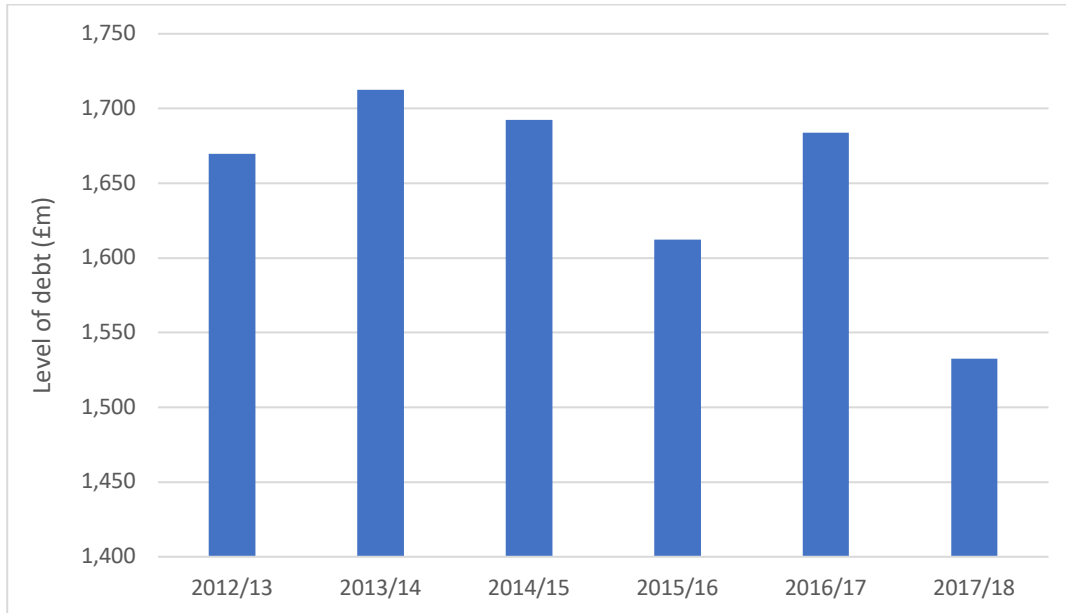


level of debt has been maintained at a similar level and reflects their prudent approach to borrowing.

## Exhibit 8

### The council's debt levels, 2012/13 to 2017/18

The council's debt has remained fairly constant in recent years



Source: Glasgow City Council financial statements. 2017/18 figure is unaudited

## The council continues to face significant financial challenges

- 64.** In June 2017, the council's 2018-23 Financial Framework assumed that the financial pressures faced by the council would continue to be significant. During the last six years, the council had to deliver savings of £270 million. The framework identified the main challenges, such as potential reductions in funding settlements from the Scottish Government, increasing payroll and pension costs, demographic changes and new legislative changes including welfare reform and waste regulations. The framework did not include potential costs in relation to outstanding equal pay claims as, at that time, no decision had been made on resolving the claims.
- 65.** In October 2017, the council published a more detailed three-year financial forecast that identified a total net spending gap of £165.8 million (2018/19: £57.5 million, 2019/20: £59.0 million, 2020/21: £49.3 million). The forecast did not include the potential cost of resolving equal pay claims although it did highlight that developments around equal pay may have a significant effect on the council's overall financial position. The council's 2018/19 revenue budget was approved in February 2018 and identified a revised funding gap of £20.8 million, resulting in a total funding gap of £129.1 million over the next three years.

## The commitment to resolve equal pay claims is likely to place unprecedented financial pressure on the council

- 66.** The council introduced a revised Job Evaluation Scheme (JES) in 2006 to harmonise pay and employment terms and conditions, and eliminate pay inequality. Following implementation, it received many equal pay claims from

employees relating to the validity and operation of the scheme. These claims were progressed through employment tribunals and the courts.

67. In May 2017, the Court of Session ruled that the council had been unsuccessful in its appeal against Employment Tribunal judgements on pay protection claims, affecting around 8,000 claimants. The council has been in dialogue with claimants and representatives, and has included a provision of £35 million in its 2017/18 financial statements towards the potential cost of settling these claims.
68. In August 2017, the Court of Session made a separate equal pay ruling in relation to the council's JES. It ruled that the Employment Tribunal and subsequent Employment Appeal Tribunal had not considered sufficient information to reach their determinations that the council's JES was a valid scheme. It referred around 8,000 equal value claims back to the Employment Tribunal to determine whether, and to what extent, the council's current pay and grading arrangements breached equal pay legislation.
69. In January 2018, the City Administration Committee agreed not to pursue a further appeal to the Supreme Court and instead address equal pay claims through negotiation with the claimants' representatives, rather than referral back to the Employment Tribunal. The council has established an equal pay project comprising a number of workstreams to take this matter forward. Members are updated through cross party group meetings. The City Administration Committee will consider recommendations made by the Equal Pay board.
70. Discussions are ongoing with claimants and representatives to clarify the nature of any discrimination within the JES and agree an appropriate settlement figure, however these are complex and will take time to resolve.
71. The nature of this issue, and the uncertainty around the financial implications is unprecedented. The potential scale, once resolved, is likely to be significant and traditional funding options such as the use of existing reserves and receipts generated from asset sales are unlikely to be sufficient to bridge any funding gap. The option of capitalisation, as the council used previously, requires the approval of Scottish and possibly UK governments. The council has acknowledged that a separate funding strategy out with the current financial framework will be required. Work on developing a strategy is being taken forward by the council in parallel with discussions with claimants. No timescale has been set for resolution, but regular meetings between the council and claimant groups have been scheduled through 2018.
72. As the cost of the settlement of equal pay becomes clearer the council will need to update its financial plans and consider any impact this may have on how it provides services in future. We will continue to monitor developments through our annual financial audit of the council.

## **The council continues to develop its financial planning arrangements**

73. Until recently the council's financial plans have covered a period of one or two years, reflecting the period of Scottish Government funding. The five-year financial framework and the three-year financial forecast show a commitment to improve longer-term financial planning. In line with good practice, the council intends to further develop how it uses scenario planning to consider different financial possibilities, to ensure it is adequately prepared for different levels of funding and income.
74. The council keeps its annual budget setting arrangements under review to identify if existing arrangements can be improved. Its 2018 review of these arrangements will include transparency and stakeholder engagement.

## The council's 2016/18 Transformation Programme saved £102.5 million but we are not clear how the longer-term, non-financial benefits will be measured

75. Through its 2016/18 Transformation Programme, the council aimed to deliver more innovative and preventative approaches to delivering services through Transforming the Council Family and Transforming the City. The specific objectives of the programme were to:
- reduce the council's spending
  - improve collaboration with partners to deliver better outcomes
  - deliver the Strategic Plan commitments including: outcome- focussed citizen and business centred services; a productive, skilled, agile and resilient workforce; and tackling poverty and inequality.
76. The programme included:
- redesigning and streamlining internal and customer processes and applying technology and automation more effectively to achieve efficiencies
  - reducing management costs by increasing productivity and streamlining management processes
  - realigning professional and support services across the council and its Arm's Length External Organisations (ALEOs) to reduce duplication and improve efficiency
  - restructuring the council and its ALEOs.
77. The council put in place a number of arrangements to monitor its transformation programme. For example, the Finance and Audit Scrutiny Committee received regular programme monitoring reports to assess progress against financial and workforce reduction targets. Across the two years, the council reports total savings of £102.5 million, which is 93 per cent of its £111 million target. The Transformation Programme has been successful in delivering significant financial savings, which was its primary objective.
78. The council also set several non-financial objectives for the Programme. Although these will take time to realise, we did not see any evidence of how they were being monitored. For example, one objective was to deliver better outcomes, but we saw no evidence of what outcomes it was trying to improve, what specifically would lead to improvement or how this was monitored. Although the council can demonstrate the impact of several individual successful transformation projects ([case study 2](#)), it needs to develop appropriate arrangements for measuring the non-financial benefits of the programme more widely. This will help the council to assess, in the longer term, whether it has achieved the overall level of transformational change that it expected.

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## Case Study 2

### A Transformation Programme project – Customer First

The council's Customer First digital project created more online information and services to help improve the customer experience. By offering customers more choice in how they interact, source information and transact with the council, it aimed to reduce the cost of supporting customers' needs.

The Project involved the council investing in digital solutions and ways of working; redesigning its website and back office support; changing the way council employees interact with customers; and promoting the use of new digital channels.

Over 50 services are now available online 24/7. The project has been a success with customers with over 100,000 contacts made digitally a year. Customers can make payments, calculate entitlement, apply for grants, request services, apply for licences and submit complaints.

The biggest uptake of digital services has been for waste collection, such as bulk uplift requests, with almost half of customer requests made online.

The council's 2016-18 investment in the project was £1.3 million. It is expected that it will save around £1.5 million per year.

Source: Glasgow City Council

## The council has a comprehensive approach to workforce planning

79. The council has a comprehensive and co-ordinated approach to workforce planning. A workforce scrutiny board has strategic oversight of planning and vacancy management across the council. The council has put in place a workforce planning framework to help it meet strategic objectives and influence organisational design. The framework links council strategies and workforce planning.
80. Workforce plans are in place for each service. Forecasting requirements are recorded for the following year or longer where known. All services and ALEOs submit a quarterly update. These returns are then collated centrally to identify gaps and surpluses. The council also uses the returns to develop budgeting and resourcing activity plans, including redeployment and retraining opportunities.
81. The council's transformation programme and the need to secure significant savings have had an impact on workforce planning. The council's Transforming Glasgow programme included a significant element of staff-related savings within the overall savings target of £130 million. The council reported a reduction of 1,264 full time equivalent posts across the council and its ALEOs.
82. The council undertakes regular staff surveys and uses these to help assess the overall impact of workforce changes on staff. The surveys use industry standard questions covering key topic areas, and allow benchmarking of responses over time. Around 40 per cent of staff responded to the last survey in 2015. The survey results highlighted that:
  - Overall 55% of respondents were satisfied with their job, which was comparable to other local authorities in the UK.
  - Levels of satisfaction on specific aspects of their job, including benefits package and the balance between work and personal life, were lower than comparable UK averages.
  - 62% of respondents felt their experience of working for the council had worsened over the past 3 years due to factors such as workload and pay levels.
  - Just over a quarter of respondents stated they had experienced some form of bullying in the workplace, and more than half had experienced some form of abuse from service users/members of the public over the last 3 years when carrying out their job.
83. The council developed an action plan in response to the survey, focused on three areas: bullying and harassment; violence at work; and staff morale. To

help morale and make other improvements, the council has rolled out the 'Our Glasgow' development programme which includes various elements such as resilience, personal development and considering the impact on customers. The council reports this has resulted in increased staff awareness around meeting the needs of customers, how to manage themselves and how to improve the way they work.

### **The council recognises that effective asset management is key to delivering best value**

- 84.** The council has developed a strategic approach to effectively manage its assets and this can be seen in its 2014/17 corporate asset management plan (CAMP) which was linked to the Council's strategic priorities. The council is working on a new CAMP for the period 2017-22 that will be aligned with its new Strategic Plan.
- 85.** There is a governance framework in place to support the management of the council's assets with the Strategic Asset Management Board being supported by tactical and operational boards for each of the seven asset categories. The council submits CAMP progress reports to the Finance Audit and Scrutiny Committee.
- 86.** Recent developments around General Data Protection Regulation, the introduction of a corporate landlord model and the procurement of a new ICT services provider presents the council with both challenges and opportunities in relation to how it manages its assets. The council is putting arrangements in place to manage these.

# Part 4

## Is the council working well with its partners?



**The council is clearly committed to partnership working and has positive relationships with public sector, business and academic partners. The council recognises that it could improve relationships with its third-sector partners and is actively working on this.**

The council works effectively with its partners, particularly NHS Greater Glasgow and Clyde, to deliver an integrated health and social care service. While it is still at a relatively early stage, the Integrated Joint Board is making progress in addressing the significant challenges around delivering new models of care.

The council engages with communities in many ways and is committed to better partnership working with citizens. It has agreed a new city charter which seeks to redefine its relationship with residents. The council has a targeted approach to working with disadvantaged communities, known as Thriving Places. This has improved partnership working in some of these areas.

The council continues to review services delivered by both the council and its ALEOs. It has recently made changes to property and ICT services. Services delivered by another two ALEOs (care and community safety), with around 4,300 staff, will soon be transferred to the council.

The council is working well with partners to progress its City Deal projects. It is on track to deliver its five infrastructure projects, worth £386 million, by 2024. The council is preparing well for the first UK and Scottish Government Gateway review in 2019.

### Community planning partners continue to work well together

87. The council works well with its public sector, business and other partners on the Glasgow CPP (see part 1). Their first joint plan was published in 2004 and they continue to work towards a single vision, as set out in their most recent Community Plan. Both the council and its partners' plans are aligned, or will soon be aligned, to the CPP's strategic themes. Statutory partners of the council report strong and effective leadership and a strong sense of a shared vision. CPP meetings are well attended by elected members, officers and partners.
88. The CPP carries out an annual health check survey to assess the opinions and experiences of the formal partnership and community organisations working with the CPP. The 2017 survey results highlighted the CPP's strengths and areas for improvement:
  - Most partners agreed that the CPP helped to deliver outcomes for the residents of Glasgow (66.1 per cent), had clear strategic priorities (66.5 per cent) and effective governance structures in place (54.5 per cent).

- Just under half (44.3 per cent) of the organisations stated that they had realigned their resources (in terms of providing staff, capital, finance and in-kind support) around the CPP priorities.
- Only 41.2 per cent thought there was a high level of trust between partners within the CPP.
- Less than a third (30.7 per cent) agreed the CPP communicated with managers and staff and only 17.2 per cent agreed it communicated with residents.

### **The council is committed to improving partnership working with the third sector**

**89.** The council's relationships with third-sector partners have been more challenging. Some third sector groups have not always felt themselves to be an equal partner in the CPP, for example they did not feel as included in the development of the Community Plan as other partners. Both the council and third sector partners consider that the third sector's potential is not being tapped into. The City Government has led on a new approach to large-scale engagement with partners to enhance partnership working. City summits have been held for various sectors, including the third sector, since 2017 (case study 3). The summits have facilitated large-scale engagement across a broad spectrum of community organisations and third sector groups. Feedback shows that the experience for attendees was generally positive and has resulted in actions for participants and the council. These summits were popular and were oversubscribed but are available online to view.

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### **Case Study 3 - Third Sector City Summit**

The third sector is the umbrella term given to the non-profit making voluntary and community organisations. The Glasgow Council for the Voluntary Sector (GCVS) estimates that between 25,000 to 30,000 people are employed within the third sector in Glasgow and generates more than £1 billion for the Glasgow economy.

The council hosted a Third Sector City Summit in December 2017. It was designed to allow open discussion to identify the challenges and ways to improve partnership working. The event highlighted a need for further dialogue and relationship building between the third sector and the council. Each party agreed actions to enhance partnership working, which included a commitment from the council to further promote Participation Requests and Asset Transfer requests (we explain these terms in paragraph 90)

A number of other suggestions were made to improve partnership working, including more networking and sharing good practice, sharing resources, making better use of data to better target resources and considering how to move to a more sustainable funding model.

The outcome from the summit was an agreement to:

- co-produce a new partnership agreement, which will be agreed by the council's Wellbeing, Empowerment, Community and Citizen Engagement Policy Committee in August 2018
- establish a new working group with representatives from the council and the third sector.

Feedback from the event was very positive, almost all survey respondents thought similar future events should be held.

Source: Third Sector Summit Report, Glasgow City Council, 2017

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## The council consults and works with communities in many ways

90. The council engages with communities in a variety of ways to explore how it can improve services, develop plans and understand the aspirations and needs of the people in the city.
91. The council holds 'budget conversations' for residents both online and at public events to explain its budget options for the year ahead. This is an established process and is widely advertised. The material presented to the public is accessible in terms of an easy-read style and infographics. The council uses residents' feedback on their priorities and how savings can be made to influence its budget-setting process.
92. Formally, the council consults with 81 community councils across the city on various issues. The council also holds frequent and wide-ranging public consultations on their website, which are occasionally supplemented by community events to inform and invite feedback. The 2017 Glasgow Household Survey however found that the public would like to be more involved in the decisions affecting their local area. The council's new Strategic Plan sets out a number of commitments to help local people become more involved in decisions and better understand the council and its performance.
93. Community empowerment is about supporting people to do things for themselves and enabling people to take control over the decisions and factors that affect their lives. The Community Empowerment (Scotland) Act 2015 gives people more influence over how their council and its partners plan services. It provides more formal ways for people to get involved. For example, people can ask to take part in decisions about council services, which is called a participation request. The Act also makes it easier for communities to take ownership of land and buildings, in a process known as asset transfer. This allows them to have more say in how the council should spend public money locally.
94. The council has developed the arrangements required to support asset transfers and participation requests. So far, however, there have been very few. The council have also begun to roll out participatory budgeting in some areas, which gives local people a greater say in how the council spends some of its funds. Staff training on the Community Empowerment Act is ongoing and awareness of its implications is increasing after staff surveys identified a need for more knowledge on the subject. The council also plans to respond to requests from the third sector to support their role and understanding of the Act.
95. The council's new city charter states that the council expects people to engage and work within their communities alongside the council in a partnership. The new City Government has committed to strengthening community engagement and empowerment by establishing a new Empowerment Unit and appointing a Director of Community Empowerment and Equalities.

## Thriving Places is the council's targeted approach to working with disadvantaged communities. Within this, longer established areas have more developed partnership working arrangements across their communities, whilst others are at the earlier stages of building relationships.

96. In 2013, the Glasgow CPP identified ten Thriving Places across the city which required additional support. These places have high levels of disadvantage and inequality in terms of child poverty, health indicators and levels of unemployment. Three Thriving Places areas have been operating since 2014 and progress reports show that there is successful partnership working taking place across service providers, the third sector and the residents.



- 97.** In 2017 the CPP prepared 10-year Locality Plans for each Thriving Place alongside its new Community Plan. These plans set out how community groups, organisations and local services can work together to make a difference to local areas and the lives of people who live and work there. The Locality Plans demonstrate a good understanding and awareness of existing resources within an area. Some are, however, at an early stage in terms of community buy-in and it is still unclear how communities will be involved in assessing the progress of plans in the future.
- 98.** The CPP has employed community coordinators across Thriving Places to facilitate links and build on existing activity to achieve the agreed outcomes for communities. However, some of these posts have been vacant for some time. The CPP recognises that some organisations and community groups are better equipped and integrated in a local community than the council or its formal partners can be. Tapping into this local knowledge and networks can help the CPP connect with communities who could be otherwise difficult to reach. For example, work undertaken by Community Renewal (funded by the People's Health Trust) has engaged with 350 Roma people in 2015/16.
- 99.** In March 2018, the council held a conference to consider the progress of Thriving Places.<sup>12</sup> Attendees living or working in Thriving Places areas identified a number of improvements:
- Further promotion and improved communication about the Thriving Places model is required to raise awareness within communities.
  - More meaningful engagement with communities, including feedback demonstrating what has been improved in an area, is required to tackle the perception of a slow pace of change in some Thriving Places communities.
  - Partnership working and better communication across organisations and strategic decision-making forums could be improved through formal Partnership Agreements and a Thriving Places Charter.
  - Bringing together existing staff and ensuring continuity of funding may improve shared learning and support consistency in terms of relationship building and project support.

### **The Glasgow City Integration Joint Board is starting to make progress towards delivering new models of care**

- 100.** The Glasgow City Integration Joint Board (IJB) is provided in partnership with NHS Greater Glasgow and Clyde (NHSGCC) and became fully operational in April 2016. It is too early to assess the impact the IJB has had on transforming health and social care services across the city, however an encouraging start has been made. Governance arrangements are well established and performance management arrangements are being developed to ensure suitable measures are in place to monitor progress against expected outcomes.
- 101.** In November 2017, the IJB agreed the Transformational Change Programme - Children's Services 2018-21 and Older People's Transformational Change Programme 2018-21. Reports on these programmes are submitted to committee to allow progress to be monitored. Other IJB developments to help move towards new models of care include:
- a review of Social Work Out of Hours Service
  - developing a Five-year Strategy for Adult Mental Health Services

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<sup>12</sup> Thriving Places Conference, Glasgow CPP, March 2018

- an assessment of Social Care Housing Needs
- a review of West Glasgow Minor Injuries Services.

**102.** Another area where the IJB is improving services is in relation to delayed discharges. Over the last two years there has been a significant reduction in the number of acute bed days lost to delayed discharge across the city ([Exhibit 9](#)).

## Exhibit 9

### Delayed Discharge, 2016/17 to 2017/18

The number of days lost due to delayed discharge has reduced

Indicator	2016/17	2017/18	Decrease	% Decrease
Total number of Acute Bed Days Lost to Delayed Discharge (Older People 65 +)	15,557	10,982	4,575	29%
Total number of Acute Bed Days lost to Delayed Discharge for Adults with Incapacity (Older People 65+).	6,050	2,098	3,952	65%
Number of days people aged 75+ spend in hospital when they are ready to be discharged, per 1,000 population	464	247*	n/a	n/a

Source: IJB \* Excludes Quarter 4 figures

## The council has made changes to the services delivered by its arms-length external organisations (ALEOs)

**103.** The council continuously reviews the Council Family structure to ensure that the operating model remains fit for purpose and delivers best value. Changes to the Council Family structure include the merger of Glasgow City Marketing Bureau and Glasgow Life in 2016 and the 30-year joint venture agreement in 2017 between City Building(Glasgow) and Wheatley Housing Group.

**104.** It has also recently changed the way in which property and ICT services are delivered, following review of a joint venture agreement with SERCO. This agreement was due to terminate in March 2018. The council opted to bring delivery of property services back into the Council Family, and procure ICT services through a framework agreement established by City of Edinburgh Council in 2015. As part of these arrangements a new ICT contract with strategic partners CGI went live on 1 April 2018.

**105.** In April 2018, the council decided that services delivered by Cordia (care and facilities management) would be transferred to the council and that Cordia would be wound up. It also decided to terminate the service level agreements with Community Safety Glasgow and to bring the services back to the council.

**106.** Business cases to support the reviews were prepared using the HM Treasury Green Book approach. The expected benefits set out in the business cases are:

- streamlined and improved service delivery
- refined Council Family structure
- reduced service delivery costs and maintained or improved service quality
- realisation of further opportunities for financial savings, for example, through reducing duplication.

**107.** Project teams were established comprising officers from across the Council Family. A range of options were then assessed and scored against defined criteria, to arrive at a recommended option for each review. A report was then taken to the City Administration Committee in April 2018 where the recommended options were approved.

### The council is working well with its City Region Deal partners to help boost economic growth

**108.** The Glasgow City Region Deal was the first in Scotland and involves eight councils working together to deliver infrastructure, innovation and employment projects to improve their economic performance.<sup>13</sup> Launched in August 2014, the £1.13 billion deal includes £500 million from the UK and Scottish governments over a 20-year period, plus £130 million from the eight councils. It is estimated that the Deal will attract an estimated £3.3 billion of private sector investment, create 29,000 permanent jobs and increase GVA by £2.2 billion per year.

**109.** Glasgow City Council has a lead role in the City Deal governance structure. It chairs:

- the City Region Cabinet, which is the ultimate decision-making body for the Deal
- the Chief Executives Group, which oversees a Programme Management Office (PMO) to administer the Deal.

The council holds the City Deal funding and the budget for the PMO, signs grant agreements and allocates and accounts for the distribution of grant funding.

**110.** Out of the 21 infrastructure projects included in the City Region Deal, five are Glasgow City Council's, worth around £386 million ([Exhibit 10](#)). Around 14 per cent (£54 million) of this is council funding. The council is working well with public and private sector partners to progress the projects. These are all expected to be completed by 2024, 10 years ahead of the UK and Scottish Government's original schedule. The council has accelerated the projects by borrowing the funding expected from the governments. As at March 2018, there were some minor delays with three of its infrastructure projects, but this was not expected to have any impact on the overall timescales.

## Exhibit 10

### Glasgow City Council's City Region Deal projects

The council has five infrastructure projects worth £386 million

Project	Funding	Expected Completion Date
Improving the public realm in Glasgow City Centre	£115.5 million	Quarter 4, 2024

<sup>13</sup> The Glasgow City Region Deal includes East Dunbartonshire, East Renfrewshire, Glasgow City, Inverclyde, North Lanarkshire, Renfrewshire, South Lanarkshire and West Dunbartonshire councils.

Project	Funding	Expected Completion Date
Clyde Waterfront and West End Innovation Quarter	£113.9 million	Quarter 2, 2024
Canal and North Gateway	£89.3 million	Quarter 1, 2023
Metropolitan Glasgow Strategic Drainage Plan	£40.2 million	Quarter 3, 2023
Collegelands Calton Barras area	£27 million	Quarter 2, 2024

Source: Glasgow City Region Cabinet

- 111.** UK and Scottish Government funding will be unlocked in five-year blocks, in 2019, 2024 and 2035. This will be subject to the Glasgow City Region meeting agreed outputs and outcomes assessed through a gateway review mechanism. One of the council's projects (Canal and North Gateway) will be subject to an impact evaluation and all five will be subject to a progress evaluation. To help prepare for the gateway review, the council and its partners are preparing to complete an internal assessment in December 2018.

# Part 5

## Is the council demonstrating continuous improvement?



**The council has made steady progress since its last Best Value report in 2009. It has made many changes to help improve services for local people. It has consistently focused on improving health, employment and poverty levels, resulting in gradual improvements to long-term outcomes for its citizens.**

### The council has made steady progress since previous Best Value reports

- 112.** The council was subject to an audit of Best Value and Community Planning in 2006 and a progress update in 2009. In both audit reports, the Accounts Commission commented on the council's good progress and improvements it had made for Glasgow residents. Across the two audits, the Commission also identified areas that the council should focus on to help it improve. [Exhibit 11](#) compares previous Best Value judgements to our findings from this review.
- 113.** Since 2009, the council has continued to perform well, and has improved its performance across many areas (Part 2). Glasgow's reputation has substantially improved over the last 20 years. The council and its partners have played a significant role in this through, for example, regeneration projects, improving the public realm and enhancing its academic, cultural and sports offering. This has helped to attract residents, visitors, businesses and international events to the city. The council's economic performance has also improved. But it will be challenging for Glasgow, as it is for all cities, to continue to raise the city's international profile, increase inward investment and create high-value jobs while ensuring that economic growth is inclusive.
- 114.** The council still has work to do to reduce inequalities and poverty in the city. Glasgow faces significant challenges in terms of the city's health, unemployment rates and educational attainment. These are long-standing problems that the council cannot solve quickly. It recognises that significant change is required which will take a number of years, most likely covering the terms of several administrations.

### Exhibit 11

#### A comparison of selected Best Value judgements

Controller of Audit judgements in 2006, 2009 and 2018 shows Glasgow City Council is improving and is well-placed to deliver further improvements.

2006 audit judgement	2009 audit judgement	2018 audit judgement
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<b>Strategic direction:</b> The council demonstrates vision and strategic direction, a positive attitude and commitment to radical change and clear leadership from members and officers.	Glasgow's SOA has helped to strengthen joint working and focus resources on key priorities. Changes in the political make-up of the council, and to its committees, have helped to increase debate and scrutiny.	The council and its partners have a clear, shared vision of inclusive growth. The council demonstrates effective leadership and all political parties support its new strategic plan.
<b>Performance:</b> The council has set ambitious targets and faces a significant challenge in achieving them. Statutory Performance Indicators (SPIs) demonstrate a good rate of improvement compared to other councils.	The council has made improvements in outcomes for citizens and the gap between Glasgow and the rest of Scotland has narrowed. SPIs and inspection reports show a mixed picture of the performance of services.	The council and its partners have gradually improved several outcome areas, including economic growth, health and wellbeing, and reducing inequality. Most residents are satisfied with council services.
<b>Resources:</b> The council has effective financial management, based on sound systems of budgetary planning and control. The council needs to deliver a comprehensive HR strategy, a robust asset management framework and develop its approach to risk management.	The council has identified a range of financial pressures and is looking at ways to deal with these. The council needs to have comprehensive asset management plans in place to demonstrate efficient use of its assets.	The council is committed to resolving a substantial number of equal pay claims. This means that it faces a period of unprecedented financial pressure which may impact on service delivery.
<b>Working with partners:</b> The council is clear about the importance of partnership working and has led a range of partnership activity. The council has effective mechanisms in place to support community consultation, although there is scope for improvement.	The development of a SOA represents a significant development in partnership working. The council and the health board are considering improvements to CHCPs as they are experiencing cost pressures.	The council is clearly committed to partnership working and has positive relationships with many partners. The council engages with communities in many ways and has agreed a new city charter to redefine its relationship with residents.
<b>Continuous Improvement:</b> The council has a good level of self-awareness and has various mechanisms to support continuous improvement. The Commission is encouraged by the council's rate of improvement.	The council has continued to make good progress. It is well placed to build on its performance although it faces some significant resourcing challenges.	The council has made steady progress since its last Best Value report in 2009. The council invests significant time and resource in self-assessment and improvement activities and tries to involve staff and residents where it can.

Source: Audit Scotland

## The council uses self-assessment to identify areas for improvement

- 115.** The council continues to invest time and resource in self-assessment and improvement activities as part of its corporate performance framework. It uses a range of tools to evaluate its performance and prioritise improvement activity on an ongoing basis, and tries to involve staff and local people where it can.
- 116.** In 2009 and 2012, the council undertook self-assessment exercises based on the European Foundation for Quality Management (EFQM) excellence model. This involved service-based assessments alongside a corporate self-assessment. Following completion of their Best Value Improvement Plan in 2014, the council initiated an EFQM corporate level self-assessment exercise in spring 2016 to identify its strengths and areas for improvement. The self-

assessment covered a range of key EFQM criteria, including leadership, strategy, staff, partnerships, processes and services.

117. The output from the exercise was a Council Family Improvement Plan. The plan identified three main areas for improvement (staff, data and information, and tackling poverty/inequality) and set out a series of actions in the short, medium and long term. The completion of some improvement plan actions, such as the establishment of a corporate performance officer group to share benchmarking best practice, has been reported through individual service plans.
118. Progress against the improvement plan was due to be reported annually to the council's Finance and Audit Scrutiny Committee but so far, the committee has not received an update. Progress against the plan was reported to the council's Extended Management Team in June and October 2017. All the actions in the plan, except for one medium-term action, were reported as either complete or on target.
119. At a service level, the council has adopted EFQM good practice. It routinely uses a "How Good is Your Service" approach in areas such as Education and Glasgow Life to support service review and development. Services and ALEOs are currently undertaking a review of their status against the key EFQM criteria used in the 2016 exercise. The output from these reviews will be used to prioritise areas for the ongoing corporate self-assessment programme.
120. The council has undertaken staff surveys at least every three years since 2007, with the last survey completed in 2015 (paragraphs 82-83). In developing the 2018 staff survey, the council has identified the opportunity to:
  - refresh the themes and questions in the full survey in discussion with staff
  - increase participation rates
  - consider more updated and modern ways of consulting with staff
  - reflect the new Strategic Plan and its vision and priorities.
121. The council plans to use staff focus groups to establish staff attitudes and perceptions across the council, and use these to shape the topics and questions for inclusion in any future full survey.
122. The council has made a commitment to engaging openly with local communities and interest groups in addressing the challenges and opportunities it faces. It wants council decisions to be fully explained, and with sufficient information available to allow citizens to challenge, if they wish to do so. It asked the Improvement Service (IS) to review governance and decision making in the council, including the council's communication with the public, and identify areas where it could improve existing arrangements. The IS report is expected to be published in September 2018.
123. Through its Transformation Programme (paragraphs 75-78), the council has reviewed services to identify alternative approaches that achieve better outcomes. This includes an ongoing review of existing delivery models through ALEOs, to ensure they remain fit for purpose (paragraphs 103-107).

## **The council can demonstrate a number of actions taken in response to resident's feedback**

124. There is evidence that residents' feedback influences the council's performance reporting, strategy development, communications policy, budget decisions and how it develops services. A recent update to the Operational Performance and Delivery Scrutiny Committee highlighted various



improvements that the council introduced in response to the Glasgow Household Survey. For example:

- in response to feedback on road condition, the council:
  - introduced high profile street signs to inform the public about forthcoming maintenance
  - increased investment in road maintenance from £13.48 million in 2013, to £24.41 million in 2014.
- in response to feedback on local areas, the council supported extra clean-up projects, introduced litter enforcement officers in every ward and worked with housing associations and residents to tackle dog fouling
- feedback from questions, specifically for older residents, on issues such as transport and social isolation fed into the development of the council's Age Friendly Strategy and Action Plan.

### **The council has ambitious plans to redefine its role**

- 125.** The council is at an early stage in a significant challenge to redefine its role in the city. It considers more can be achieved by better enabling residents, and working with all partners to achieve the common aims set out in the Community Plan.
- 126.** The council recognises it has a leadership and facilitation role to play in this change. It has put in place several key building blocks to help deliver this, including strengthening partnership working, and establishing a city charter. However, a culture-shift of this scale will take time to embed across partner organisations and communities.
- 127.** This vision demonstrates a notable level of ambition for the council and the city. However, the financial pressures arising from resolving equal pay claims introduces an uncertainty about how quickly the council will be able to move to realise that ambition.



# Recommendations



The council should continue to refine its corporate performance framework to help measure the long-term outcomes in its Strategic Plan (paragraph 21)

The council should agree its homelessness improvement plan with the Scottish Housing Regulator. It should also continue to work with partners to implement its homelessness strategy. This includes monitoring and reviewing the impact of its homelessness interventions on the homeless population (paragraphs 55-56)

The council should consider the impact of resolving equal pay claims and include this within its financial plans. More widely, it should consider the potential impact on service delivery (paragraphs 66-72)

The council should review lessons learned from its 2016-18 Transformation Programme and ensure that it has appropriate monitoring arrangements in place to measure the non-financial benefits and long-term outcomes for its transformation activity (paragraphs 75-78)

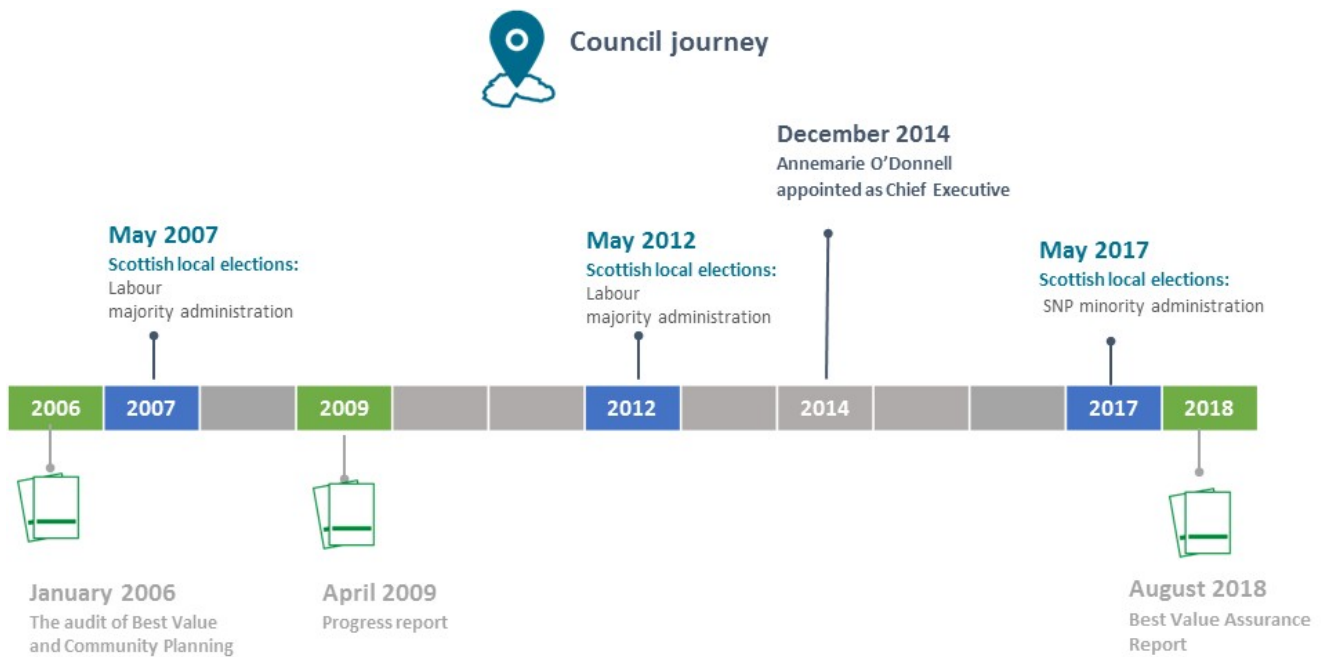
Building on the success of its third-sector summit, the council should continue to work with third-sector partners to help strengthen relationships (paragraph 89)

The council and its partners should apply lessons learned from its Thriving Places initiative to help make locality planning a success more widely. This would include encouraging communities to be more involved and considering the longer-term funding of staff and initiatives to support community engagement (paragraphs 96-99)

The council should closely monitor the financial and service implications of changes to its Council Family structure to ensure it delivers the anticipated benefits and to help it demonstrate best value (paragraphs 103-107).

# Appendix 1

## Best Value audit timeline



### January 2006 – The audit of Best Value and Community Planning

The Accounts Commission reported that the council had demonstrated clear leadership. It was encouraged by the rate of improvement the council had made, which was particularly evident in the physical regeneration of the city. It reported that the council needed to stay focussed on improvement as it faced significant and complex social and economic challenges.

### April 2009 – Progress report

The Accounts Commission acknowledged the continuing good progress and improvements made by Glasgow City Council, particularly in education and unemployment. The Commission was encouraged by the impact this was having on residents. However, it reported that some issues needed to be addressed, such as the council's management and development of its employees.

### August 2018 – Best Value Assurance Report:

The Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. This is the first of its kind. The report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, with a particular focus on the Commission's Strategic Audit Priorities.

# Glasgow City Council

## Best Value Assurance Report

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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