

437th meeting of the Accounts Commission for Scotland  
Thursday 8 June 2017, 10.15am  
In the offices of Audit Scotland, 102 West Port, Edinburgh

**Agenda**

1. **Apologies for absence.**
2. **Declarations of interest.**
3. **Decisions on taking business in private:** The Commission will consider whether to take items 14 to 16 in private (\* see note).
4. **Minutes of meeting of 11 May 2017**
5. **Minutes of Audit Scotland Board meeting of 31 March 2017**
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. **Local government overview report: impact and approach for 2018:** The Commission will consider a report by the Director of Performance Audit and Best Value.
10. **New financial powers and constitutional change update:** The Commission will consider a report by the Assistant Director of Audit Services.
11. **Briefing: non domestic rates:** The Commission will consider a report by the Assistant Director of Audit Services.
12. **Housing Benefits performance audit – annual report:** The Commission will consider a report by the Assistant Auditor General.
13. **National Scrutiny Plan 2017/18:** The Commission will consider a report by the Director of Performance Audit and Best Value.  
  
*The following items are proposed to be considered in private:\**
14. **Review of quality arrangements:** The Commission will consider a report by the Assistant Auditor General.
15. **Performance audit - draft report: Self-directed support (progress report):** The Commission will consider a report by the Director of Performance Audit and Best Value.
16. **Commission business matters:** The Commission will discuss matters of interest.

\* It is proposed that items 14 to 16 be considered in private because:

- Item 14 proposes a report from the on the review of quality arrangements, in relation to which the Commission may wish to discuss confidential audit matters with the author.
- Item 15 proposes a draft audit report, which the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.
- Item 16 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

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 11 May 2017	AC.2017.5.1
<b>Agenda Item 5:</b> Minutes of Audit Scotland Board meeting of 31 March 2017	AC.2017.5.2
<b>Agenda Item 7:</b> Report by Secretary to the Commission	AC.2017.5.3
<b>Agenda Item 9:</b> Report by Director of Performance Audit and Best Value	AC.2017.5.4
<b>Agenda Item 10:</b> Report by Assistant Director of Audit Services and PABV	AC.2017.5.5
<b>Agenda Item 11:</b> Report by Assistant Director of Audit Services and PABV	AC.2017.5.6
<b>Agenda Item 12:</b> Report by Assistant Auditor General	AC.2017.5.7
<b>Agenda Item 13:</b> Report by Director of Performance Audit and Best Value	AC.2017.5.8
<b>Agenda Item 14:</b> Report by Assistant Auditor General	AC.2017.5.9
<b>Agenda Item 15:</b> Report by Director of Performance Audit and Best Value	AC.2017.5.10

**MEETING: 8 JUNE 2017**

**MINUTES OF PREVIOUS MEETING**

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Minutes of the 436th meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday, 11 May 2017, at 10.15am

**PRESENT:** Ronnie Hinds (Acting Chair)  
 Alan Campbell  
 Sandy Cumming  
 Sheila Gunn  
 Tim McKay  
 Christine May  
 Stephen Moore  
 Graham Sharp  
 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)  
 Gemma Diamond, Senior Manager, PABV [Items 15 and 16]  
 Brian Howarth, Assistant Director, Audit Services Group (ASG) [Items 15 and 16]  
 David Jamieson, Senior Manager, ASG [Items 15 and 16]  
 Tommy Yule, Senior Auditor, ASG [Items 15 and 16]

Item No    Subject

1. Apologies for absence
2. Acting Deputy Chair of the Commission
3. Declarations of interest
4. Decisions on taking business in private
5. Minutes of meeting of 13 April 2017
6. Minutes of meeting Financial Audit and Assurance Committee of 27 April 2017
7. Minutes of meeting of Performance Audit Committee of 27 April 2017
8. Minutes of Audit Scotland Board meeting of 22 February 2017
9. Audit Scotland Board Update
10. Update report by the Secretary to the Accounts Commission
11. Update report by the Controller of Audit
12. Draft Commission Annual Report
13. Draft Commission Strategy Update
14. Commission engagement strategy: report and update
15. Audit of Best Value: Inverclyde Council
16. Audit of Best Value: Inverclyde Council - action
17. Commission business matters

## Opening remarks

Ronnie Hinds advised that members had been informed of the death of Douglas Sinclair, and he had conveyed to Douglas' family the sympathies of all of those involved in the Commission.

### 1. Apologies for absence

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

### 2. Acting Deputy Chair of the Commission

The Commission considered a report by the Secretary to the Commission advising of the outcome of the process that the Commission had agreed to appoint an Acting Deputy Chair.

The Commission, having noted that the process had been completed, agreed that Christine May be appointed as Acting Deputy Chair, subject to the endorsement of the Minister of Local Government and Housing.

### 3. Declarations of interest

The following declaration of interest was made:

- Christine May, in items 10, 13 and 15, as Chair of Fife Cultural Trust, in relation to references to arm's length external organisations.

### 4. Decisions on taking business in private

It was agreed that Item 16 be taken in private, as it would 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.

The Chair advised that there was no business for item 17 and thus would not require discussion.

### 5. Minutes of meeting of 13 April 2017

The minutes of the meeting of 13 April 2017 were approved as a correct record.

Arising therefrom, advice was noted from the Secretary that:

- In relation to item 6 (first bullet point), a response to the Committee was reported elsewhere on today's agenda.
- In relation to item 6 (second bullet point), a briefing on non-domestic rates would be reported to the Commission at its June meeting.
- In relation to paragraph 8, a response to the consultation was reported elsewhere on today's agenda.
- In relation to paragraph 12, the Commission's two equality outcomes reports were published on 27 April.

### 6. Minutes of meeting Financial Audit and Assurance Committee of 27 April 2017

The minutes of the meeting of the Financial Audit and Assurance Committee of 27 April 2017 were approved as a correct record.

7. Minutes of meeting of Performance Audit Committee of 27 April 2017

The minutes of the meeting of the Performance Audit Committee of 27 April 2017 were approved as a correct record, subject to noting, in relation to paragraph 2, advice from Sandy Cumming that he is Vice-Chair of Scotland's Rural College.

8. Minutes of Audit Scotland Board meeting of 22 February 2017

The minutes of the meeting of Audit Scotland Board of 22 February were noted.

The Commission:

- Commended Sobhan Afzal, Trainee Auditor, for achieving the highest results for the ICAS Advanced Finance Test of Professional Skills exam in December 2016.
- Noted advice from the Director of PABV that the Assistant Auditor General would be appearing at an evidence session hosted by the Public Audit and Post-Legislative Scrutiny Committee as part of its post-legislative scrutiny of the National Fraud Initiative. He also advised that four councils (Aberdeen City Council, Midlothian Council, Moray Council and South Lanarkshire Council) would also be taking part in the session.

9. Audit Scotland Board Update

The Chair provided a verbal update on recent Audit Scotland Board activity.

10. 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 5, in response to a query from Alan Campbell, agreed that more information be provided on any studies of the effects of Scottish Ministers' Public Sector Pay Policy.

*Action: Director of PABV*

- In relation to paragraph 12:
  - agreed the recommendation of the Commission's committees that a response to the Scottish Parliament's Budget Process Review Group's consultation on its interim report be made jointly with the Auditor General and delegated to the Chair for sign-off.
  - noted the terms of the response as agreed by the Chair and submitted on the Commission's behalf.
- In relation to paragraph 15, agreed not to respond to the Scottish Government consultation on Safe and Effective Staffing in Health and Social Care.
- In relation to paragraph 31, in response to query from Tim McKay, that more information be provided on the Improvement Service's 'associates framework'.

*Action: Secretary*

Following discussion, the Commission agreed to note the report.

11. 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.

12. Draft Commission Annual Report

The Commission considered a report by the Secretary to the Commission proposing for publication the content of the Commission's annual report 2016/17 and accompanying annual action plan progress report.

Following discussion, the Commission agreed to approve the annual report 2016/17 and accompanying annual action plan progress report, subject to a number of drafting changes agreed during discussion.

*Action: Secretary*

13. Draft Commission Strategy Update

The Commission considered a report by the Secretary to the Commission proposing a revised Commission Strategy 2017-22 and accompanying annual action plan, arising from the Commission's considerations at its Strategy Seminar.

Following discussion, the Commission agreed:

- To approve the revised Commission Strategy 2017-22 and annual action plan, subject to a number of drafting changes agreed during discussion.
- The publication arrangements and next steps for promotion and implementation of the Strategy.

*Action: Secretary*

14. Commission engagement strategy: report and update

The Commission considered a report by the Secretary to the Commission proposing (a) a progress report against the Commission's Engagement Strategy; and (b) a revised Engagement Strategy for 2017/18.

Following discussion, the Commission agreed:

- To continue using the model of a rolling strategy accompanied by a more detailed action plan.
- To approve a revised Engagement Strategy and action plan 2017/18.
- The publication arrangements and next steps for promotion and implementation of the Strategy.

*Action: Secretary*

15. Audit of Best Value: Inverclyde Council

The Commission considered a report by the Secretary to the Commission seeking its consideration of the Controller of Audit's report of the Best Value audit of Inverclyde 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.

16. Audit of Best Value: Inverclyde Council: action [in private]

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

Following discussion, the Commission agreed:

- To make findings, to be published on 1 June 2017.
- As part of those findings, to note the Commission's expectation that, in line with its new approach to auditing Best Value, the Controller of Audit is to monitor, through the annual audit, the Council's progress and response to the Commission's recommendations, and update the Commission accordingly.

*Action: Secretary*

17. Commission business matters

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



# Minutes

Friday 31 March 2017, 10.00am

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

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## Present:

I Leitch (Chair)  
C Gardner  
H Logan  
R Griggs  
R Hinds

## Apologies:

None

## In attendance:

D McGiffen, Chief Operating Officer  
R Frith, Assistant Auditor General  
M Walker, Assistant Director, Corporate Performance and Risk  
J Webber, Senior Executive Assistant  
D Hanlon, Corporate Finance Manager  
J Gillies, Communications Manager  
G Woolman, Chair of Diversity and Equality Group, Assistant Director, Audit Services  
E Boyd, Assistant Director, Quality  
F McKinlay, Director of Performance Audit and Best Value  
T Meldrum, Senior Manager, Performance Audit and Best Value

## 1. Private meeting

A private meeting was held by the Chair and Board members, prior to the start of the Board meeting. There were no matters raised in addition to those items on the agenda, which had been previously circulated.

## 2. Welcome and apologies

The Chair welcomed Ronnie Hinds, Acting Chair of the Accounts Commission, to his first meeting of the Board.

There were no apologies.

## 3. Declarations of interest

There were no declarations of interest.

## 4. Chair's report

Ian Leitch advised that since the previous Board meeting he had held regular meetings with Caroline Gardner, Auditor General for Scotland and Diane McGiffen, Chief Operating Officer to discuss various business matters of interest. The Chair advised he and Diane McGiffen had

met with the legal advisers from BTO on Wednesday 29 March who would seek to finalise their legal advice on board quorum, substitutes and proxies. The Chair advised that this would be discussed at the next Board meeting on 5 May 2017.

The members welcomed the update.

## 5. Accountable Officer's report

Caroline Gardner provided a verbal update on her activity since the previous meeting. She advised of the weekly meetings of the Public Audit and Post Legislative Scrutiny Committee and invited members to note that an interim convener would be appointed shortly to cover the current convener's maternity leave until October 2017.

Caroline advised that the Police i6 report had been considered by the Justice Sub-Committee on Policing on 30 March 2017.

The Board noted Caroline's continued involvement with the Budget Process Review Group and that the Finance Committee had received briefings in March.

She also advised the Board of forthcoming publications and possible section 22 reports and provided clarification around the statutory process for submitting reports and accounts to the Scottish Government for laying them in the Scottish Parliament.

Caroline invited the Board to note that following pay negotiations, the PCS union were recommending the Audit Scotland reward package to their members and expressed her thanks to Diane McGiffen and the team as well as the PCS representatives for their input.

The Board welcomed the update.

## 6. Accounts Commission report

Ronnie Hinds, the Acting Chair of the Accounts Commission, thanked Board members for their warm welcome.

Ronnie advised the Board of his first activity as Acting Chair of the Accounts Commission had been at the Commission's Strategy Seminar on 28 and 29 March. He advised of the benefits of hearing from speakers from the Scottish local government, the NAO and the Auditor General for Scotland. Key themes from the seminar included the degree of variation across local government in delivery of service, performance and funding issues; working with other scrutiny bodies; and the need for greater transparency and accountability.

The Board welcomed the update.

## 7. Review of minutes

### Board meeting, 22 February 2017

The Board considered the note of the meeting on 22 February 2017, which had been previously circulated, and confirmed that these were an accurate record of the meeting.

**Action: Joy Webber, Senior Executive Assistant, to publish the approved minute of the meeting of 22 February 2017. April 2017**

## 8. Review of actions tracker

The Board noted the updates provided.

## 9. Review of Standing Orders

As referenced in the Chair's report, it was noted that this would be discussed at the next meeting of the Board on 5 May 2017.

**Action: The legal advice to be circulated and a discussion scheduled at the next Board meeting on 5 May 2017. May 2017**

## 10. Audit Scotland Budget 2017/18

*David Hanlon, Corporate Finance Manager, joined the meeting.*

David Hanlon, Corporate Finance Manager, introduced the Audit Scotland Budget 2017/18 report, which had been previously circulated.

David invited the Board to note the proposed operational budget for 2017/18 and approve Audit Scotland's revised Budget for 2017/18.

During detailed discussion, Heather Logan sought clarification on the costs associated with the proposed refurbishment of the Glasgow office. David Hanlon advised that the proposed refurbishment would provide increased capacity in the office and offer more flexible working solutions for staff. Diane McGiffen advised that this need had arisen given the geographical impact of the new audit appointments and would be a cost effective way to provide an additional 20 workspaces.

Heather sought clarification on the VERA provision contained within the budget. David also advised that the cost of VERA would be noted as a charge in the accounts.

Ronnie Hinds welcomed the report and sought assurance on the affordability of the new pay proposals model in future years as he had not been involved in previous discussions on the matter. David Hanlon advised the budget model included an assumed increase year on year but that he was confident the model was robust. Diane McGiffen offered to provide further briefings or background reports to Ronnie on the new pay proposals.

Following discussion, the Board approved Audit Scotland's revised Budget for 2017/18.

*David Hanlon, Corporate Finance Manager, left the meeting.*

## 11. Audit Scotland Annual Report and Accounts

*James Gillies, Communications Manager, joined the meeting.*

James updated the Board on plans for the 2016/17 annual report and accounts and invited comments and proposals for this year's content.

James invited the Board to note the feedback received on last year's report from the NAO and the revisions being proposed to include more information on strategic risks and objectives and how those are managed. Heather Logan advised that she would like to review a draft of that section of the report.

Following discussion, the Board welcomed the report, noting the final version was scheduled for approval at the Board meeting on 6 June 2017.

**Action: Martin Walker to share the strategic risks and objectives section of the Annual Report and Accounts with Heather Logan. (April 2017)**

*James Gillies, Communications Manager, left the meeting.*

## 12. Equality Outcomes: Reflecting Back and Looking Forward

*Gillian Woolman, Assistant Director LG and Health, joined the meeting.*

Gillian introduced the Board to the report Equalities Outcomes: Reflecting back and looking forward, which had been previously circulated.

Gillian invited the Board to consider and approve the Equality outcomes and mainstreaming progress report for 2016/17 and the Equality outcome measures report April 2017.

During discussion, the Board welcomed the reports and acknowledged the work of the Diversity and Equality Steering Group. The Chair reflected that while the reports were proposed as a joint publication for Audit Scotland and the Accounts Commission, there could be a clearer explanation of the respective areas of responsibility. Ronnie Hinds agreed, also noting that the Accounts Commission was fairly represented in the reports which were due to be considered at its meeting in April 2017.

The Board discussed the ability of audit firms to promote diversity and equality, and Russell Frith advised that this formed part of the appointment and could be developed, further noting that each organisation has a duty to employees while recognising the need to consider how equalities features within the audit work under the Code of Audit Practice.

Ronnie Hinds asked about the split of leavers by gender and how this compared to previous years. Gillian Woolman confirmed this was a reversal from the previous year and invited the Board to note that there was an improving trend in individuals disclosing monitoring information.

Following discussion, the Board expressed their thanks to the team and approved both reports subject to the amendments discussed.

**Action: Gillian Woolman to update the reports for consideration by the Accounts Commission. (April 2017)**

*Gillian Woolman, Assistant Director, Audit Services, left the meeting*

### 13. Q3 Financial Performance Report 2016/17

*David Hanlon, Corporate Finance Manager, joined the meeting.*

David Hanlon introduced the Q3 Financial Performance Report 2016/17, which had been previously circulated.

David invited the Board to note the financial results for the nine months to December 2016.

The Board discussed the end of year projection and noted this was dependent on the level of fee income assessed to 31 March 2017 and the impact of pension provision that would be known by May 2017.

Heather Logan sought clarification on the level of agency costs incurred. David Hanlon advised this related to peak audit work for Audit Services Group and was a reducing cost year on year.

Following discussion, the Board welcomed the report.

*David Hanlon, Corporate Finance Manager, left the meeting.*

### 14. Q3 Performance Report 2016/17

Martin introduced the Q3 Performance Report 2016/17 report, a copy of which had been previously circulated.

Martin invited the Board to review the key performance areas and consider whether any additional management attention was required.

The Board welcomed the additional information and data contained in support of the changed status of objective 2.3 *To identify risks and make clear any relevant recommendations for improvement and follow these up*, and more generally the members agreed more clarification around the degree of progress reported for objectives would be helpful.

Turning to objective 3.5 *We empower and support our people to be engaged, highly skilled and perform well*, the Board noted the amber rating for the KPI relating to 360 degree feedback. Diane McGiffen advised this indicator reflected an earlier objective to introduce 360 degree feedback for all colleagues, which had been overtaken with a focus on targeted use of 360 degree feedback and the development of a feedback process. The KPI had been retained for the purpose of openness and transparency but would be revised or deleted at the next review.

The Board noted that the indicator on communication and collaboration across the organisation was amber and Martin advised that feedback from the Best Companies survey suggested this was moving in the right direction and that the amber rating also reflected the 'high bar' which Audit Scotland set. Diane also advised that there were now more opportunities than ever to engage and collaborate with colleagues across the organisation including the Annual Audit Conference, knowledge cafes and roundtable discussions and that there would be continual focus on further shared working.

Following discussion, the Board acknowledged that high stretch targets are set for objectives, that some indicators are more important than others and that a clear process underpins the red/amber/green assessments.

The Board welcomed the discussion on improving the clarity of narrative to support the status of reported objectives.

**Action: Martin Walker, Assistant Director, Corporate Performance and Risk, to consider how best to focus the narrative on objectives and performance in future reports. (June 2017)**

## 15. Q3 Becoming World Class Improvement Programme Report 2016/17

Martin Walker introduced the Q3 Becoming World Class Improvement Programme Report 2016/17, which had been previously circulated and invited the Board to consider the sustained progress reported across the three workstreams and the next steps.

The Board welcomed the continued progress and noted that it reflected a clear commitment to continuous improvement. The Board also noted the importance of leadership development and welcomed the new project on leading a better organisation which Fraser McKinlay will steer.

Following discussion, the Board welcomed the report.

## 16. Securing World Class Audit: Review of Audit Quality

*Elaine Boyd, Assistant Director for Quality joined the meeting.*

Elaine Boyd introduced the report on the Review of Audit Quality, which had been previously circulated.

Elaine invited the Board to note the update on recent activity in reviewing quality arrangements across all audit work.

The Board discussed the assurance provided from the global comparison of quality arrangements with other international audit organisations and the input received from audited bodies on handover arrangements as well as their view of the value external audit work. It was noted that this would inform the Transparency and Quality report 2016/17. Elaine also outlined the work to consider how to maximise learning and development opportunities in the context of the new appointments and the wider audit scope.

Elaine shared the proposed project timeline which included regular engagement with the Board and Accounts Commission prior to implementation of the revised Quality Framework.

The Board welcomed the report and Heather Logan advised the Audit Committee would welcome a discussion on the Quality Framework at its meeting on 17 May 2017.

**Action: Martin Walker to schedule an item for consideration by the Audit Committee meeting on 17 May 2017. (May 2017)**

*Elaine Boyd, Assistant Director for Quality, left the meeting.*

## 17. Making a Difference: Corporate Plan Update 2017/18

Martin Walker introduced the Corporate Plan Update 2017/18 report, which had been previously circulated.

Martin invited the Board to review the first draft of the Corporate Plan which covered the operating environment, audit and improvement priorities for 2017/18, progress on key priorities and objectives in 2016/17, resources and governance arrangements.

The Board welcomed the refreshed Corporate Plan setting out high level objectives. Martin advised that a report on Audit Scotland's strategic planning was also scheduled for discussion at the Accounts Commission meeting in April 2017.

The Board noted that an updated version of the Corporate Plan 2017/18 was scheduled to come to the meeting of the Board on 5 May 2017 for approval.

## 18. Making a Difference: Public Engagement Work with Young Scot

*Fraser McKinlay, Director of Performance Audit and Best Value, and Tricia Meldrum, Senior Manager, Performance Audit and Best Value, joined the meeting.*

Tricia Meldrum introduced the report on Engagement Work with Young Scot, a copy of which had been previously circulated.

Tricia delivered a presentation on the CheckSee project, which was undertaken in partnership with Young Scot. The focus of the project was to capture what matters to young people about education, skills and employability, to identify how Audit Scotland could better engage with young people and other groups as part of the wider public engagement programme to better inform the scope of audit work.

The Board welcomed the presentation and agreed that they would like a further update next year on the impact of how the project, and the commitments made, had progressed.

**Action: Diane McGiffen, Chief Operating Officer, to schedule an update report in March 2018. (March 2018)**

*Fraser McKinlay, Director of Performance Audit and Best Value, and Tricia Meldrum, Senior Manager, Performance Audit and Best Value, left the meeting.*

## 19. Publication of Reports

The Board approved all reports for publication with the following exceptions

- Item 12                      Equality Outcomes: Reflecting back and looking forward (future publication).
- Item 17                      Corporate Plan Update 2017/18 (effective conduct of business (future publication)).

**Action: Joy Webber, Senior Executive Assistant, to arrange to publish the reports on the Audit Scotland website alongside the approved minute. April 2017**

## 20. Any Other Business

There was no further business.

## **21. Review of Meeting**

The members took the opportunity to reflect on the meeting, welcoming the discussions on performance reporting and the review of audit quality and hearing more about the opportunities being identified for increasing engagement with the public.

## **22. Date of next meeting**

It was noted that the next Audit Scotland Board meeting was scheduled for 5 May 2017 in the offices of Audit Scotland, 102 West Port, Edinburgh.

MEETING: 8 JUNE 2017

REPORT BY: SECRETARY TO THE COMMISSION

UPDATE REPORT

**Introduction**

1. The purpose of this report is to provide a regular update to the Accounts 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 Accounts Commission which updates the Commission on his activity complements this report. The Commission’s Financial Audit and Assurance Committee (FAAC) 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 Commission members’ extranet portal, which provides more detailed news coverage of a range of local government related issues.
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 25 May, the Accounts Commission published its 16/17 [Annual Report](#), [Strategy and annual action plan 2017-22](#) and [Engagement strategy and engagement plan 2017/18](#). Ronnie Hinds wrote to each of the 1,227 newly elected members in Scotland and council chief executives, informing them of our work as a key resource to help them fulfil their responsibilities and to highlight the Commission’s expectations that councils demonstrate “demonstrate a pace, depth and continuity of improvement in their performance.” The letter is available on the members’ extranet portal.
5. On 31 May, the Commission published the Best Value Audit of Inverclyde Council. In its findings, the Commission states that it is “pleased that Inverclyde Council has shown progress in the pace, depth and continuity of improvement since our previous Best Value reports.”
6. The download statistics (with the increase from last month) for the reports published by the Commission over the last 12 months (as at 22 May 2017) are shown below:

Report	Date	Report downloads	Report podcasts
<a href="#">Local government in Scotland: Performance and challenges 2017</a>	7 Mar 2017	2065 (+418)	45 (+0)
<a href="#">East Dunbartonshire Council: Best Value audit report</a>	15 Dec 2016	699 (+52)	86 (+0)
<a href="#">Falkirk Council: Best Value audit report</a>	1 Dec 2016	851 (+44)	170 (+0)
<a href="#">Local government in Scotland: Financial Overview 2015/16</a>	29 Nov 2016	3198 (+182)	181 (+0)



Report	Date	Report downloads	Report podcasts
<a href="#">How Councils Work – Roles and working relationships in councils: are you still getting it right?</a>	8 Nov 2016	2590 (+98)	
<a href="#">School education impact report</a>	18 Oct 2016	95 (+0)	
<a href="#">School education Scrutiny supplement</a>	18 Oct 2016	75 (+0)	
<a href="#">Angus Council: Audit of Best Value</a>	4 Oct 2016	702 (+32)	
<a href="#">Social Work in Scotland</a>	22 Sep 2016	9134 (+1344)	271 (+0)
<a href="#">Maintaining Scotland's roads: a follow-up report</a>	4 Aug 2016	2801 (+126)	208 (+0)
<a href="#">South Ayrshire Council: Audit of Best Value and Community Planning</a>	29 Jun 2016	970 (+24)	

### **Other business**

7. On 31 May, Ronnie Hinds, Acting Chair, Fraser McKinlay, Controller of Audit and Mark McCabe, Senior Manager, Audit Scotland, will brief the Local Government and Communities Committee on the Overview of Local Government in Scotland in 2017.
8. The process for recruitment of a new Commission Chair has been agreed by the Local Government Minister and is now underway. The campaign will be launched with an advert on the Scottish public appointments website, national press and social media on 16 June, with a closing date of 21 July.

### **Auditor General for Scotland**

9. On 1 May, the Auditor General for Scotland was interviewed by *Public Finance* Magazine. The interview focuses on plans for the transfer of powers to Holyrood and the need for plans to be clear, detailed and fully costed. Caroline emphasises the importance of transparency, stating that the Scottish Parliament & public would expect to be kept informed on how the transition of powers is progressing, the costs and impact. (This article featured in print only – a copy has been placed on the members' extranet).

### **Audit Scotland**

10. On 16 May, Audit Scotland published a new [digital briefing](#) to support public bodies embarking on ICT projects. The document pulls together the issues identified in its previous work on ICT projects across the public sector, to promote core principles for public bodies to follow. The briefing also refers to examples from around the world to demonstrate that the issues that Scottish bodies have encountered are common across the globe. The report has been downloaded 617 times and podcast 114 times.
11. On 26 May, Audit Scotland published its [Corporate Plan](#). The plan sets out Audit Scotland's priorities for the coming year and plans to address major changes across the Scottish public sector.

### **Issues affecting local government**

#### **Scottish Government**

12. On 9 May, the Scottish Government published the [Scottish Survey of Literacy and Numeracy 2016](#). The survey found that the literacy skills of Scottish school pupils have dropped over the last four years and pupils from the least deprived areas continued to outperform than those from the most deprived areas across all stages. As part of its

rolling work programme, the Commission will host a 'round table' event in the Autumn to discuss policy and performance developments since its June 2014 report [School education](#) and as a forerunner to planned performance audit work in this regard in 2019/20.

13. On 16 May, Cabinet Secretary for Justice, Michael Matheson, confirmed [a public sector action plan](#) is in development following a meeting of the National Cyber Resilience Leaders' Board. The plan will include preventative guidelines for all public sector bodies by 2018, support for all public sector organisations to achieve accreditation to the 'Cyber Essentials' standard as well as production of a public awareness strategy for public sector organisations.
14. On 17 May, Scotland's Chief Statistician reported the latest [labour productivity statistics](#) for the period up to the fourth quarter of 2016. Labour productivity in Scotland in 2016 (as measured by output per hour worked) decreased by 1.5 per cent in real terms, compared to a growth of 3.4 per cent in 2015. In addition to this, output per hour worked is now 7.6 per cent higher in real terms than it was in 2007.

### ***Scottish Parliament***

#### *General:*

15. On 16 May, SPICe published a briefing on the [Housing Element of Universal Credit for 18-21 Year Olds](#). The briefing provides an overview of the UK Government's policy of removing entitlement to the housing costs element of Universal Credit (UC) for some 18-21 year olds. In Scotland, a few hundred people are estimated to be affected in 2017-18 and that this is expected to rise to around 1,000 people each year when UC is fully rolled out. The Scottish Government opposes the policy but has so far failed to agree any alternative arrangements with the UK Government.

#### *Parliamentary Committees:*

##### *Local Government and Communities Committee*

16. At its [meeting](#) on 10 May, the Committee took evidence on Strategic Housing Investment Plans from Kevin Stewart, Minister for Local Government and Housing and Scottish Government officials. The Committee agreed to write to local authorities. The Committee also took evidence on post-legislative scrutiny of the High Hedges (Scotland) Act 2013 from Aberdeen City, Fife and Perth and Kinross councils.
17. At its [meeting](#) on 17 May, the Committee took evidence on post-legislative scrutiny of the High Hedges (Scotland) Act 2013 and the Disabled Persons' Parking Places (Scotland) Act 2009. The Committee considered and noted the evidence.
18. At its [meeting](#) on 24 May, the Committee took evidence on post-legislative scrutiny of the High Hedges (Scotland) Act 2013 and the Disabled Persons' Parking Places (Scotland) Act 2009. The Committee also took evidence on subordinate legislation and subsequently agreed to make no recommendations in relation to the instruments. The Committee also agreed a draft annual report for the parliamentary year May 2016 – May 2017. Members agreed to a publication date of 31 May.
19. The Commission has an interest in the Committee's recently announced [inquiry on homelessness](#) and it is therefore proposed that the Commission provide a high level response to the inquiry. While the areas of interest being pursued by the Committee are of a level of detail that the Commission would only have limited input, we will draw the Committee's attention to our 2013 report [Housing in Scotland](#), in which we jointly with the Auditor General drew some general conclusions and recommendations in relation to homelessness (for example we noted that the reporting of spend on homeless services is complicated, with some spend recorded through the housing revenue account and

some through the general fund). We will also draw the Committee's attention to the commitment in our forward work programme to two future housing related audits over the next five years. The scope of these audits will be informed by a range of intelligence, including the findings of parliamentary inquiries.

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

20. At its [meeting](#) on 11 May, the Committee took evidence on the Auditor General's report, "The 2015/16 audit of the Scottish Police Authority" from HM Chief Inspector of Constabulary in Scotland, Scottish Police Authority and Audit Scotland (Caroline Gardner, Auditor General and Mark Roberts, Senior Manager, Audit Scotland). The Committee agreed to write to the Cabinet Secretary for Justice on the evidence taken.
21. At its [meeting](#) on 18 May, the Committee took evidence on the Auditor General's 2015/16 audit reports of Edinburgh, Lews Castle and Moray Colleges, from Caroline Gardner, Auditor General; Mark MacPherson, Senior Manager, Anne MacDonald, Senior Audit Manager, and Dharshi Santhakumaran, Audit Manager, Audit Scotland; Michael Lavender, Audit Manager, Scott-Moncrieff; and Hugh Harvie, Partner, KPMG. The Committee agreed to take separate oral evidence from the three colleges.
22. At its [meeting](#) on 25 May, the Committee took evidence from Fraser McKinlay, Controller of Audit, Gemma Diamond, Senior Manager, Morag Campsie, Audit Manager, and Lucy Jones, Auditor, Audit Scotland on the Audit Scotland paper *Principles for a digital future*. The Committee agreed to take further evidence from the Scottish Government. The Committee also agreed to hold a business planning meeting in summer recess and agreed an approach to inviting suggestions for post-legislative scrutiny from the public.

#### *Finance and Constitution Committee*

23. At its [meeting](#) on 10 May, the Committee took evidence on Scotland Act 2012 and 2016 Implementation Reports from Derek Mackay, Cabinet Secretary for Finance and the Constitution and Scottish Government officers.
24. At its [meeting](#) on 17 May, the Committee completed Stage 2 consideration of the Air Departure Tax (Scotland) Bill at stage 2.

#### *Others*

25. On 12 May, the Education and Skills Committee announced that it will undertake a short inquiry which will examine [the safety of school buildings](#), following the closure of schools across Edinburgh as a result of building defects. The Committee will take evidence from a variety of witnesses including from the construction industry, local authorities and the Scottish Government. The inquiry will start from June.
26. On 15 May, the Education and Skills Committee published a report, "[How is Additional Support for Learning working in practice?](#)". The report concludes that the additional support needs of a large number of children are not been fully met in many local authority areas due to a lack of staff and coordinated support. The Committee calls on the Scottish Government to undertake a quality assurance review of the implementation of the presumption to mainstream policy and also a financial review as a basis to begin discussions with local authorities on future funding. It recommends the Scottish Government to report to the Parliament on an annual basis.
27. The Education and Skills Committee has launched an enquiry on the recruitment and retention of teachers for Scotland's schools. On [10](#), [17](#) and [24](#) May, the Committee took evidence from teachers and various other professional organisations.

28. On 25 May, the Social Security Committee published its [response](#) to the Public Audit & Post-legislative Scrutiny Committee's request for views on the budget process review group with a focus on the scope for greater linkages to be made between the work of the committees and the Auditor General and calling for submissions based on scrutiny to date that would be "worthy of the Auditor General's consideration." Sandra White MSP, Convener of the Social Security Committee welcomed the initiative and identified the need for the Scottish Government and the UK Government to work very closely together to deliver devolved social security.

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

### ***Local government elections***

29. Following the 2017 local government elections, councils have been continuing to form administrations. Two councils are still in discussions. The **Appendix** contains details of what has been agreed to 29 May.

### ***COSLA***

30. On 2 May, COSLA [commented](#) on third sector funding stating:

*"Councils are currently constrained by the series of one-year financial settlements they receive from Scottish Government. We are fully aware of the benefits of longer-term budgeting and would like to pass these on to the third sector, but that has to start with Government giving councils longer term settlements."*

31. On 5 May, COSLA [commented](#) on school library provision, stating that despite the funding cuts to local government budgets (around eight per cent and similar to all non-statutory defined services) whilst ringfencing certain national priorities, "many schools are working together within their local authority groups to provide a quality service both within schools and by linking with their community libraries", highlighting that "the use that is made of them has gone up in Scotland by about 30 per cent over the five years we have benchmarked data for."
32. On 14 May, COSLA [commented](#) on pot-hole related breakdowns, asserting Scottish councils' commitment to maintaining local roads in good condition within the demands of council budgets.
33. COSLA will hold its convention on 30 June where a new President and Vice President will be elected. I will update members on the outcome of this in my next report.

### ***SOLACE***

34. On 17 May, Solace UK, the Centre for Public Scrutiny and the Alliance for Useful Evidence (supported by Nesta - National Endowment for Science, Technology and the Arts) published a practical guidance for local government scrutiny, [Using evidence in scrutiny](#). The report sets out the importance of evidence based decision making in local government policy, how to understand and use evidence effectively in scrutiny, and guides on where to find 'good' evidence.

### ***Improvement Service (IS)***

35. On 10 May, the Improvement Service published [an introduction to the planning system in Scotland](#). The guide aims to help new councillors understand what the planning system seeks to achieve and introduces the processes involved in decision making. The Improvement Service also provides a range of online support for councillors on its [website](#). This includes a series of induction 'Notebooks' that cover topics such as the first few weeks in office, policy and governance and the councillor's role in their ward

and the council. The Accounts Commission has had input into one of the Notebooks concerning the [governance of Scotland](#), composing the section on audit and inspection of local government.

### ***Individual councils***

36. On 30 May, female workers at Glasgow City Council won a court case relating to [equal pay victory](#) which ruled the Council had “discriminated against women through the introduction of payment protections which upheld male colleagues' earnings.”

### ***By-elections***

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

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

### ***General***

38. On 25 May, the Centre for Public Scrutiny published an [infographic](#) summarising findings from its scrutiny perceptions survey 2017. Results found that 74 per cent of respondents thought that party politics had an impact on scrutiny and confidence in scrutiny's ability to make an impact decreased by over six per cent since 2016. Further analysis and statistics are due to be published on CfPS website in the coming week.

### ***HM Inspectorate of Constabulary in Scotland (HMICS)***

39. On 11 May, HMICS published its [Annual Scrutiny Plan for 2017-18](#). The plan emphasises local policing through its *Local Policing+* programme which provides a consistent means of assessing the quality of local policing as well as local scrutiny and engagement across Scotland.

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

40. On 5 May, the Scottish Housing Regulator published a report, [Outcome from our 2017 risk assessment](#). The document includes information on its engagement with local authorities. In 2017/18, it will scrutinise four councils (Glasgow City and Dumfries and Galloway councils in relation to their actions to improve their homelessness services and Highland and Shetland Islands councils regarding the quality of their housing services for tenants) as well as continuously monitoring 16 councils.

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

41. The SPSO's [newsletter – May](#) 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. More detailed intelligence from the SPSO is considered on a six-monthly basis by the FAAC.

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

42. Since the previous meeting of the Commission, three decisions on complaints relating to councillors have been published by the Commissioner. The Commissioner decided that the following individual had breached the Councillors' Code of Conduct. The case has been referred to the Standards Commission and will take place on 11 July 2017.

- [Councillor Jim Orr, City of Edinburgh Council](#)

43. The Commissioner also decided that the following individuals did not contravene the Code of Conduct:



- [Councillor Steve Cardownie, City of Edinburgh Council](#)
- [Councillor Michael McPake, North Lanarkshire Council](#)

44. Since the previous meeting of the Commission, two decisions on complaints relating to councillors has been published by the Commissioner. The Commissioner decided that [Councillor Jim Orr, City of Edinburgh Council](#) had breached the Councillors' Code of Conduct. The case has been referred to the Standards Commission and will take place on 11 July 2017.

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

45. There have been no Standards Commission hearings since my last report.

#### **UK Parliament**

##### ***General***

46. The next UK general election will be held on Thursday 8 June 2017. The UK Parliament was dissolved on 3 May 2017.

#### **Other UK Audit Bodies**

##### ***National Audit Office***

47. On 23 May, the National Audit Office re-published [Protecting information across government](#) following the recent NHS malware cyber attack. The report investigates the "increasingly complex challenge of protecting information while re-designing public services and introducing the technology necessary to support them." It concludes that government requires departments to risk manage their information but recognises that "few departments have the skills or expertise to achieve this by themselves," and subsequently, the success of governments ability to deal with these challenges will therefore continue to depend on the support from other bodies at the centre of government.

##### ***Wales Audit Office***

48. On 18 May, the Welsh Audit Office published [2015-16 Central Government Accounts](#). The report summarises the audit work for 2015-16 completed in Welsh central government bodies and concludes that "continuing improvements are evident in the quality and timeliness of annual accounts, but there is scope for some bodies to improve their quality assurance procedures and annual reporting."

#### **Other general**

49. On 5 May, the UK [government published a draft plan](#) to improve air quality by reducing nitrogen dioxide levels in the UK. Local authorities will be expected to develop "creative solutions" to reduce vehicle emissions in their area. A consultation on how to tackle nitrogen dioxide by reducing the impact of diesel vehicles and accelerating the move to cleaner transport will run until 15 June. The consultation document states that "local authorities know their areas best and are best placed to take the lead in rectifying the problem [of high concentrations of air pollutants]". The government had previously tried to delay the publication until after the general election but a court ruling forced it to release it before June 8.

50. On 23 May, the Society for IT practioners in the public sector (SOCITM) [reported](#) that only 69 per cent of UK councils passed stage two of its website accessibility test. The association said the results highlighted the "ongoing challenge" facing councils to make their websites more accessible for people with disabilities.

## **Conclusion**

51. The Commission is invited to:

- consider and note this report; and
- specifically agree the terms of a response to the Local Government and Communities Committee on its [inquiry on homelessness](#) (paragraph 19).

**Paul Reilly**  
**Secretary to the Commission**  
**31 May 2017**

## Appendix: Council administrations (at 31 May 2017)

Council	Control	SNP	Con	Lab	LD	Grn	Ind	Oth	Total
Aberdeen	Conservative, Labour & Independent coalition.	19	11	9	3		3		45
Aberdeenshire	Conservative, Liberal Democrat & Independent Coalition.	21	23	1	14	1	10		70
Angus	Conservative, Liberal Democrat & Independent coalition.	9	8		2		9		28
Argyll and Bute	Independent, Liberal Democrat & Conservative coalition.	11	9		6		10		36
City of Edinburgh	No agreement reached. It is unlikely a deal will be reached before the general election.	19	18	12	6	8			63
Clackmannanshire	First meeting of the new council could not agree administration: it will meet again on 1 June.	8	5	5					18
Eilean Siar	Independent administration	7	1				23		31
Dumfries & Galloway	Labour & SNP coalition	11	16	11	1		4		43
Dundee City	SNP & Independent administration to be formed.	14	3	9	2		1		29
East Ayrshire	SNP minority administration.	14	6	9			2	1	32
East Dunbartonshire	SNP minority administration.	7	6	2	6		1		22
East Lothian	Labour minority administration.	6	7	9					22
East Renfrewshire	SNP & Labour to form coalition.	5	7	4			2		18
Falkirk	SNP minority administration.	12	7	9			2		30
Fife	Joint leadership: power shared equally between SNP & Labour.	29	15	24	7				75
Glasgow City	SNP minority administration.	39	8	31		7			85
Highland	Independent, Liberal Democrat and Labour coalition.	22	10	3	10	1	28		74
Inverclyde	Labour minority administration.	7	2	8	1		4		22
Midlothian	Labour minority administration.	6	5	7					18
Moray	Conservative & Independent coalition.	9	8	1			8		26
North Ayrshire	Labour administration.	11	7	11			4		33
North Lanarkshire	Labour minority administration.	33	10	32			2		77
Orkney Islands	Independent administration.					1	18	2	21
Perth and Kinross	Conservative, Liberal Democrat & Independent coalition.	15	17	1	4		3		40
Renfrewshire	SNP minority administration.	19	8	13	1		2		43
Scottish Borders	Conservative & Independent coalition.	9	15		2		8		34
Shetland Islands	Independent administration.	1					21		22
South Ayrshire	SNP, Labour & Independent coalition.	9	12	5			2		28
South Lanarkshire	SNP minority administration.	27	14	21	1		1		64
Stirling	SNP & Labour coalition.	9	9	4		1			23
West Dunbartonshire	SNP & Independent coalition.	10	2	8			1	1	22
West Lothian	Labour minority administration.	13	7	12			1		33
		<b>431</b>	<b>276</b>	<b>261</b>	<b>66</b>	<b>19</b>	<b>170</b>	<b>4</b>	<b>1227</b>

Source: BBC News & COSLA



MEETING: 8 JUNE 2017

REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

LOCAL GOVERNMENT OVERVIEW: IMPACT AND APPROACH FOR 2018

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## Purpose

1. This report provides the Commission with a summary of the initial impact of the revised approach to overview reporting in 2016/17, which involved two reports - Local government in Scotland: Financial overview 2015/16, and Local government in Scotland: Performance and challenges 2017. This report also invites the Commission to consider the approach to take in overview reporting for 2018, including the Commission's oversight of the process.

## Background

2. The approach last year was revised in response to Commission members' desire for both a shorter report that will be more readily used by councillors, as well as more in-depth analysis of financial and performance data across the sector. Because of the improvements we had made to our internal systems we felt confident that we could publish an early analysis of financial data from annual accounts. Creating two separate reports was a progressive step that has allowed us to meet the Commission's wishes. The primary focus of the Local government in Scotland: Financial overview 2015/16 was also to highlight trends in service expenditure and the financial sustainability and to support financial benchmarking across councils at a much earlier point in the financial year. The complementary checklist for councillors has also provided issues to think about in the budget setting process. The Local government in Scotland: Performance and challenges 2017 has also allowed more opportunity for examining performance related issues.

## Impact

### *Media and political reaction*

3. Local government in Scotland: Financial overview 2015/16, was published on 29 November 2016. The media response focused on the scale of the financial challenge facing councils.
4. In response to the report, COSLA's finance spokesperson, Councillor Kevin Keenan, said that he "*was very pleased with the recognition from the Accounts Commission that Scotland's councils had managed their finances well and added that as auditors for the public sector in Scotland they were right to flag up the significant financial challenges that lie ahead.*" He went on to say that "*Today's report is pleasing in terms of the recognition for the excellent job councils have done in managing their finances and coping with the demand on services at the same time as well as a reduced resource from the centre.*"
5. A Scottish Government spokesman said that "*This report highlights the pressures that councils face, but also highlights that they are continuing to improve services. We expect local authorities to continue to use resources as efficiently and effectively as possible to ensure taxpayers get the best possible value for money. The report makes a number of recommendations aimed at helping councils to meet future challenges. We welcome the report, and would expect all councillors to consider and take any necessary action to implement its recommendations.*"

6. Local government in Scotland: Performance and challenges 2017 was published on 7 March 2017. Overall, our key messages were reflected accurately. Interestingly, a lot of the media coverage focused on the street cleaning exhibit on page 29 of the report, derived from data in the local government benchmarking framework (LGBF).
7. COSLA's President, Councillor David O'Neill, responded to the report by saying that: *"Despite challenging financial circumstances councils continue to prioritise spend in front line services and the vast majority of productivity, output and outcome measures within councils have improved. In conclusion - I think it is a fair criticism in relation to better involvement of communities and hopefully this is something that we can build on positively post the May local government elections. However, it is missing a crucial point to suggest that the responsibility for this lies solely with local government. To realise true efficiencies and have much greater public involvement we need to look more broadly with joined up longer term planning across the whole of the public sector - because it is that which will make the real difference to both individuals and communities."*
8. The Scottish Government's spokesperson said that *"We welcome this report and expect all councillors to take any necessary action to consider and implement its recommendations. Local authorities are expected to use resources as efficiently and effectively as possible to ensure taxpayers get the best possible services and value for money. The Scottish Government has treated local government very fairly, maintaining funding in cash terms despite the cuts to the Scottish Budget from the UK Government. The Accounts Commission report does not take into account the other support for local services being made available in 2017/18. Taking this into account, local authority revenue funding between 2010/11 and 2017/18 is broadly the same as the reduction in the Scottish Government's overall budget imposed by the UK Government over the same period."*
9. The new approach to overview reporting has received a significant increase in media interest compared with previous years:
  - The Local government in Scotland: Financial overview 2015/16 has been downloaded 3,161 times since its publication on 29 November 2016. As a new publication we have no comparative data for previous years. However, download data for December 2016 shows that during the first full month after its publication, it was the ninth most downloaded report from Audit Scotland's website, with 676 downloads. The most was our 2013 publication on Health Inequalities (1,300 downloads). Of our reports published in 2016, those receiving more downloads during December 2016 include CAP Futures (1,015), NHS Overview (936), Scottish Police Authority (961) and changing Models of health and Social Care (756).
  - Last year's Local Government Overview 2016 has been downloaded 5,680 times. The Local government in Scotland: Performance and challenges 2017 has been downloaded a total of 2,296 times to date. Looking at their initial impact, and comparing a like for like comparison in the first month after publication, the Local Government Overview 2016 was downloaded 615 times, whereas in comparison, Local government in Scotland: Performance and challenges 2017 was downloaded 1,774 times over the same period.
10. The download figures for the Local government in Scotland: Financial overview 2015/16 highlight that it has been a positive addition to the Commission's outputs. The higher download figures for the Local government in Scotland: Performance and Challenges 2017 compared with the 2016 report may reflect our stronger social media presence and the general interest around local government at the time, prior to the local elections.

11. Both reports were also well viewed on Twitter, with:

- Our first tweet on the first financial overview tweet receiving 5,061 views and 71 engagements (that's anything from retweets, to likes, to link clicks); and
- Our first tweet on the 2017 local government overview getting 3,342 views and 89 engagements.

12. Tweets on the Local government in Scotland: Performance and Challenges 2017 were shared on Twitter by a range of people, including COSLA, various councillors and Alison Harris MSP, who called it "very interesting". More widely, we have seen the overview reports being promoted through social media. For example, most recently the checklist for councillors has been promoted in Edinburgh.



### Councils

13. We have received good feedback from councils on the new approach to overview reporting. It is clear that producing a separate, early financial overview has been very welcome. We have received a great deal of feedback through LAN meetings and other regular dialogue with councils. More formally, we received positive feedback through the Commission's consultation on its workplan. Comments received include:

- "The inclusion of the Local Government Financial Overview and Local Government Overview reports is welcome as they provide a robust benchmark for individual councils. We are particularly supportive of the Potential Alternative Outputs as this allows Councillors to better understand the outcome of complex audits."
- "We feel that due to the significant challenges being faced by Local Government and the range of innovative practice being delivered, there needed to be a fresh approach adopted for overview reports on Local Government and the new approach is to be welcomed."
- "This has been the first year where your Overview Reports have been split between a Financial and General Overview. This split has been welcomed, as has the longer term focus of the reports themselves."
- "...the continuing developments in the structure of the Accounts Commission Work Programme are welcome and...the issuing of 2 Overview reports with the financial report being issued earlier to enable Members to take into account the matters raised when considering their revenue budgets."
- "...national overview reports are very helpful"

14. In previous years, the main criticisms from councils about the overview report related to content and timing. We previously reported that some councils wanted to see something more progressive, with more contemporary suggestions or ways forward rather than presenting what felt like a summary of known issues. Whilst they acknowledged the necessary lag in getting the report published, some had indicated a risk that councils look on the overview as being too out-of-date and not reflecting the actions they are currently taking. It appears that the new approach has addressed these concerns as we have had no such criticism from councils this year.
15. We have collated information from auditors about if and how councils consider overview reports. Information based on 18 councils shows that the Local government in Scotland: Financial overview 2015/16 has been presented to audit committees (or equivalent) in 10 councils. In Dumfries and Galloway, both overview reports have recently been reviewed by a working group of senior officers as part of developing a revised approach to medium term financial and service planning. The information reflected in these reports is being used to inform future reports for members, however neither report was directly considered by elected members. Local government in Scotland: Performance and Challenges 2017 has not been considered by any committees yet, but this seems to be primarily due to the timing of meetings and business to be discussed prior to the elections. Of the information we have received, it seems to be already scheduled as a business item for June committees in 8 of the 18 councils. It is difficult to draw conclusions about whether councils considering overview reports in audit committees helps inform on-going debate and questioning across all items on all committees as opposed to being examined as standalone pieces of work.

#### *Scottish Parliament*

16. Both reports have received welcome interest from the committees of the Scottish Parliament. The Commission and the Controller of Audit provided three briefings to parliamentary committees on the overview reports:

##### **Local Government Financial Overview 2015/16**

- Local Government and Communities Committee - 14 December 2016.
- Public Audit and Post Legislative Scrutiny (PAPLS) Committee – 12 January 2017

##### **Local Government Overview – Performance and Challenges 2017**

- Local Government and Communities Committee – 31 May 2017

17. At the Local Government and Communities Committee in December 2016, members of the Committee pursued a number of questions on council fees and charges. At the PAPLS committee, members of the committee focused in on the variation in the way financial information for local government is presented. The Deputy Chair and Controller of Audit gave a commitment to each of the committees that we would consider both of these issues in our future work. We propose to do this primarily through the upcoming local government financial overview in November 2017, as outlined below.
18. We have already made progress in establishing greater consistency in financial reporting across local government. We have held discussions with relevant stakeholders, including CIPFA Directors of Finance and the Scottish Parliament's Information Centre (SPICe), to identify areas where we can interpret financial information more consistently. In particular, we have been working closely with SPICe to harmonise how we analyse the local government funding settlement.

19. It is worth noting the extensive range of issues that members at the parliamentary committees asked for information on. These included: income and charges, the comparative position in England and Wales, earmarked funds, attainment funding, debt write offs, relative risk profiles on borrowing routes, impact of PFI “debts”, reserves, severance packages and bonus schemes for senior management, the distribution formula, the impact of NDR policies, medium to long term planning, equal pay, IJBs, which services are bearing the brunt of cuts, prevention spending, efficiency and reducing waste, shared services, distinctions between “statutory” and “non-statutory” services. The extensive nature of this list illustrates the significant interest that the Scottish Parliament has in local government, and the number of areas in which there is an appetite for Commission comment. The Commission formally wrote to both committees after the meeting with relevant supplementary information where agreed.

#### *Other stakeholders*

20. We have received a great deal of wider interest and positive feedback from stakeholders on our reports. For example, CIPFA Directors of Finance and SPICe have welcomed our more in-depth financial analysis across the sector through the separate financial overview. We’ve also had a number of queries from the New Policy Institute (a UK research institute for social and economic issues), which is using our figures in the financial overview for doing its own analysis. Unison highlighted that it found *“the annual overview report very helpful and commend the Commission and Audit Scotland for their effective use of infographics to explain complex issues.”*

21. More widely, it is difficult to get a sense of how the report is viewed by other stakeholders and the public. Improving our intelligence on this section of our audience is something we are taking forward through Audit Scotland’s quality review.

#### **Future approach**

22. Local government overview reporting is an established and important part of the Commission’s work programme. In its letters to councillors and chief executives, the Commission has referred to overview reports as ‘flagship’ reports and their significance was specifically recognised at this year’s strategy seminar. The aim is for these products to set out its view on key issues affecting Scottish local government as well as providing a high-level, independent and objective view on the governance, strategic management and financial performance of councils. The strength of this work is that it brings together all the audit work carried out over the year on behalf of the Commission.

23. There is considerable evidence that the revised approach for 2016/2017 was a success and represents a significant step in achieving the Commission’s aims. If the Commission agrees there is merit in retaining the format of a financial overview in November 2017 and a broader, more forward looking overview in March 2018, there are some developments we can include for these reports, and others that we can build into audit work over the next year to feature in outputs in 2018/19.

24. We have now agreed a methodology with SPICe to adjust for the reclassification of police and fire which is consistent with the last few overviews. This means we will now largely be using and presenting the same figures to overcome some of the difficulties we have had in recent years. Spice’s next annual local government finance and statistics briefing, currently due to publish in early June, will present our agreed figures at a Scotland level and will include the following text which name checks the Commission and the overviews: “To make these calculations, SPICe worked with Auditors at Audit Scotland, who have developed their approach to adjusting for police and fire funding in recent iterations of the Account Commission’s Local Government Overview reports.” We will continue to work with stakeholders in getting greater consistency around the presentation of other financial information.

25. In terms of this year, we are looking at the emphasis of the messages in both reports to ensure they stay relevant and continue to add value. Although the scoping work for the reports has yet to be completed (scope for the financial overview will be considered by FAA committee in August and the local government overview by PA committee in September), we envisage some focus on the following issues in the reports this year:
- Continued story on development of LGBF and what it tells us about local government services, and the impact on them of funding pressures
  - How councils are responding to reducing finances is a complex picture that we are seeking to shine a light on. This includes examining:
    - the scope of financial strategies
    - funding gaps, building on coverage in the 2015/16 financial overview
    - fees and charges and maximising income, to meet our commitment to the Local Government and Communities Committee to comment in this area
  - Spending on PPP and NPD projects, building on the coverage of the issues in the 2015/16 financial overview as highlighted in the impact report on our Borrowing and Treasury Management report. This will support the planned outputs in 2018/19 on capital investment financing commitments and value for money of NPD projects, as outlined in Audit Scotland's work programme.
  - How what we know about what has been happening in England in Wales, can inform our views on the Scottish experience
  - Commentary on what is coming out of audit work under the new approach to auditing Best Value
  - Commentary about IJBs, but remembering we are currently thinking about the performance audit we have programmed for this area

*Commission engagement with stakeholders and oversight of the process*

26. Over the past couple of years, we have placed increasing emphasis on engaging early and regularly with key stakeholders, including local auditors, COSLA, the Scottish Local Government Partnership (SLGP), SOLACE, CIPFA Directors of Finance, the Improvement Service and the Scottish Government. This has been productive in helping shape our approach and managing some of the differing views about the way our messages are presented.
27. At the strategy seminar earlier this year, Commission members welcomed the success of the council engagement events as part of developing the new approach to auditing Best Value, and recognised the benefits of more routine direct engagement with council leaders, councillors and senior management. Annual overview reporting is ideally placed to act as a centrepiece for such regular and cyclical engagement.
28. Last year the chair and deputy chair acted as our Commission sponsors. This worked well and we propose the same arrangement for 2017/18.
29. For 2017/18, we are proposing that we establish a standing advisory group for both reports, in a manner similar to performance audits. Membership could comprise the stakeholders listed above and there is potential to also invite the Fraser of Allander institute and the SPICe financial scrutiny unit to take part... There are significant benefits

to ongoing engagement on how overview reporting might develop and how our emerging messages are landing with key stakeholders.

30. We also see an advisory group comprising a wide range of stakeholders as a vehicle for continuing discussions about getting greater consistency in financial reporting across local government.

31. We propose that the Commission's oversight of the overview reports follows the approach taken in previous years, as follows:

- **Local government financial overview 2016/17:** scope and format to be considered by FAA committee in August 2017 and the draft output to be considered by the Commission in October 2017 prior to publication; and
- **Local government overview 2018:** scope and format to be considered by PA committee in September 2017, the emerging messages by PA committee in November 2017 and the draft report to be considered by the Commission in February 2018.

32. Because, however, of the Commission's interest in overview reporting and the clear links between the two separate outputs, the Accounts Commission may wish to consider whether the draft scope for both reports and the emerging messages for the local government overview 2018 are considered by both FAA and PA committees on the proposed dates.

22. Alongside this reporting, the Audit Scotland team will work closely with the Secretary, Chair and Deputy Chair of the Commission throughout the process.

## **Conclusion**

23. The Commission is asked to:

- a) note the initial impact of the 2017 overview report
- b) agree the proposed approach to the 2018 overview reports and arrangements for the Accounts Commission's oversight of the reports.

**Fraser McKinlay**  
**Director of Performance Audit and Best Value**  
**30 May 2017**

**MEETING: 8 JUNE 2017**

**REPORT BY: MARK TAYLOR, ASSISTANT 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 further financial devolution and constitutional change.

### **Background**

2. We provided an update to the Accounts Commission in November 2017 on the new financial powers and the implications of the EU referendum result. Significant developments since then include:
  - the Scottish Government published its 2017/18 Draft Budget in December 2016 incorporating increased income tax powers. This was passed in February 2017, following agreement with the Green Party to provide additional funding to local government and freeze the threshold for higher rate taxpayers
  - the UK Government invoked Article 50 of the Lisbon treaty on 29 March 2017, commencing the process for withdrawal from the EU
  - the Scottish Parliament's increased powers over income tax, borrowing and reserves in the Scotland Act 2016 became operational from 1 April 2017
  - the Social Security Minister made a statement to Parliament on the Scottish Government's plans for a new social security agency, highlighting that 10 of the 11 benefits would be administered directly by the agency. She also announced that Discretionary Housing Payments and the Scottish Welfare Fund will continue to be delivered by local authorities
  - the Budget Process Review Group published its interim report for consultation and we provided a response on behalf of the Accounts Commission, AGS and Audit Scotland. The Group is now formulating its conclusions and recommendations
  - Audit Scotland published the latest in our series of performance audits on managing the new financial powers on behalf of the AGS.

### **EU withdrawal**

3. The UK Government invoked article 50 of the Lisbon Treaty on 29 March 2017, commencing the process of the UK's withdrawal from the EU. The timetable for this process set out in the Treaty is two years, although this may be extended by agreement. The UK Government subsequently published Legislating for the United Kingdom's withdrawal from the European Union. This set out its plans for a Great Repeal Bill that would convert EU law as it stands to domestic law, create powers to make secondary legislation to 'correct' laws that would not otherwise operate appropriately, and repeal the European Communities Act 1972.



4. The UK remains a full member of the EU and all the rights and obligations of EU membership remain in force until exit. The UK Government will continue to negotiate, implement and apply EU law during this period.
5. In February 2017 the UK Government published a white paper setting out its plans for EU withdrawal. This highlighted a number of funding commitments for EU funded European Structural and Investment Funds and competitive bid projects (including Higher Education) that will continue after EU withdrawal. It also made a guarantee to the agricultural sector that it will receive the same level of funding that it would have received under Pillar 1 of the Common Agricultural Policy (CAP) until the end of the Multiannual Financial Framework in 2020. It also highlighted that no decisions currently taken by the devolved administrations will be removed from them, that more decisions would be devolved as a result of EU exit, and no new barriers to living and doing business within the UK would be created.
6. The UK general election will take place on 8 June. The outcome of this will determine the UK Government's future approach.

### **Social security powers**

7. The Scottish Government's social security programme is in the early stages, and is expected to continue at least over the remainder of this Parliament through to 2021. The next stage, in establishing an agency and implementing the new social security system, is an exceptionally wide-ranging and complex task.
8. On 27 April the Social Security Minister announced the model for the delivery of social security in Scotland and published the Scottish Government's outline business case. Key aspects of this included:
  - that 10 of the 11 devolved benefits will be delivered directly by the new Scottish social security agency through a centralised function
  - councils will continue to be responsible for Discretionary Housing Payments and the Scottish Welfare Fund (previously devolved)
  - the assessment model for disability and ill-health benefits will not involve contracting with the private sector.
9. The new agency, once fully operational, will have a staff complement of at least 1,500 FTE and estimated annual running costs of around £150 million. Most staff would be located centrally, but where possible some agency staff will be co-located in places people already visit to provide locally accessible face-to-face pre-claims advice and support. Ultimately the agency will be responsible for the administration of payments with a current value of around £2.8 billion annually.
10. Following the statement to Parliament, the Minister answered a question from Annie Wells MSP as to why local government was not being given more of a role. The Minister responded that exclusive local government delivery was judged to dilute accountability, lack consistency and lack flexibility in the ability to incorporate change into existing structures.
11. More detail is provided in the Scottish Government's outline business case. This included questions on the role of local government explicitly, with one of the primary options considered (option 3) outlining a significant role for local government in providing face-to-face contact and additional benefits based on local need. All options were costed

and benefits assessed. The full list of qualitative criteria used to assess options is provided in the Appendix.

12. The Scottish Government is continuing to develop its approach following the decision on the agency operating model. It plans to deliver the devolved benefits incrementally through to the end of 2020/21, with priority being placed on a safe secure transfer. On 30 May the Cabinet Secretary announced when the first three devolved benefits would start to be delivered. Increased Carer's Allowance will be delivered from summer 2018 and the Best Start Grant (replacing the Sure Start Maternity Grant) and Funeral Expense Assistance will be delivered from summer 2019. The Scottish Government will introduce its Social Security Bill to the Parliament by the end of June 2017. This is unlikely to complete its progress through Parliament before the spring of 2018. The Minister also indicated that she would announce the location of the agency and the next steps on the assessment model for determining eligibility for benefits in the autumn.
13. We anticipate the AGS will appoint the auditor for both the agency and the social security payments that it administers. We are beginning to assess the resources likely to be required for this work.

### **Scottish Parliament's budget**

14. The Scottish Government published its draft budget for 2017/18 on 15 December 2016, three weeks after the UK Government's autumn statement. The draft budget document included a chapter on its new tax powers and corresponding block grant adjustments.
15. The Scottish Government froze the threshold for higher rate taxpayers at £43,000. In the rest of the UK, the threshold increased to £45,000. This means that higher rate taxpayers in Scotland will pay more income tax than those in the rest of the UK. The Scottish Government estimates that freezing the threshold will raise an additional £108 million in revenues in 2017/18.
16. The Budget Process Review Group was established by the Finance and Constitution Committee and the Cabinet Secretary for Finance and the Constitution in June 2016. It is tasked with reviewing the Scottish Parliament's budget process following the devolution of financial powers in the 2012 and 2016 Scotland Acts. The group's membership includes officials from the Scottish Parliament and Scottish Government, and external experts including the AGS. The group has met monthly since September. It published its interim report in March 2017 for consultation. The Group is currently reviewing responses and plans to publish its final report, with recommendations for reform, by the end of June 2017.
17. The interim report consultation included a specific question on how audit work might be used more effectively in supporting a more outcomes based approach to financial scrutiny. Common themes in response to this question highlighted that the Accounts Commission, AGS and Audit Scotland:
  - are well placed to review how outcomes are being delivered and whether spending on this is achieving value for money. This relies on the Scottish Government clearly setting out the outcomes that budget allocations are expected to deliver
  - are in a unique position to look across the performance of the public sector. As such, they have an important role in sharing good practice
  - could be more challenging when assessing progress towards delivering outcomes, by analysing performance data and exploring the reasons behind poor performance

- produce reports that could be used across Parliamentary committees more widely. This may help to support a more strategic approach to scrutiny within and across key policy areas.
18. The work of the Accounts Commission was referred to in response to other consultation questions. In particular, its view on the importance of multi-year budgeting in supporting better medium and long-term financial planning in local authorities was highlighted.
  19. Following consideration by the Financial Audit and Assurance and Performance Audit Committees, we provided a tri-partite response to this consultation on behalf of the Accounts Commission, AGS and Audit Scotland. This included views on the key components of effective financial planning, management and scrutiny. The response highlighted the need for the revised budget process to recognise the important distinctions between councils and other public bodies, in terms of their accountability and fiscal powers.
  20. We continue to support the work of the Group and are reflecting on the feedback provided on our work and how it is used by the Parliament.

### **Parliamentary activity**

21. The Scottish Parliament has considered the following bills (alongside the budget bill), relevant to powers being devolved through the Scotland Act 2016:
  - The Air Departure Tax Bill was introduced to Parliament in December 2016 and is being scrutinised by the Finance and Constitution Committee. The Bill will introduce an Air Departure Tax (ADT) to replace the current UK Air Passenger Duty, which will be collected by Revenue Scotland from April 2018. The Bill does not include proposals on tax rates, but the Scottish Government has stated its intention to half the level of ADT by the end of the current parliamentary session.
  - The Railway Policing Bill was introduced in December 2016 and is being scrutinised by the Justice Committee. The Bill will transfer railway policing powers to Police Scotland and the Scottish Police Authority.
  - The Forestry and Land Management Bill was introduced in May 2017. The Bill aims to transfer powers over forestry and other land from Forestry Commissioners to Scottish Ministers. Scotland Act orders will be used to wind up the Commissioners as a cross-border public authority.

### **New public bodies**

22. Two new public bodies began operating from 1 April 2017 in response to powers devolved through the 2012 and 2016 Scotland Acts – Crown Estate Scotland and the Scottish Fiscal Commission (SFC).
23. Crown Estate Scotland is a public corporation, which manages land and property in Scotland that is owned by the Crown. The revenue generated from these assets will be paid into the Scottish Consolidated Fund. The public corporation was established on an interim basis until new legislation sets out permanent arrangements. These arrangements, which are expected to be in place by the end of 2019, may involve transferring the Crown Estate to local authorities. In the meantime, Crown Estate Scotland is led by a board and run by a team of around 35 people, and has annual revenue and capital receipts of around £25 million. Amanda Bryan is the Chair of the Board and Ronnie Quinn is the Chief Executive.

24. The Scottish Government has set out three options for the long-term management of the Crown Estate in Scotland:<sup>1</sup>
- Option 1: retain management of all assets at the national level
  - Option 2: devolve management of all assets to local authorities or communities
  - Option 3: consider on a case-by-case basis the appropriate governance arrangements for each asset.
25. The Scottish Government noted that there are concerns over the skills and expertise available to deliver option 2, as well as potential risks of fragmentation of assets and financial burden on councils or communities. At present, Ministers have indicated they see option 3 as having the most merit as it avoids a one-size-fits-all approach and offers scope for further devolution.
26. The SFC was set up on a non-statutory basis in 2014 to independently assess the Scottish Government's forecasts of devolved tax revenues. The Scottish Fiscal Commission Act established it as a non-Ministerial Department and expanded its responsibilities to include:
- preparing five-year forecasts of devolved tax revenues, non-domestic rates and Scottish income tax
  - preparing five-year forecasts of demand-led social security spending, once devolved
  - preparing forecasts of Scotland's onshore gross domestic product
  - assessing the reasonableness of Scottish ministers' borrowing projections.
27. The SFC is chaired by Lady Susan Rice and two new Commissioners were appointed from April 2017 John Ireland was appointed as Chief Executive in May 2017. He oversees a staff of 20 people and a budget of £1.7 million.
28. The AGS will appoint the auditor for both the Crown Estate Scotland and SFC. We are currently assessing the resources required for the annual financial audits, the first of which will be completed in 2018.

### **Audit reporting**

29. We published our performance audit *Managing New Financial Powers* on behalf of the AGS in March 2017. This looked at how well the Scottish Government, Revenue Scotland and the SFC are implementing or preparing to introduce devolved financial powers. It builds on our two previous reports in this area that were published in 2014 and 2015.
30. We found that the Scottish Government is well-organised to deliver its new tax and spending powers but more work is needed to build a clearer picture of what the changes will cost. We highlighted that implementing and managing the new financial powers will have major staffing implications, and recruiting enough people with the required skills may prove difficult. We also reported that a more strategic approach to public financial management and reporting is needed, including a medium-term financial strategy based

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<sup>1</sup> A consultation on the long-term management of the Crown Estate in Scotland, Scottish Government, January 2017.

on clear policies and principles. We made eight recommendations to the Scottish Government. We will continue to report on this area and the work programme includes performance audits on the devolution of fiscal powers through to 2021/22.

31. We launched an e-hub for financial devolution on our external website in March 2017. This brings all of our work in this area together in one place. It includes links to our reports, exhibits, blogs, briefings and other useful tools.

### **Audit arrangements**

32. In March 2016 the Scottish and UK Governments published a technical annex to the new fiscal framework. It describes how the key elements of the framework will be implemented and will operate, including the following provision in relation to audit arrangements:

*“In line with the Smith recommendations for strengthening intergovernmental relations, both Governments have agreed to put in place a set of robust auditing arrangements with respect to the operation of this fiscal framework and the Scotland Act 2016. These arrangements should be efficient and effective. They should ensure that duplication is avoided as far as possible and that auditors are not overburdened by new responsibilities once the Smith provisions are fully implemented...The Joint Exchequer Committee should agree detailed arrangements based on these provisions.”*

33. The Scottish Government and HM Treasury are developing a document that sets out principles and models of accountability in devolved services, and corresponding responsibilities for audit. The Scottish Government is formally consulting with Audit Scotland on the draft document, and HM Treasury is consulting with the NAO. The intention is for this document to be approved by officials in June before being put to Ministers for agreement by the Joint Exchequer Committee. We are currently considering our response.

### **Conclusion**

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

**Mark Taylor**  
**Assistant Director, Audit Services and PABV**  
**24 May 2017**

**APPENDIX: CRITERIA CONSIDERED IN OUTLINE BUSINESS CASE FOR SOCIAL SECURITY AGENCY**

<b>Dignity and Respect</b>	<b>Implementability and Risk</b>
1 Flexibility, choice and communication	16 Scale of change
2 Simplicity & support alignment	17 Timescales
3 Assessments	18 Risk
4 Governance and accountability	19 Public perception of system
5 Organisational culture	<b>Economy, Society and Environment</b>
6 Public perception of claimants	20 Assessment employees
<b>Equality and Poverty</b>	21 Non-assessment employees
7 Interaction with various groups	22 Regeneration
8 Take up	23 Impact on private sector
9 Income and poverty	24 Impact on third sector
10 Consistency and fairness	25 Impact on public sector
<b>Efficiency and Alignment</b>	26 Resource consumption
11 System efficiency and flexibility	27 Travel and transportation
12 Alignment with reserved benefit system	
13 Alignment with other public services	
14 Control	
15 Transparency	

*Source: Outline Business Case for the Agency for Social Security in Scotland, Scottish Government, 27 April 2017.*

MEETING: 8 JUNE 2017

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

## NON-DOMESTIC RATES

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### Purpose

1. The purpose of this briefing paper is to provide the Commission with a brief overview of Non-Domestic Rates (NDR) in Scotland, including the 2017 rates revaluation and schemes of rates relief. Information is drawn from a number of sources including Scottish Government local government finance publications and Scottish Parliament Information Centre briefings.

### Background

2. NDR is a tax charged on properties that are used for non-domestic purposes, for example, private business, public and third sector properties. The charge is based on a property's rateable value which is a legally defined valuation provided by independent assessors. Poundage is then applied to the rateable value which represents the tax rate for each pound of rateable value.
3. NDR is collected by individual councils and pooled by the Scottish Government and redistributed back to councils in line with the overall local government settlement. Councils are responsible for determining rates relief eligibility, issuing non-domestic rate bills and collecting payments. The Scottish Government is responsible for setting the annual tax rate and outlining arrangements of national relief schemes.
4. Rateable values are re-valued approximately every five years with the last revaluation occurring in 2010. In 2012, the Scottish Government announced it would delay the planned revaluation in 2015 by two years to April 2017. This corresponded with the UK Government's decision to delay the revaluation in England to 2017.
5. In March 2016, the Scottish Government set up the Barclay Group, led by former chair of RBS, Ken Barclay, to undertake a review of business rates. The review has the remit:

*"To explore ideas and options to improve the business rates system in Scotland to better support business growth that: consider how the system can respond to wider economic conditions and changing marketplaces; support long-term growth and investment; are based on overall revenue neutrality and on maintaining the overall level of funding for local government."*

6. The Group is expected to submit a report with recommendations to Ministers in July 2017.

### NDR income and distribution

7. In 2017/18, the poundage rate in Scotland is set at 46.6 pence, 1.8 pence lower than in 2016/17. This applies to non-domestic properties with a rateable value less than £51,000. For properties in excess of £51,000 (2016/17: £35,000) a large business supplement poundage rate of 2.6 pence is added. In January 2017, the Scottish Government estimated that the large business supplement would apply to approximately 22,000 businesses, around 8,000 less than in 2016/17. Businesses with rateable values less than £18,000 are eligible for scaled reductions through the Small Business Bonus

Scheme. The Scottish Government estimates around 100,000 properties will be fully exempt from NDR through this scheme.

8. In total NDR income accounts for approximately a quarter of the Scottish Government's total local government funding settlement. In 2017/18, NDR income was provisionally set to raise £2,666 million, including an additional £60 million included at Stage 1 of the 2017/18 budget bill. Overall, this is a decrease of £103 million in cash terms (3.7 per cent) from 2016/17 (Exhibit 1 and Annex A). The Scottish Government guarantees the combined general revenue grant and non-domestic rates income figure, approved by Parliament, to each council. For example, a reduction in non-domestic rates income is compensated for by an increase in the general revenue grant and vice versa.

**Exhibit 1: NDR distributable amount 2012/13 to 2017/18**

Year	NDR Income (£m)	Change on prior year
2012/13	2,263	
2013/14	2,435	7.6%
2014/15	2,650	8.8%
2015/16	2,789	5.2%
2016/17	2,769	-0.7%
2017/18	2,666	-3.7%

Source: Financial Scrutiny Unit, Scottish Parliament

9. Each council collects NDR income from local businesses and pays a contribution to the Scottish Government. The contribution is based on each council's estimated NDRI for that financial year. Estimates for NDRI for the year ahead are submitted to the Scottish Government in April each year. This is known as the provisional contributable amount and is used to calculate the amount of NDRI for the purposes of funding payments.
10. Following the year end, councils are required to submit their actual NDRI yield, known as the notified amount, in a final return to the Scottish Government. As a result, councils have to make further payments to the Scottish Government if their NDRI was greater than forecast, or may be reimbursed by the Scottish Government for any overpaid contribution. Amounts are adjusted against future grant payments.
11. From April 2017, the Scottish Fiscal Commission (SFC) has a statutory responsibility to provide independent scrutiny of Scottish Government forecasts of receipts and economic determinants from taxes devolved to Scotland. This includes responsibility for preparing and reporting independent forecasts of NDR income. In December 2016, the SFC assessed the Scottish Government's forecasts of the economic determinants of NDR for the 2017/18 draft budget as 'reasonable'.

**2017 NDR Revaluation**

12. Revaluations typically take place every five years. They are carried out by independent assessors and are based on their estimates of likely rent between cooperative landlords and tenants. It is the assessor's estimate of what a theoretical tenant would be prepared to pay for a property. Any new rateable values are based on this rent and adjusted for geographical area. New rateable values will initiate the creation of new Valuation Rolls that include all non-domestic properties in Scotland.
13. The last revaluation in Scotland took place in 2010 with the intention it would happen again in 2015. However, in 2012, the Scottish Government announced it would delay the revaluation to match the UK's decision to delay the revaluation in England until April 2017 to help maintain a competitive business environment.



14. As at 22 May 2017, following revaluation, there were 233,342 non-domestic properties in Scotland with a total rateable value of just under £7.4 billion. Shops, industrial properties and offices (including banks) combined account for almost two-thirds of non-domestic properties and have a total rateable value of over £3.9 billion. As expected, Glasgow City, City of Edinburgh and South Lanarkshire are the councils with the highest total rateable values in Scotland, with Western Isles and Orkney Islands having the lowest totals.
15. In March 2017, analysis by the Scottish Parliament's Financial Scrutiny Unit found that an estimated 69 per cent of business properties in Scotland will have either a decrease or no change in their NDR bills as a result of revaluation. This is after reliefs are applied but does not include transitional relief on certain businesses announced by the Scottish Government in February 2017.
16. Ratepayers may appeal the new rateable value of their property. Appeals should be lodged within six months of a re-valuation taking place or by 30 September in the valuation year, whichever is the latter.

### **NDR Relief**

17. There are three ways of providing exemptions or relief from NDR permitted under current legislation. These are:
  - granting relief from the amount of rates payable
  - exempting premises from entry in the Valuation Roll (e.g. public parks)
  - de-rating the rateable value in the Valuation Roll. (e.g. stud farms - lands and heritages which comprise or include buildings used for the breeding or rearing of horses).
18. The most common method to reduce the NDR liability is to grant relief from the rateable value in the Valuation Roll. The Scottish Government is responsible for setting out and funding a national programme of relief schemes. A relief does not change the rateable value of a non-domestic property; it represents a discount from the payment owed by the liable business.
19. There are a number of NDR rate relief schemes currently in place, approved by the Scottish Government and administered via councils. These are nationally available schemes, however applications are made to councils and for some schemes, local authorities have an element of discretion in the final percentage of relief given. Mandatory relief is where the criteria and maximum relief level are set by the Scottish Government and there is no cost to the authority. Discretionary relief can only be awarded where the Scottish Government's criteria is met but the council has the discretion to determine additional criteria and limits to the relief. For discretionary relief schemes, 75 per cent of costs are met by the Scottish Government with councils funding the remaining 25 per cent. Exhibit 2 below provides details of each of the relief schemes in operation.
20. In December 2016 the Scottish Government proposed a new relief for new broadband fibre infrastructure although details are as yet unknown.

**Exhibit 2: NDR relief schemes**

Relief scheme	Maximum mandatory relief	Eligibility criteria
Empty Property	50% for three months; 10% thereafter	Empty industrial properties can get 100% relief from business rates for the first 6 months, 10% thereafter.
Fresh Start	50% for first year	Applies to certain long-term empty properties (12 months) and rateable value under £65,000.
New Start	100%	Applies to properties built on or after 1 April 2013 for 15 months while they are empty.
Small Business Bonus Scheme	100% for rateable value up to £15,000; 25% between £15,001-£18,000; 25% between £18,001-£35,000 (cumulative total if multiple buildings)	Applies if combined rateable value of all business premises in Scotland is £35,000 or less.
Disabled Persons	100%	Available to properties which provide residential accommodation for the care of people who are ill; training for disabled people or welfare services or workshops for disabled people.
Enterprise Area	100%	Available to business concerned with specific sectors in defined Enterprise Areas, such as life sciences and low carbon.
Renewable Energy Generation	100%	To be eligible, schemes have to produce heat or power from sources such as biomass, biofuels and solar power.
Religious Property	100%	Available for places of worship.
Mobile Mast Installation	100%	Available in three pilot areas, two in Arran and one in the Cairngorms National Park.
Rural	100%	Where rural population is less than 3,000, certain businesses need to demonstrate they are providing community benefits with a rateable value of up to £17,000.
Sports Club Relief - Discretionary scheme	80%	Community sports clubs may be entitled to 80% mandatory rate relief. The council also has discretionary powers to top this relief up to 100%.
Charitable - Discretionary scheme	80%	Discretionary relief up to 100% can also be made available by local authorities.

Source: Financial Scrutiny Unit, Scottish Parliament

21. In addition to mandatory relief schemes, there are a number of discretionary schemes that allow councils to give additional support.
22. From 31 October 2015, through the Community Empowerment (Scotland) Act 2015, councils are permitted to grant relief to any type of ratepayer or for any reason, as they see fit, provided that the relief complies with State Aid rules. Relief can be granted to a sole property, a street, a town centre or a particular type of business or sector. Any relief granted is funded by the council.

23. Only one council, Perth and Kinross, has used these powers to put in place a discretionary local relief scheme for 2016/17. They introduced 20 per cent relief in two town centres for retail businesses with rateable values between £18,001 and £30,000. This was intended as a top-up to the Small Business Bonus Scheme.
24. The total amount of relief granted for each scheme is included in an annual NDRI return prepared by each council and submitted to the Scottish Government at the end of the financial year (Exhibit 3). The returns are subject to external audit.

**Exhibit 3: NDR relief, 2012/13 to 2015/16**

	2012/13	2013/14	2014/15	2015/16
NDR relief (£'000)	588,018	589,574	606,852	626,497
Change (%)	8.6	0.3	2.9	3.2

Source: Scottish Government.

25. Charities relief represents the biggest relief, at just under a third of the total in 2015/16 (Exhibit 4). This is followed by the Small Business Bonus Scheme (28.7 per cent) and Empty Property Relief (22.6 per cent).

**Exhibit 4: NDR relief, 2015/16, by scheme**

Relief	Amount (£'000)	% of total
Charities	189,312	30.2
Small Business Bonus Scheme	179,544	28.7
Empty property	141,604	22.6
Disabled persons	60,599	9.7
Religious properties	26,625	4.2
Sports clubs	13,852	2.2
Renewable Energy	9,545	1.5
Rural rate	4,235	0.7
Fresh Start	573	0.1
New Start	188	0.03
Other	422	0.1
<b>Total</b>	<b>626,497</b>	

Source: Scottish Government

**Conclusion**

26. The Commission is invited to note this report.

**Mark Taylor**  
**Assistant Director, Audit Services and PABV**  
**24 May 2017**

## Annex A: NDR distributable amount, by council, 2016/17 and 2017/18

Council	2016/17 (£m)	2017/18 (£m) cash	2017/18 (£m) real	Real change (£m)	Real change (%)
Aberdeen City	215.586	205.547	202.609	-12.977	-6.0
Aberdeenshire	98.451	95.828	94.458	-3.993	-4.1
Angus	29.410	27.233	26.844	-2.566	-8.7
Argyll and Bute	30.446	29.615	29.192	-1.254	-4.1
Clackmannanshire	16.269	14.928	14.715	-1.554	-9.6
Dumfries and Galloway	47.992	45.529	44.878	-3.114	-6.5
Dundee City	71.011	66.700	65.747	-5.264	-7.4
East Ayrshire	30.239	29.367	28.947	-1.292	-4.3
East Dunbartonshire	25.550	23.586	23.249	-2.301	-9.0
East Lothian	24.370	24.550	24.199	-0.171	-0.7
East Renfrewshire	15.623	14.457	14.250	-1.373	-8.8
Edinburgh	374.650	355.063	349.988	-24.662	-6.6
Eilean Siar	8.020	7.962	7.848	-0.172	-2.1
Falkirk	68.028	65.438	64.503	-3.525	-5.2
Fife	183.331	170.998	168.554	-14.777	-8.1
Glasgow City	373.351	373.238	367.903	-5.448	-1.5
Highland	127.682	122.421	120.671	-7.011	-5.5
Inverclyde	23.331	21.283	20.979	-2.352	-10.1
Midlothian	32.026	29.273	28.855	-3.171	-9.9
Moray	35.582	33.406	32.929	-2.653	-7.5
North Ayrshire	41.459	40.568	39.988	-1.471	-3.5
North Lanarkshire	120.544	114.474	112.838	-7.706	-6.4
Orkney	9.869	9.688	9.550	-0.319	-3.2
Perth and Kinross	57.555	52.035	51.291	-6.264	-10.9
Renfrewshire	96.106	98.908	97.494	1.388	1.4
Scottish Borders	33.594	32.673	32.206	-1.388	-4.1
Shetland	17.822	23.240	22.908	5.086	28.5
South Ayrshire	40.755	39.756	39.188	-1.567	-3.8
South Lanarkshire	303.113	287.862	283.748	-19.365	-6.4
Stirling	46.216	42.829	42.217	-3.999	-8.7
West Dunbartonshire	82.793	77.319	76.214	-6.579	-7.9
West Lothian	87.726	90.056	88.769	1.043	1.2
<b>Total</b>	<b>2,768.5</b>	<b>2,665.83</b>	<b>2,627.728</b>	<b>-140.772</b>	<b>-5.1</b>

Source: Scottish Government

**MEETING: 8 JUNE 2017****REPORT BY: ASSISTANT AUDITOR GENERAL****HOUSING BENEFIT PERFORMANCE AUDIT ANNUAL REPORT**

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**Purpose**

1. The purpose of this report is to advise the Commission of the outcome of Audit Scotland's housing benefit (HB) performance audit work during 2016/17.

**Background**

2. This report provides a summary of the performance audit work carried out by Audit Scotland on Scottish council's HB services during 2016/17.
3. Eight risk assessment visits were completed during 2016/17 which identified 18 risks to continuous improvement. We found that 80% of risks identified during our previous risk assessments had been either fully or partially addressed.
4. Benefit services that are well managed can deliver value for money and high quality services for customers. In two of the eight councils we found no risks to continuous improvement, and in two councils, only one risk was identified. However, we identified that:
  - Management checking was an issue in five of the eight councils. We found that the level of analysis carried out on the outcomes was insufficient to inform a risk-based approach to checking or training programmes.
  - In three councils, we found business planning and performance reporting risks where targets were not set for all aspects of the benefit service and therefore holistic performance was not being reported to senior management and elected Members. As budgets are reducing we identified that the level of resources may not be sufficient to deliver continuous improvement, or maintain current performance levels in one council.
  - Interventions were an issue in four councils. We found interventions outcomes were not recorded and analysed in sufficient detail to allow the service to determine the effectiveness of their approach.
5. In line with the Commission's objective of identifying and sharing good practice, a thematic study was undertaken during 2016/17.
6. Following the completion of the transfer of responsibility for the investigation of HB fraud from councils to the DWPs Fraud and Error Service (FES) in April 2016, we carried out a review of effectiveness of the new fraud investigation liaison arrangements.
7. The review identified that the current process did not provide sufficient assurance that public funds administered by local authorities are being protected. The report concludes that despite the significant issues identified, DWP and local authorities in Scotland are committed to delivering process improvements and to implementing a structured and regular approach to local liaison

8. Universal Credit (UC) continues to be rolled out across Scotland. During 2016/17, the full digital UC service for all claimant types began to rollout nationally. The DWP expect a full roll-out across the UK to be completed by September 2018, with the migration of the remaining working age existing HB claimants to the full UC service to start thereafter and be completed by 2022.
9. The Scottish Parliament's new devolved social security powers will result in some aspects of the devolved benefits being delivered local authorities. Ten of the eleven devolved benefits will be delivered directly by the Scottish Government's new social security agency and discretionary housing payments will be delivered by local authorities. Further details are expected to be announced by the end of June 2017 in the Scottish Social Security Bill.

#### **Future of HB performance audit work**

10. From October 2016, the HB performance audit function moved from Audit Strategy to Audit Services Group. One of the benefit auditors retired in December 2017 and the other benefit auditor moved to Audit Services to continue delivering the benefit performance audits.

#### **Conclusion**

11. The Commission is invited to:
  - endorse the report of the outcomes of the 2016/17 benefit performance audit work; and
  - agree that the Chair write to council chief executives promoting the report.

**Russell Frith**  
**Assistant Auditor General**  
**30 May 2016**

# Housing Benefit Performance

Audit Annual Update 2016/17



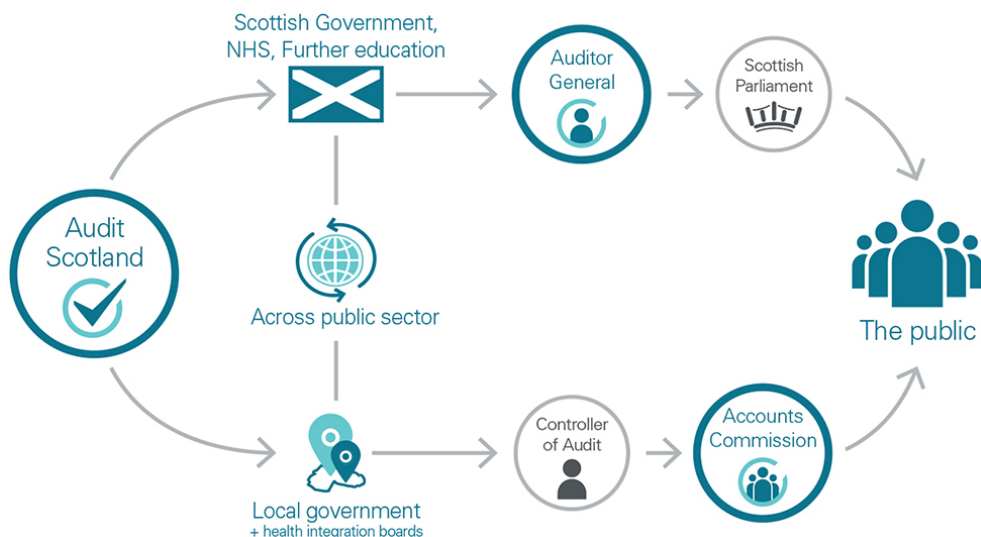
 AUDIT SCOTLAND

June 2017

## Who we are

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

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



## About us

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

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

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



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# Contents

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Key messages	4
Background	5
Work carried out during 2016/17	6
Outcomes of the 2016/17 risk assessments	7
Stakeholder feedback	9
Welfare reform	10
Endnotes	13
Appendix 1	14
The 2016/17 risk assessment programme	
Appendix 2	15
Progress reports requested during 2016/17	

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# Purpose

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**1.** This report provides a summary of the performance audit work carried out by Audit Scotland on Scottish council's housing benefit (HB) services during 2016/17.

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## Key messages

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**2.** During 2016/17, we issued eight reports to councils which identified 18 risks to continuous improvement that were accepted. We found that 80% of risks identified during our risk assessments in previous years had been either fully or partially addressed (85% in 2015/16). Council feedback on the performance audit process remains positive.

**3.** Benefit services that are well managed can deliver value for money and high quality services for customers. In two of the eight councils we found no risks to continuous improvement, and in two councils, only one risk was identified. This is extremely positive and helps to demonstrate the impact of our work. However, we identified that:

- Management checking was an issue in five of the eight councils. We found that the level of analysis carried out on the outcomes was insufficient to inform a risk-based approach to checking or training programmes.
- In three councils, we found business planning and performance reporting risks where targets were not set for all aspects of the benefit service and therefore holistic performance was not being reported to senior management and elected Members. As budgets are reducing we identified that the level of resources may not be sufficient to deliver continuous improvement, or maintain current performance levels in one council.
- Interventions were an issue in four councils. We found interventions outcomes were not recorded and analysed in sufficient detail to allow the service to determine the effectiveness of their approach.

**4.** Universal Credit (UC) continues to be rolled out across Scotland with all councils now having some local residents claiming UC. During 2016/17, the full digital UC service for all claimant types began to rollout nationally. The Department for Work and Pensions (DWP) expect a full roll-out across the UK to be completed by September 2018, with the migration of the remaining working age existing HB claimants to the full UC service to start thereafter and be completed by 2022.

**5.** The Scottish Parliament's newly devolved social security powers will result in some aspects of the devolved benefits being delivered by local authorities. Ten of the eleven devolved benefits will be delivered directly by the Scottish Government's new social security agency with discretionary housing payments (DHP) continuing to be delivered by local authorities. Further details are expected to be announced by the end of June 2017 in the Scottish Social Security Bill.

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# Background

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**6.** During 2016/17, approximately 18% of Scottish households received financial support to help pay for their rent in the form of means tested HB. Scottish councils paid out £1.74 billion in HB awards in 2016/17 (£1.77 billion in 2015/16), a reduction in spend of 1.7%.

**7.** In 2016/17, Scottish councils received £25.2 million (£27.8 million in 2015/16) in funding from the DWP to deliver HB services. This 9% reduction in funding in 2016/17 is due to DWP assumed efficiency savings and the move of the cost of fraud investigations from local authorities to DWP.

**8.** The main objective of the benefit performance audit is to help councils improve their benefit services but it also holds councils to account for any failing services. The audit has two phases:

- a risk assessment phase that identifies risks to continuous improvement
- a focused audit phase that examines the service, or parts of it in more detail, if a council is unable or unwilling to address key risks identified in phase one.

**9.** Risk assessment reports are provided to council Chief Executives who are invited to prepare an improvement plan detailing the actions, with associated timescales, that they will take to address the identified risks. These reports are also copied to the DWP and the council's external auditors to provide assurances over how councils are performing.

**10.** When a focused audit is required, the Controller of Audit prepares a report to the Accounts Commission. Focused audit reports are provided to council Chief Executives and are also copied to the DWP, external auditors, and published on the Audit Scotland website.

**11.** We also carry out reviews of, and report on, particular themes relevant to providing housing benefit services

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# Work carried out during 2016/17

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**12.** We reviewed our risk-based approach to our performance audit programme to ensure that the councils that we considered the highest risk were visited during the year. Appendix A contains the details of the eight risk assessment reports that were issued to council Chief Executives during 2016/17 (11 in 2015/16). No focused audits were carried out. The reduction in the number of risk assessments was due to the retirement of one of the two performance auditors in December 2016 who has not yet been replaced.

**13.** Following receipt and review of council improvement plans to address the risks identified in our risk assessment reports, further progress reports were requested from four councils. These are detailed in [Appendix 2](#).

**14.** We have received progress reports from all four councils. Action taken to address risks in North Ayrshire Council, Clackmannanshire Council and Aberdeenshire Council was considered satisfactory and therefore no further updates were required. East Dunbartonshire Council was requested to provide further updates on new claims processing performance. These further updates have been received and action taken to address the risks was considered satisfactory.

**15.** In line with Audit Scotland's objective of identifying and sharing good practice, one thematic study was undertaken during 2016/17. More information is provided in the following paragraphs.

## **A review of housing benefit fraud investigation liaison arrangements in Scotland**

**16.** Following the completion of the transfer of responsibility for the investigation of HB fraud from councils to the DWPs Fraud and Error Service (FES) in April 2016, Audit Scotland carried out a review of effectiveness of the new fraud investigation liaison arrangements.

**17.** The key objective of the review was to determine the extent to which benefit services are meeting their obligations to achieve continuous improvement in respect of HB counter fraud activities. Information for the review was gathered from officers in Scottish councils and the DWP.

**18.** The review identified that the current process did not provide sufficient assurance that public funds administered by local authorities are being protected. The report concludes that despite the significant issues identified, DWP and local authorities in Scotland are committed to delivering process improvements and to implementing a structured and regular approach to local liaison. The report was published in January 2017 and is available on the Audit Scotland [website](#).

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# Outcomes of the 2016/17 risk assessments

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**19.** Audit Scotland identified 18 risks to continuous improvement (45 in 2015/16) in the eight risk assessments completed in 2016/17. We are pleased to report that no risks to continuous improvement were identified in Inverclyde and South Lanarkshire councils and only one risk was identified in Aberdeenshire Council and East Ayrshire Council.

**20.** Our work identified that 80% (55 out of 69) of previously agreed actions had been fully or partially implemented (85% in 2015/16).

**21.** Improvement plans have been received from all councils visited. Analysis of the risks identified shows that:

- 100% (100% in 2015/16) of the identified risks were fully accepted by councils
- 20% (14/69) of agreed risks from previous risk assessments were carried forward (17% in 2015/16).

**22.** The outstanding risks relate to:

- limited reporting of performance to senior management and members in five councils
- limited analysis of intervention outcomes in three councils
- overpayment recovery performance, or limited analysis of performance to determine the effectiveness of recovery methods in three councils
- the accuracy checking approach in one council, and accuracy performance in one council
- speed of processing performance in one council.

**23.** Councils have cited resourcing issues and budget cuts as a reason why not all agreed actions have been fully implemented.

**24.** We have found that where benefit services are well managed they can deliver value for money and high quality services for claimants.

**25.** During 2016/17 Audit Scotland has identified weaknesses in the following key areas:

- Accuracy - we found that quality checking was not always risk based and results were not being routinely collated and analysed in detail to inform a risk based approach to checking or its training programme
- Business planning and performance reporting - we found that councils were not setting targets for all aspects of the benefit service and therefore holistic performance was not being reported to senior management and elected Members. As budgets are reducing we identified that the level of resources

were not sufficient to deliver continuous improvement, or maintain current performance levels in one council.

- Interventions - we found interventions outcomes were not recorded and analysed in sufficient detail to allow the council to determine the effectiveness of their approach, particularly in monetary terms.

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# Stakeholder feedback

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**26.** In order to ascertain the effectiveness of the audit process from the council's perspective, and to help identify areas which could be improved, a feedback questionnaire is issued to the council after each risk assessment. During 2016/17, responses received were very positive and provided Audit Scotland with assurance that the audit methodology is fit for purpose and proportionate. The following comments were received:

- "The risk assessment process acknowledged the challenges and improvements made by the council's benefit service together with opportunities to enhance specific risks to deliver further continuous improvement".
- "The auditor's experience, knowledge, and manner was refreshing, and meant that the new team were very comfortable with the process".
- "The planning and set-up of the audit was professional and offered sufficient flexibility to enable the council to meet the deadlines".
- "The audit provided a focussed external challenge to our benefit service which was beneficial".

**27.** From the feedback received there were no comments on what Audit Scotland could have done better. However, we continually review our work with a view to minimising the impact of the risk assessment on the council, and discussions continue with benefit managers in respect of their particular requirements and needs prior to the submission of the self-assessment. We also try to take account of the challenges faced by council's when considering our work programme.

**28.** HB risk assessment reports continue to be shared with the DWP. Throughout 2016/17, we have continued to monitor our approach in conjunction with the DWP through quarterly meetings between the Manager - Benefits (Technical) and senior officers in the DWP's Housing Delivery Division.

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# Welfare reform

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**29.** Councils continue to work with partners to help deliver the UK government's welfare reform agenda.

## Universal credit (UC)

**30.** UC rollout has continued The rollout of UC across the rest of Scotland began in February 2015 for single people who would otherwise have been eligible for income based Jobseeker's Allowance, including those with existing HB. across Scotland during 2016/17. All Scottish councils have some local residents claiming UC.

## Universal Credit Full Digital Service

**31.** The latest UC digital service allows users to make a claim, notify changes of circumstance and search for a job through a single account, making digital the primary channel for most working-age people to interact with the DWP.

**32.** On 23 March 2016, Musselburgh Job Centre, which serves East Lothian Council, was the first Job Centre in Scotland to provide the full UC digital service. Further rollouts of the full digital service have now taken place in jobcentres, which serve Highland, East Dunbartonshire, Inverclyde, and Midlothian Councils. The DWP expects a full rollout across the UK to be completed by September 2018, with the migration of the remaining working age existing HB claimants to the full UC digital service to be completed by 2022.

**33.** Councils have been reporting that the roll out of UC has had a detrimental effect on the collection of housing rental income. For example, East Lothian Council reported a 12% increase in rent arrears from 1 April to 30 September 2016. This is an increase of £156,000 of which the council could identify £79,000 relating directly to debt associated with UC. The council recognise that the remaining £78,000 may also be in part an indirect impact of UC e.g. officers spending time with UC claimants and increased volumes of DHP applications which detracts from the time available to spend dealing with other tenant arrears.

**34.** Once HB claimants move onto UC it may be more difficult for councils to recover any outstanding overpayments of HB from claimants. This is because one of the most popular methods for recovering overpaid HB is through regular deductions from on-going HB. Following the migration to UC, councils will no longer have this option. Councils can apply to have previous HB debt recovered from UC, but HB debt would be ranked along with other potential debts the claimant may have.

**35.** The Scottish Government has consulted on its newly devolved powers which will allow the rent element of UC to be paid directly to landlords. This new power may help keep rent arrears down.

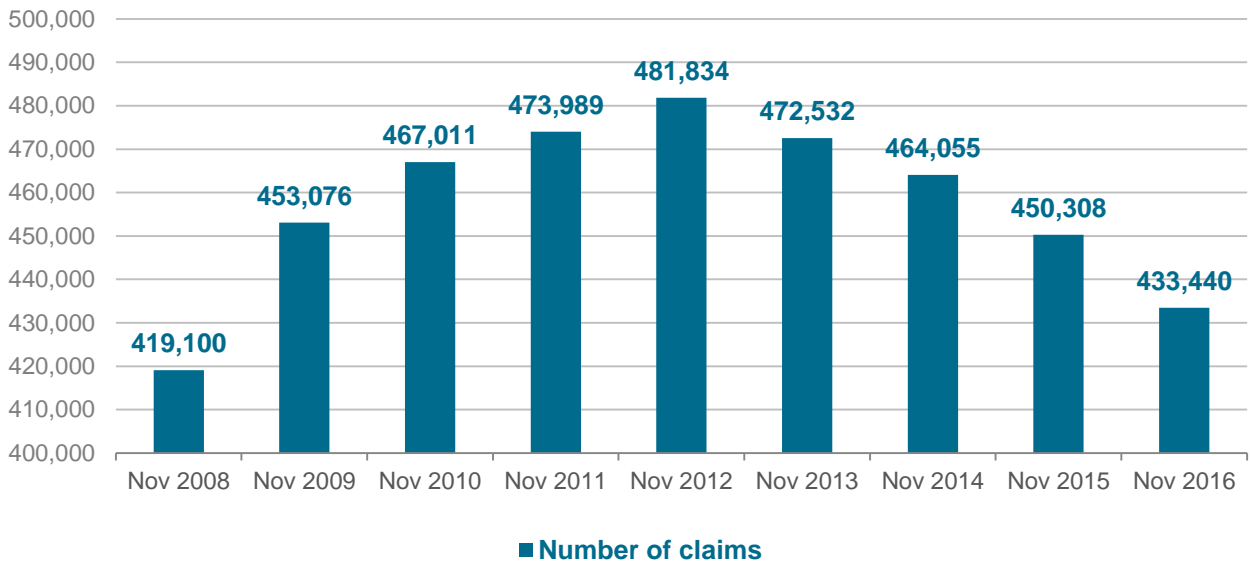
**36.** The continued rollout of UC during 2017/18 will result in reduced HB caseloads in councils as fewer new HB claims are received. Working age claimants will start to move to UC with councils typically retaining pension aged claimants, some complex cases and contribution based Jobseekers and Employment and Support Allowance claimants.

**37.** The HB caseload has been falling in recent years from a high of 481,834 during 2012/13 to 433,440 during 2016/17 as shown in [Exhibit 1 \(page 11\)](#). This represents a 10% decrease in the number of claims between November 2012 and November 2016.



## Exhibit 1

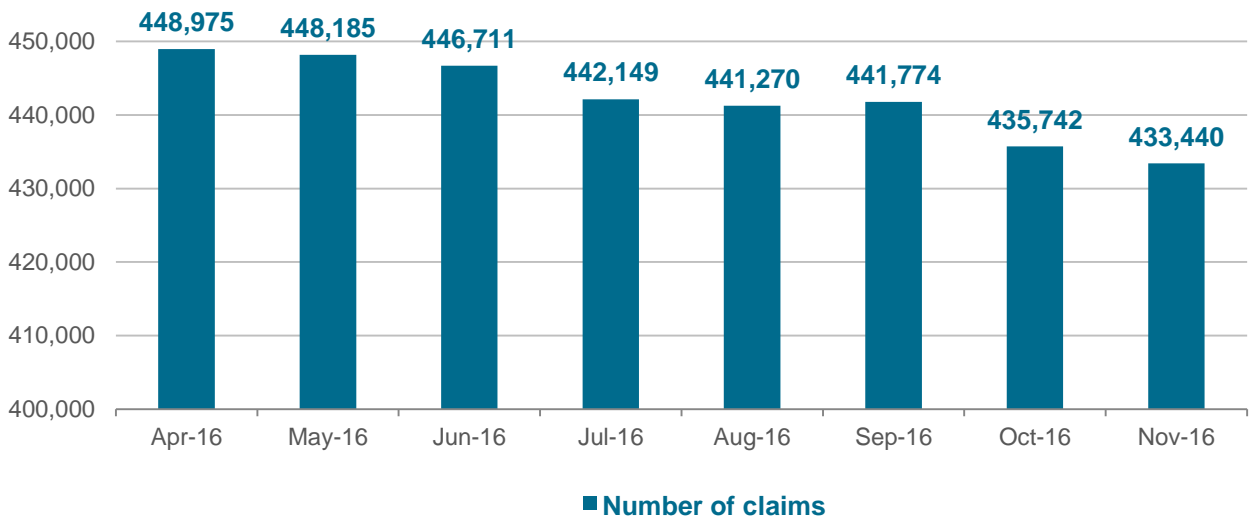
### HB Caseload 2008 - 2016 (Scotland)



38. [Exhibit 2](#) shows that claim numbers continued to fall during 2016/17 by a further 3.5% between April 2016 and November 2016.

## Exhibit 2

### Monthly Caseload (Scotland)



## Scottish Social Security

**39.** The Scotland Act 2016 devolves a number of areas of social security to Scotland. These cover 11 benefits totalling £2.8 billion of spending in Scotland (15% of the current total social security spend in Scotland). The Scottish Government is committed to delivering these 11 social security benefits by the end of the current parliamentary session in 2021.

**40.** The Scottish Government's social security programme is in its early stages and in 2016, the Scottish Government carried out a consultation to gather public opinion on the devolved benefits and how they should be delivered.

**41.** The Scottish Parliament's new devolved social security powers will result in some aspects of the devolved benefits being delivered by local authorities. Ten of the eleven newly devolved benefits will be delivered directly by the Scottish Government's new social security agency, with DHP's and the already devolved, Scottish Welfare Fund, continuing to be delivered by local authorities.

**42.** Further details are expected to be announced by the end of June 2017 in the Scottish Social Security Bill.

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# Endnotes

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1. [Review of Housing Benefit fraud investigation liaison arrangements in Scotland](#),  
Audit Scotland, January 2017
2. [Housing Benefit Good Practice Guide: Initiatives which deliver best value](#),  
Audit Scotland, April 2016
3. [Benefit performance audit: Annual update 2015/16](#),  
Audit Scotland, June 2016
4. [Review of housing benefit subsidy certification issues 2014/15](#),  
Audit Scotland, January 2016
5. [Review of activity to reduce fraud and error in housing benefit](#),  
Audit Scotland, September 2015
6. [Benefits performance audit: Annual Update 2014/15](#),  
Audit Scotland, June 2015
7. [Review of auditors' housing benefit subsidy claim reported errors 2013/14](#),  
Audit Scotland, February 2015

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# Appendix 1

## The 2016/17 risk assessment programme

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Date on site	Council	Date reported
March 2106	South Ayrshire	May 2016
March 2016	Inverclyde	May 2016
June 2016	East Renfrewshire	July 2016
June 2016	East Ayrshire	August 2016
August 2016	Aberdeenshire	October 2016
September 2016	Dundee City	November 2016
November 2016	South Lanarkshire	December 2016
January 2017	Fife	March 2017

# Appendix 2

## Progress reports requested during 2016/17

Council	Date progress report received/expected	Conclusion on action taken to address risks
North Ayrshire Council	April 2016	Update received and satisfactory progress made to date.
East Dunbartonshire Council	April 2016	Update received and further update requested on action regarding risks identified in respect of new claims performance.
East Dunbartonshire Council	July 2016	Update received and further update requested on new claims performance.
Clackmannanshire Council	November 2015, February 2016 & July 2016 January 2017	Update received and satisfactory progress made to date.
East Dunbartonshire Council	31 January 2017	Update received and satisfactory progress made to date.
Aberdeenshire Council	April 2017	Update received and satisfactory progress made to date.



**MEETING: 8 JUNE 2017****REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE****NATIONAL SCRUTINY PLAN 2017/18**

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**Purpose**

1. This report introduces the National Scrutiny Plan (NSP) for Local Government 2017/18 and its related commentary report (both attached). It draws on, and summarises, the outcomes of the 2017/18 shared risk assessment process.

**Background**

2. This is the eighth NSP produced on behalf of the Local Government Scrutiny Co-ordination Strategic Group (SSG) since the introduction of the local government shared risk assessment process (SRA) in 2009.
3. The NSP is aggregated from the 32 local scrutiny plans (LSPs) prepared by Local Area Networks using the shared risk assessment process. It summarises planned strategic scrutiny work from 1 April 2017 to 31 March 2018 in each of Scotland's 32 councils. It includes all strategic scrutiny activity of which we are currently aware. It also covers validating self-evaluation work between scrutiny bodies and councils that is designed to support improvement.
4. The content of the NSP has been considered by all relevant scrutiny partners to provide assurance that the proposed NSP is proportionate, well co-ordinated and can be resourced by each organisation. All scrutiny partners are content that the commentary report that runs alongside the NSP accurately reflects the views of their respective organisations.
5. As the commentary report makes clear, this year's NSP reflects the ongoing change that is currently affecting both public sector delivery bodies (e.g. through health and social care integration) and scrutiny bodies (e.g. the Accounts Commission's new approach to auditing Best Value in local government and the Scottish Government's education governance review that has implications for Education Scotland).
6. Subject to its approval today, the NSP for Local Government 2015/2016 and the related commentary report will be published on 30 May 2017, alongside the 32 individual council LSPs. This is later than the usual publication date of the end of March, as a result of the SSG's decision to delay publication until after local government elections in May 2017.

**Recommendation**

7. The Accounts Commission is asked to endorse the content of the National Scrutiny Plan and the related commentary report.

**Fraser McKinlay****Director of Performance Audit and Best Value and Controller of Audit****16 May 2017**

# National scrutiny plan 2017/18

A summary of local government  
strategic scrutiny activity



Prepared on behalf of the Strategic Scrutiny Group  
May 2017

ACCOUNTS COMMISSION 

 AUDIT SCOTLAND



Inspectorate of  
Prosecution in  
Scotland





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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# Contents



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Background	4
Part 1. Strategic context	5
Part 2. Scrutiny activity	6
Part 3. Strategic scrutiny group priorities	11
Appendix 1. The Local Government Scrutiny Coordination Strategic Group members	13
Appendix 2. Glossary	15

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## Links

 PDF download

 Web link

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# Background


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**1.** The National Scrutiny Plan for local government has been jointly prepared by members of the Strategic Scrutiny Group (SSG). This group comprises Scotland's main public sector scrutiny bodies – the Accounts Commission, Audit Scotland, Education Scotland, the Care Inspectorate, Healthcare Improvement Scotland, Her Majesty's Inspectorate of Constabulary in Scotland, Her Majesty's Fire Service Inspectorate, Her Majesty's Inspectorate of Prisons, Her Majesty's Inspectorate of Prosecution and the Scottish Housing Regulator. Details of each body can be found in [Appendix 1](#). In this report, they are collectively referred to as scrutiny bodies.

**2.** The SSG was established in February 2008 to support the delivery of better coordinated, more proportionate and risk-based local government scrutiny. Since then, local government scrutiny bodies (including appointed auditors from private sector audit firms) have worked together through Local Area Networks (LANs) to share intelligence and agree the key scrutiny risks in each of Scotland's 32 councils. Annually, each LAN prepares a Local Scrutiny Plan (LSP) setting out the planned scrutiny activity for the council to respond to those specific risks. LSPs also include nationally programmed scrutiny, such as the Care Inspectorate's joint inspections of services for children, young people and families and joint inspections of adult health and social care services. This approach, called Shared Risk Assessment (SRA), is designed to ensure well coordinated, proportionate and risk-based scrutiny.

**3.** This 2017/18 National Scrutiny Plan (NSP) for local government is one of the key outputs from the SRA process. It summarises all planned strategic scrutiny activity from April 2017 to March 2018 in each of Scotland's 32 councils<sup>1</sup>. It also covers work between scrutiny bodies and councils to validate self-evaluation that is designed to support improvement.

**4.** A separate table showing planned scrutiny activity is available on the [Audit Scotland website](#) .

<sup>1</sup> Strategic scrutiny work does not include scrutiny activity carried out at service unit or institution level, such as inspections of individual schools or care homes, or the annual financial audit of public bodies.

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# Part 1

## Strategic context

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**5.** This year's NSP has been prepared at a time when councils, other public bodies and their partners continue to review the way they deliver services in light of the financial and demographic challenges they face.

**6.** The last twelve months have seen unprecedented political, social and financial change in Scotland, the UK and internationally, and it's clear that the future holds more uncertainty. Public scrutiny has a vital role to play in holding public bodies to account and helping them to improve, and this is even more important in times of change.

**7.** The devolution of powers and responsibilities set out in the Scotland Acts of 2012 and 2016 requires a more strategic approach to Scottish public financial management and reporting as public bodies need to work within an increasingly complex budget process.

**8.** The outcome of the European Union (EU) referendum, the triggering of Article 50 and the options for Brexit bring significant uncertainty. This creates capacity pressures on the UK and Scottish Governments and has wide-ranging consequences for funding streams to public bodies. The outcome of the Brexit vote and the ongoing negotiations have also reframed the debate about Scottish independence and the prospects for a second independence referendum.

**9.** The demand for public services is changing, reflecting the make-up of Scotland's population, with greater pressures in particular on health and social care services. Major changes are taking place to how public services are delivered, for example through the integration of health and social care services and greater community empowerment. A consistent theme of much recent scrutiny activity has been the scale of the challenge of delivering transformational change and improving outcomes at a time of rising demand and reducing resources.

**10.** Public services are increasingly provided through a diverse range of public, private and third sector organisations or through partnership arrangements. This means that services can be delivered in new and innovative ways, but it also creates more complex lines of responsibility and accountability.

**11.** In this context, it is important that public scrutiny continues to support councils and their partners to work with their populations to ensure they have access to the services and support they need. Equally, objective and authoritative public scrutiny is essential in supporting a strong and effective system of service delivery and financial accountability and transparency in Scotland.

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# Part 2

## Scrutiny activity



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### National scrutiny programmes

**12.** There is a range of national scrutiny activity planned across councils over the next year and beyond. Where activity has been identified for 2017/18 that impacts on individual councils and their delivery partners, it is included in the National Scrutiny Plan. In addition, there may be a range of other unplanned scrutiny that takes place across councils during the year. For example, Education Scotland undertook a focused review of local authorities' actions to tackle unnecessary bureaucracy and undue workload in schools in August 2016. This was at the request of the Cabinet Secretary for Education and Skills and was one strand within a wider set of actions announced in the Scottish Government's Delivery Plan. Education Scotland visited each of the 32 local authorities to review the demands placed on schools by local authorities in relation to Curriculum for Excellence. A summary of review findings was published in September 2016.

**13.** Significant pieces of national scrutiny activity that are planned during 2017/18, as well as developments in scrutiny approaches are outlined below.

#### Audit Scotland

##### Best Value


**14.** In December 2014, the Accounts Commission concluded its review of Best Value and set out principles for a new approach to auditing Best Value. These principles include the need for more frequent assurance on Best Value across all 32 councils, integrating the audit processes, an increased emphasis on driving improvement, and a strong focus on the quality of service experienced by the public and the outcomes achieved.

**15.** The new approach began to be rolled out from October 2016. It includes an assessment each year of aspects of Best Value as part of an integrated annual audit and a public Best Value Assurance Report (BVAR) for each council at least once in a five-year period that will bring together an overall picture of the council drawn from a range of audit activity. BVARs for the six councils in the first year of the programme will be reported to the Accounts Commission during 2017/18.

**16.** The five-year rolling Best Value programme will be reviewed and refreshed annually in agreement with the Accounts Commission. The results of the SRA process will make a significant contribution to the audit intelligence that inform decisions about the programme, both in terms of the sequencing and timing of audits and the focus of audit work at individual councils.

##### National performance audits

**17.** Audit Scotland carries out a programme of national performance audits that it undertakes on behalf of the Accounts Commission and Auditor General

for Scotland. Audit Scotland has several performance audits covering local government planned during 2017/18. It will be carrying out audits covering arm's-length external organisations (ALEOs), city deals, children's mental health and health and social care integration. Any engagement with individual councils is still to be determined. Details of the performance audit programme for 2017/18 is available [here](#) 

### **Housing benefit risk assessments**

**18.** Audit Scotland will also continue to carry out a national programme of housing benefit risk assessments across councils during 2017/18. It will review its future approach to the scrutiny of benefits in light of the changing powers around social security in Scotland and recent changes to Best Value auditing.

### **Care Inspectorate**

#### **Alcohol and drugs partnerships**

**19.** During 2016/17, the Care Inspectorate carried out Validated Self-Evaluation (VSE) activity with Alcohol and Drug Partnerships (ADPs). The purpose of this activity was to support the validation of ADP and services' self-assessment of local implementation and service compliance with the Quality Principles: Standard Expectations of Care and Support in Drug & Alcohol Services. The findings from this validation work will inform the future programme of national support for continuous improvement. The Care Inspectorate provided feedback from its work to individual ADPs in December 2016 and is due to publish a national overview report in May 2017.

#### **Joint inspection of services for children**

**20.** As part of the Child Protection Improvement Programme announced by the Minister for Childcare and Early Years in March 2017, the Care Inspectorate will lead the development of a future model of joint inspection of services for children that focuses on the experiences of, and outcomes for, the most vulnerable children. In developing the revised framework, the Care Inspectorate is chairing a short-life working group, which includes scrutiny partners, to consider all recommendations from inspections relevant to the Child Protection Improvement Programme. In particular, the group is looking at systems review, data, evidence and leadership. The group is also considering how scrutiny and improvement work can best be provided for services for all children and families, including collaborating with other partners to develop and improve the use of self-evaluation tools. The Care Inspectorate is scheduled to provide a report to ministers by 31 May 2017, recommending the way forward for a revised inspection framework, including the proposed scope of future inspections. This framework is to be in place by the time the current framework concludes in December 2017.

#### **Coordinating national and local scrutiny of progress with health and social care integration**

**21.** There are a number of scrutiny bodies with an interest in the performance of integration authorities and the progress that is being made nationally and locally in delivering health and social care integration:

- The Accounts Commission is responsible for appointing external auditors to integration authorities.
- During 2017/18 the Auditor General for Scotland and the Accounts Commission will be undertaking their second national performance audits on health and social care integration. This audit will follow up on

the emerging risks highlighted in their initial December 2015 report and will assess the early impact that health and social care integration is having in shifting the balance of care and improving outcomes for older people. It will consider issues such as: governance arrangements; budget setting; strategic planning; engagement with the voluntary sector, GPs, and housing providers; the development of locality planning; and, carer and user involvement.

- From 1 April 2017, the Care Inspectorate and Healthcare Improvement Scotland (HIS) have new responsibilities to inspect the planning, organisation or coordination of the services that health boards and local authority's delegate to integration authorities, as set out within their integration schemes. The Care Inspectorate and HIS must also review and evaluate the effectiveness of the integration authority's strategic plan, and encourage improvement in the effectiveness of that plan if necessary. They will commence a programme of joint inspections of health and care partnerships in 2017/18, focusing on joint strategic planning and commissioning, governance and leadership and outcomes for adults/older people.

**22.** Audit Scotland, the Care Inspectorates and HIS will coordinate their various audit and inspection interests in integration authorities and health and social care integration, drawing on each other's work and deploying joint teams where appropriate.

#### **Thematic review of adult support and protection**

**23.** Adult support and protection was included as a focus area during the Care Inspectorate-led joint inspections of services for older people undertaken between 2012/13 and 2016/17.

**24.** In light of reviewing the methodology for joint inspections of services for older people to focus on the quality of strategic commissioning, in 2017/18 the Care Inspectorate will lead on developing a joint approach to scrutinising adult support and protection. This is an approach that should identify strengths and areas for improvement that can be disseminated relatively quickly across partnership areas. It may also help inform policy planning, development and implementation, support improvement nationally and identify whether additional more targeted scrutiny and assurance may be required.

#### **Thematic review of self-directed support implementation**

**25.** This remains a key Scottish Government policy. Self-directed support was included as a focus area during the joint inspections of services for older people undertaken between 2012/13 and 2016/17. In light of the review of the methodology for joint inspections of services for older people, during 2017/18 the Care Inspectorate will lead on developing a thematic review of aspects of self-directed support. As with adult support and protection, this approach should help inform policy planning, development and implementation and identify whether additional more targeted scrutiny and assurance is required.

**26.** The Care Inspectorate's work on self-directed support will complement and build on the audit work that Audit Scotland has been carrying out over the past year in following up its first audit on [Self-directed support](#)  in June 2014. The outputs of the current audit work will be published during the summer of 2017.

#### **Education Scotland**

**27.** Education Scotland is currently reviewing arrangements for providing public assurance on the quality of the education functions of local authorities. Its inspectors

will undertake appropriate independent or joint evaluative activity within local authorities to report publicly on raising educational attainment and closing the attainment gap. During 2017/18, Education Scotland's scrutiny programme will continue to include validated self-evaluation of educational psychology services; strategic inspection of community learning and development provision; and scrutiny work on the quality of careers information and guidance services delivered by Skills Development Scotland across council areas.

### Her Majesty's Fire Service Inspectorate (HMFSI)

**28.** HMFSI will continue to inspect Scottish Fire and Rescue Service (SFRS) local service delivery across Scotland. These inspections will examine, among other things, local scrutiny and engagement between the SFRS and councils. As part of its programme, HMFSI intends to inspect service delivery in three local authority areas during 2017/18. HMFSI also has a programme of thematic inspection planned, but this work is unlikely to result in contact with local authorities. However, HMFSI may also carry out ad hoc inspections in response to specific events, which could involve contact with local authorities.

### Her Majesty's Inspectorate of Constabulary in Scotland (HMICS)

**29.** HMICS will continue to inspect local policing divisions across Scotland. Divisional inspections will cover partnership working and in particular, local scrutiny and engagement between Police Scotland and councils and the local Community Planning Partnership and Community Safety Partnership. Local police inspections also include a 'plus' element, which aims to investigate national issues through a local lens. These elements are subject to separate reports published on its website [www.hmics.org.uk](http://www.hmics.org.uk) .

### Her Majesty's Inspectorate of Prisons for Scotland (HMIPS)

**30.** HMIPS will inspect prisons in Scotland, jointly with Healthcare Improvement Scotland, Education Scotland, the Care Inspectorate and the Scottish Human Rights Commission. Each prison will be monitored on a weekly basis by volunteer Independent Prison Monitors who are allocated to each prison. Reports of findings from both inspection and monitoring are published regularly throughout the year. In 2017/18, HMIPS will also publish its report of a study of the lived experience of older prisoners in Scotland's prisons.

### Inspectorate of Prosecution in Scotland (IPS)

**31.** The IPS will publish the findings of its thematic inquiry work completed during 2016/17, including a review of the investigation and prosecution of sexual crimes in Scotland, having regard to the availability of support agencies for victims provided in local authority areas. As part of its programme, IPS will continue to inspect service delivery by the Crown Office and Procurator Fiscal Service at both national and local level.

### Scottish Housing Regulator (SHR)

**32.** The SHR will publish the findings of its thematic inquiry work into gas safety and repairs completed during 2016/17. It may carry out further thematic inquiries during 2017/18. The SHR will also review the Scottish Social Housing Charter data submitted by landlords and carry out data accuracy visits during the second quarter of 2017/18. Where councils are to be involved in a thematic inquiry or a data accuracy visit, the SHR will confirm this directly with the council and the LAN lead.



**33.** The SHR has identified four local authorities for scrutiny this year – Glasgow City, Dumfries & Galloway, Shetland Islands, and Highland councils. The SHR's engagement with Glasgow City and Dumfries & Galloway councils is continuing from last year because of serious performance issues around homeless services. Shetland Islands and Highland councils have been identified for scrutiny this year, because of their poor performance around a range of tenant service performance indicators, and in the case of Shetland, scrutiny risks in relation to its homeless service.

**34.** The SHR plans to carry out its scrutiny with these four councils by means of ongoing engagement throughout the year. It has not identified the need for any specific on-site scrutiny work and as such, its engagement with the councils is not reflected in the national scrutiny plan for 2017/18.

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# Part 3

## Strategic scrutiny group priorities

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**35.** Since it was established in 2008, the Strategic Scrutiny Group (SSG) delivered more coordinated scrutiny in local government by implementing the SRA process in Scotland's 32 councils.

**36.** The SSG also continues to act as a forum for scrutiny bodies to discuss key strategic scrutiny developments (eg, Accounts Commission's new approach to auditing Best Value in local government, Healthcare Improvement Scotland's new approach to assessing the quality of care in Scotland and building improvement capacity in the NHS, Education Scotland's developments in inspection approaches, and the Care Inspectorate-led joint review of approaches to inspecting children and adults' services) and identifying opportunities for aligning assessment frameworks and methodologies.

**37.** A key ambition for the SSG is to move beyond the coordination of scrutiny towards greater collaboration and integration of scrutiny activity and approaches.

**38.** Over the next year the SSG's priorities are to focus its collective efforts in areas that:

- will deliver improvements in efficiency and add value to how scrutiny is delivered;
- create more public value through greater collaboration and the alignment of scrutiny assessment frameworks and approaches; and
- will deliver more sharing of skills and expertise across scrutiny bodies and ensure that scrutiny partners are learning from each others good practices and from scrutiny approaches and methodologies.

**39.** The SSG has identified several cross-cutting themes (Community Empowerment, Integrated public service delivery, prevention, addressing inequalities and improvement) as potential lenses through which any future collaborative scrutiny can be viewed. There are also several practical areas already identified for scrutiny activity where greater collaborative scrutiny between SSG members can be developed, including:

- Health and social care integration
- Fire reform
- Mental Health (including prisoner healthcare and support)
- Housing

- Children's Services
- Educational attainment.

**40.** The SSG is keen to use future collaborative scrutiny activity as an opportunity to test new approaches to scrutiny in line with the recommendations of its 2016 short-life working group on 'Scrutiny in the 21st century'. This would mean:

- focusing on the impact that implementation of the community empowerment and integrated children's services agendas are having on improving outcomes and addressing inequalities within specific communities
- adopting more flexible approaches to resourcing scrutiny activity (shared leadership of scrutiny teams, staff secondments, etc.)
- testing common methodologies and scrutiny approaches.

# Appendix 1

## The Local Government Scrutiny Coordination Strategic Group members



Accounts Commission	The Accounts Commission is a non-departmental public body (NDPB). The Accounts Commission is the public's independent watchdog for local government in Scotland. Its role is to examine how Scotland's 32 councils manage their finances, help these bodies manage their resources efficiently and effectively, promote Best Value and publish information every year about how they perform.
Audit Scotland	Audit Scotland is a statutory body providing services to the Accounts Commission and the Auditor General for Scotland (AGS). Working together, the Accounts Commission, the AGS and Audit Scotland ensure that public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.
Care Inspectorate	The Care Inspectorate is a non-departmental public body (NDPB). Its purpose is to provide robust, independent assurance and protection for people who use social work and social care services and support innovation and improvement. It undertakes work itself or with scrutiny partners as in the case of children's services inspections.
Education Scotland	Education Scotland is an executive agency. It is the Scottish Government's national development and improvement agency for education. It is charged with providing support and challenge to the education system, from early years to adult learning, in line with the government's policy objectives.
Healthcare Improvement Scotland	Healthcare Improvement Scotland (HIS) is a health body. The function of HIS is to improve the quality of the care and experience of every person in Scotland every time they access healthcare by supporting healthcare providers.
Her Majesty's Fire Service Inspectorate	Her Majesty's Fire Service Inspectorate in Scotland exists to provide independent, risk based and proportionate professional inspection of the Scottish Fire and Rescue Service. Its purpose is to give assurance to the Scottish public and Scottish ministers that the Service is working in an efficient and effective way, and to promote improvement in the Service. Through this, the Inspectorate provides external quality assurance to the Service, and provides support to the Service in delivering its functions.
Her Majesty's Inspectorate of Constabulary in Scotland	Her Majesty's Inspectorate of Constabulary in Scotland (HMICS) provides independent scrutiny of both Police Scotland and the Scottish Police Authority. Its approach is to support Police Scotland and the Authority to deliver services that are high quality, continually improving, effective and responsive to local needs. It can inspect other UK police services that operate in Scotland and are members of the National Preventive Mechanism, inspecting police custody centres to monitor the treatment and conditions for detainees.
Her Majesty's Inspectorate of Prisons for Scotland	Her Majesty's Chief Inspector of Prisons for Scotland provides oversight and scrutiny of the 15 prisons in Scotland, by way of inspection and monitoring, in order to report on the conditions in prison and the treatment of prisoners. Monitoring is conducted by volunteer Independent Prison Monitors, who are required to visit every prison every week, to respond to prisoners' requests and to monitor conditions. HMIPS also has responsibility for inspecting court custody cells and the conditions in which prisoners are transported.

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Inspectorate of Prosecution in Scotland	The Inspectorate of Prosecution in Scotland is headed by HM Chief Inspector who reports directly to the Lord Advocate. The aim of the Inspectorate is to enhance the quality of service and public confidence in the Crown Office and Procurator Fiscal Service through independent inspection and evaluation.
Scottish Housing Regulator	The Scottish Housing Regulator (SHR) is a non-ministerial department. The statutory objective of the SHR is to safeguard and promote the interests of people who are or may become homeless, tenants of social landlords, or recipients of housing services provided by social landlords.

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# Appendix 2

## Glossary



Local Scrutiny Plan (LSP)	Document which captures agreed areas of risk and good practice, and the resulting scrutiny response for each council. It is the primary planning document for scrutiny bodies.
Local Area Network (LAN)	There is a LAN for each council, comprising representatives of all the scrutiny bodies who engage with the council. LAN members ensure that information and intelligence held by each scrutiny body is shared.
Local Government Benchmarking Framework (LGBF)	The LGBF reports on how much councils spend on particular services, their performance and how satisfied people are with these services. It supports evidence-based comparisons between similar councils so that they can work and learn together to improve their services.
National Scrutiny Plan (NSP)	The aggregation of the individual council's scrutiny plans into a national plan detailing all the scrutiny work planned across Scottish councils.
Scottish Social Housing Charter	The Scottish Social Housing Charter sets the standards and outcomes that all social landlords should aim to achieve when performing their housing activities. The Charter was approved by the Scottish Parliament and came into effect from 1 April 2012 and has been revised with effect from 1 April 2017.
Shared Risk Assessment (SRA)	A joint approach using key information about local government to plan scrutiny activity that is proportionate and based on risk.
Validated self-evaluation (VSE)	Assistance provided by Education Scotland to councils on request, to help them develop their own methods and quality of self scrutiny.

# National scrutiny plan 2017/18

## A summary of local government strategic scrutiny activity

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

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

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# National Scrutiny Plan for Local Government 2017/18

Council	Q1			Q2			Q3			Q4		
	April	May	June	July	August	September	October	November	December	January	February	March
Aberdeen City												
Aberdeenshire							CLD					CIAG
Angus			Police (Tayside)									
Argyll & Bute			EA F/U			EA F/U						
Clackmannanshire					BVAR					EPS		ASI
Dumfries & Galloway							CIAG		CLD	EPS		
Dundee City			Police (Tayside)									
East Ayrshire		EPS			CSI			CSI		CLD		
East Dunbartonshire		CLD		BV F/U								
East Lothian						EPS F/U	BVAR				CLD	
East Renfrewshire	BVAR											
City of Edinburgh								CIAG		Fire	HB	CLD F/U
Eilean Siar	HB	CSI F/U						EPS F/U		ASI F/U		
Falkirk	BV F/U						EPS					
Fife						CIAG F/U	BVAR		CLD			
Glasgow City	CIAG F/U						BVAR					
Highland			Fire									
Inverclyde		CSI									CIAG	
Midlothian												
Moray				HB		CSI F/U				CLD		
North Ayrshire		CLD										
North Lanarkshire			CLD		ASI				Fire			
Orkney Islands	BVAR					CIAG		CLD				
Perth & Kinross			Police (Tayside)				CSI		CSI	CLD		
Renfrewshire	BVAR							CIAG F/U		CLD		
Scottish Borders	CIAG F/U	EPS		HB		CLD						
Shetland Islands							HB	EPS				
South Ayrshire						CIAG F/U				CSI F/U		
South Lanarkshire												
Stirling		EPS									CLD	ASI
West Dunbartonshire							BVAR					
West Lothian	BVAR						HB					

## Key

Audit Scotland	
Best Value Follow-up (BV F/U)	
Best Value Assurance Report (BVAR)	
Housing Benefit Risk Assessment (HB)	

Care Inspectorate/Multi-agency	
Children's Services Inspection (CSI)	
Adult Services Inspection (ASI)	

Education Scotland	
Valided self-evaluation of Education Psychology Service (EPS)	
Inspection of Careers Information Advice and Guidance (CIAG)/Follow Up (CIAG F/U)	
Inspection of education authority (EA)/Follow Up (EA F/U)	
Inspection of Community Learning and Development (CLD)/Follow Up (CLD F/U)	

HMFSI	
Local area inspections (Fire)	

HMICS	
Local policing inspection (Police)	



# National Scrutiny Plan for Local Government 2017/18

Council	Previous scrutiny activity 2014/15 - 2016/17
<a href="#">Aberdeen City</a>	Children's Services Inspection ( <b>CSI</b> ), 2014/15. Community Planning Partnership Audit ( <b>CPP</b> ), Adult Services Inspection ( <b>ASI</b> ), Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Housing Benefit Risk Assessment ( <b>HB</b> ), 2015/16.
<a href="#">Aberdeenshire</a>	Children's Services Inspection ( <b>CSI</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), 2015/16 . Housing Benefit Risk Assessment ( <b>HB</b> ), Education Psychology Service ( <b>EPS</b> ), Careers Information ( <b>CIAG</b> ), 2016/17.
<a href="#">Angus</a>	Adult Services Inspection ( <b>ASI</b> ), 2014/15. Multi-Agency Public Protection Arrangements, ( <b>MAPPA</b> ), Best Value Follow-up ( <b>BV F/U</b> ), 2015/16 . Children's Services Inspection ( <b>CSI</b> ) 2016/17.
<a href="#">Argyll &amp; Bute</a>	Housing Benefit Risk Assessment ( <b>HB</b> ), Best Value Follow-up ( <b>BV F/U</b> ), Skills Development Scotland ( <b>SDS</b> ), 2014/15. Adult Services Inspection ( <b>ASI</b> ), Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Best Value Follow-up ( <b>BV F/U</b> ), 2015/16.
<a href="#">Clackmannanshire</a>	Housing Benefit Risk Assessment ( <b>HB</b> ), Validated Self-Evaluation ( <b>VSE</b> ), Skills Development Scotland ( <b>SDS</b> ), 2014/15. Children's Services Inspection ( <b>CSI</b> ), 2014/15, Multi-Agency Public Protection Arrangements, ( <b>MAPPA</b> ), 2015/16. Education Psychology Service ( <b>EPS</b> ), Local Area Network additional work ( <b>LAN</b> ), 2016/17.
<a href="#">Dumfries &amp; Galloway</a>	Additional annual audit work ( <b>AAA</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Validated Self-Evaluation ( <b>VSE</b> ), Children's Services Inspection, ( <b>CSI</b> ), Adult Services Inspection ( <b>ASI</b> ), Performance Investigation ( <b>SHR</b> ), 2015/16. Performance Investigation ( <b>SHR</b> ), Education Psychology Service ( <b>EPS</b> ), 2016/17.
<a href="#">Dundee City</a>	Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Children's Services Inspection ( <b>CSI</b> ), Local area inspections ( <b>Fire</b> ), 2015/16. Housing Benefit Risk Assessment ( <b>HB</b> ), Education Psychology Service ( <b>EPS</b> ), 2016/17.
<a href="#">East Ayrshire</a>	Validated Self-Evaluation ( <b>VSE</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), 2015/16. Housing Benefit Risk Assessment ( <b>HB</b> ), Education Psychology Service ( <b>EPS</b> ), Careers Information ( <b>CIAG</b> ), 2016/17.
<a href="#">East Dunbartonshire</a>	Housing Benefit Risk Assessment ( <b>HB</b> ), Best Value Follow-up ( <b>BV F/U</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Education Psychology Service ( <b>EPS</b> ), 2015/16. Best Value Follow-up ( <b>BV F/U</b> ), Performance Investigation ( <b>SHR</b> ), 2016/17.
<a href="#">East Lothian</a>	Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Adult Services Inspection ( <b>ASI</b> ), Housing Benefit Risk Assessment ( <b>HB</b> ), 2015/16. Performance Investigation ( <b>SHR</b> ), 2016/17.
<a href="#">East Renfrewshire</a>	Housing Benefit Risk Assessment ( <b>HB</b> ), Children's Services Inspection ( <b>CSI</b> ), 2014/15. Public Protection Arrangements ( <b>MAPPA</b> ), Local area inspections ( <b>Fire</b> ), 2015/16. Housing Benefit Risk Assessment ( <b>HB</b> ), Education Psychology Service ( <b>EPS</b> ), 2016/17.
<a href="#">City of Edinburgh</a>	Housing Benefit Risk Assessment ( <b>HB</b> ), Best Value Follow-up ( <b>BV F/U</b> ), 2014/15. Public Protection Arrangements ( <b>MAPPA</b> ), Local policing inspection ( <b>Police</b> ), Best Value Follow-up ( <b>BV F/U</b> ), 2015/16. Adult Services Inspection ( <b>ASI</b> ), Careers Information ( <b>CIAG</b> ), 2016/17.
<a href="#">Eilean Siar</a>	Housing Benefit Risk Assessment ( <b>HB</b> ), 2014/15. Children's Services Inspection ( <b>CSI</b> ), Adult Services Inspection ( <b>ASI</b> ), Multi-Agency Public Protection Arrangements, ( <b>MAPPA</b> ), Local area inspections ( <b>Fire</b> ), 2015/16. Education Psychology Service ( <b>EPS</b> ), 2016/17.
<a href="#">Falkirk</a>	Targeted Best Value Audit ( <b>TBV</b> ), Adult Services Inspection ( <b>ASI</b> ), 2015/16. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Community Planning Partnership Audit ( <b>CPP</b> ), Children's Services Inspection ( <b>CSI</b> ), Housing Benefit Risk Assessment ( <b>HB</b> ), 2015/16. Best Value Follow-up ( <b>BV F/U</b> ), Education Psychology Service ( <b>EPS</b> ), Careers Information ( <b>CIAG</b> ), 2016/17.
<a href="#">Fife</a>	Adult Services Inspection ( <b>ASI</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Children's Services Inspection ( <b>CSI</b> ), Careers Information ( <b>CIAG</b> ), 2015/16. Housing Benefit Risk Assessment ( <b>HB</b> ), Education Psychology Service ( <b>EPS</b> ), 2016/17.
<a href="#">Glasgow City</a>	Housing Benefit Risk Assessment ( <b>HB</b> ), Skills Development Scotland ( <b>SDS</b> ), Adult Services Inspection ( <b>ASI</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Community Planning Partnership Audit ( <b>CPP</b> ), Careers Information ( <b>CIAG</b> ), 2015/16. Performance Investigation ( <b>SHR</b> ), Children's Services Inspection ( <b>CSI</b> ), Local area inspections ( <b>Fire</b> ), 2016/17.
<a href="#">Highland</a>	Adult Services Inspection ( <b>ASI</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), 2015/16. Education Psychology Service ( <b>EPS</b> ), 2016/17.
<a href="#">Inverclyde</a>	Education Psychology Service ( <b>EPS</b> ), Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), 2015/16. Housing Benefit Risk Assessment ( <b>HB</b> ), 2016/17.
<a href="#">Midlothian</a>	Education Psychology Service ( <b>EPS</b> ), Housing Benefit Risk Assessment ( <b>HB</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), 2015/16.
<a href="#">Moray</a>	Best Value Follow-up ( <b>BV F/U</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Best Value Follow-up ( <b>BV F/U</b> ), Education Psychology Service ( <b>EPS</b> ), Housing Benefit Risk Assessment ( <b>HB</b> ), Community Planning Partnership ( <b>CPP</b> ), 2015/16. Careers Information ( <b>CIAG</b> ), Children's Services Inspection ( <b>CSI</b> ), Local area inspections ( <b>Fire</b> ), 2016/17.
<a href="#">North Ayrshire</a>	Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Housing Benefit Risk Assessment ( <b>HB</b> ), Community Planning Partnership ( <b>CPP</b> ), 2015/16. Education Psychology Service ( <b>EPS</b> ), 2016/17.
<a href="#">North Lanarkshire</a>	Scottish Housing Quality Standard ( <b>SHQS</b> ), Children's Services Inspection ( <b>CSI</b> ), Skills Development Scotland ( <b>SDS</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Housing Benefit Risk Assessment ( <b>HB</b> ), 2015/16. Education Psychology Service ( <b>EPS</b> ), 2016/17.
<a href="#">Orkney Islands</a>	Performance Inquiry, Scottish Housing Quality Standard ( <b>SHQS</b> ), Community Planning Partnership ( <b>CPP</b> ), 2014/15. Education Psychology Service ( <b>EPS</b> ), Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Housing Benefit Risk Assessment ( <b>HB</b> ), Performance Investigation ( <b>SHR</b> ), Community Planning Partnership Audit ( <b>CPP</b> ), 2015/16. Education Psychology Service ( <b>EPS</b> ), Careers Information ( <b>CIAG</b> ), Adult Services Inspection ( <b>ASI</b> ), 2016/17.
<a href="#">Perth &amp; Kinross</a>	Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Housing Benefit Risk Assessment ( <b>HB</b> ), Careers Information ( <b>CIAG</b> ), 2015/16. Performance Investigation ( <b>SHR</b> ), 2016/17.
<a href="#">Renfrewshire</a>	Housing Benefit Risk Assessment ( <b>HB</b> ), Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), 2015/16.
<a href="#">Scottish Borders</a>	Housing Benefit Risk Assessment ( <b>HB</b> ), Additional annual audit work ( <b>AAA</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Careers Information ( <b>CIAG</b> ), Community Planning Partnership Audit ( <b>CPP</b> ), Children's Services Inspection ( <b>CSI</b> ), 2015/16. Local area inspections ( <b>Fire</b> ), Adult Services Inspection ( <b>ASI</b> ), 2016/17.
<a href="#">Shetland Islands</a>	Adult Services Inspection ( <b>ASI</b> ), Children's Services Inspection ( <b>CSI</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Careers Information ( <b>CIAG</b> ), Housing Benefit Risk Assessment ( <b>HB</b> ), 2015/16.
<a href="#">South Ayrshire</a>	Validated Self-Evaluation ( <b>VSE</b> ), Best Value Follow-up ( <b>BV F/U</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Best Value Follow-up ( <b>BV F/U</b> ), 2015/16. Local area inspections ( <b>Fire</b> ), Best Value Follow-up ( <b>BV F/U</b> ), Children's Services Inspection ( <b>CSI</b> ), 2016/17.
<a href="#">South Lanarkshire</a>	Children's Services Inspection ( <b>CSI</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Adult Services Inspection ( <b>ASI</b> ), 2015/16. Housing Benefit Risk Assessment ( <b>HB</b> ), 2016/17.
<a href="#">Stirling</a>	Validated Self-Evaluation ( <b>VSE</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), 2015/16. Housing Benefit Risk Assessment ( <b>HB</b> ), Education Psychology Service ( <b>EPS</b> ), Careers Information ( <b>CIAG</b> ), 2016/17.
<a href="#">West Dunbartonshire</a>	Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), 2015/16. Children's Services Inspection ( <b>CSI</b> ), Careers Information ( <b>CIAG</b> ), 2016/17.
<a href="#">West Lothian</a>	Housing Benefit Risk Assessment ( <b>HB</b> ), Community Planning Partnership Audit ( <b>CPP</b> ), Skills Development Scotland ( <b>SDS</b> ), 2014/15. Multi-Agency Public Protection Arrangements ( <b>MAPPA</b> ), Education Psychology Service ( <b>EPS</b> ), Community Planning Partnership Audit ( <b>CPP</b> ), Local area inspections ( <b>Fire</b> ), 2015/16. Children's Services Inspection ( <b>CSI</b> ), 2016/17.