ACCOUNTS COMMISSION ✓

444th meeting of the Accounts Commission for Scotland
Thursday 8 March 2018, 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 12 to 15 in private.

4. **Minutes of meeting of 8 February 2018.**

5. **Minutes of meeting of Financial Audit and Assurance Committee of 22 February 2018.**

6. **Minutes of meeting of Performance Audit Committee of 22 February 2018.**

7. **Update report by the Secretary to the Accounts Commission:** The Commission will consider a report by the Secretary to the Commission.

8. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit.

9. **Work programme: consultation outputs:** The Commission will consider a report by the Secretary to the Commission.

10. **Local Government Benchmarking Framework: National Benchmarking Overview Report 2016/17:** The Commission will consider a report by the Secretary to the Commission**.**

11. **Briefing: the changing Social Security landscape:** The Commission will consider a draft report by the Assistant Director, Audit Services and PABV.

12. **Statutory report: City of Edinburgh Council:** The Commission will consider a report by the Controller of Audit.

13. **Statutory report: Dundee City Council:** The Commission will consider a report by the Controller of Audit.

The following items are proposed to be considered in private:

14. **Statutory report: City of Edinburgh Council:** The Commission will consider the action it wishes to take.

15. **Statutory report: Dundee City Council:** The Commission will consider the action it wishes to take.

16. **Overview of local government in Scotland: draft report:** The Commission will consider a report by the Director of Performance Audit and Best Value.

17. **Commission business matters**: The Commission will discuss matters of interest.

* It is proposed that items 14 to 17 be considered in private because:

- Items 14 and 15 require the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the council in question of its decision, which the Commission does before making the decision public.

- Item 16 proposes a draft audit report, which the Commission is to consider and consult appropriately with stakeholders if necessary before publishing.

- Item 17 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

The following papers are enclosed for this meeting:

Agenda Item	Paper number
Agenda item 4: Minutes of meeting of 11 January 2018	AC.2018.3.1
Agenda item 5: Minutes of meeting of Financial Audit and Assurance Committee of 22 February 2018	AC.2018.3.2
Agenda item 6: Minutes of meeting of Performance Audit Committee of 22 February 2018	AC.2018.3.3
Agenda item 7: Report by Secretary to the Commission	AC.2018.3.4
Agenda item 9: Report by Director of Performance Audit and Best Value	AC.2018.3.5
Agenda item 10: Report by Secretary to the Commission	AC.2018.3.6
Agenda item 11: Report by Assistant Director of Audit Services and PABV	AC.2018.3.7
Agenda item 12: Report by Controller of Audit	AC.2018.3.8
Agenda item 13: Report by Controller of Audit	AC.2018.3.9
Agenda item 16: Report by Director of Performance Audit and Best Value	AC.2018.3.10

ACCOUNTS COMMISSION ✓

MEETING: 8 MARCH 2018

MINUTES OF PREVIOUS MEETING

Minutes of the 443rd meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 8 February 2018, at 10.15am

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

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
                Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
                John Gilchrist, Appointments and Assurance Manager [Item 10]
                Fiona Mitchell-Knight, Assistant Director, Audit Services Group (ASG) [Items 8 and 9]
                Tommy Yule, Senior Auditor, ASG [Items 8 and 9]

Item No   Subject

1.   Apologies for absence
2.   Declarations of interest
3.   Decisions on taking business in private
4.   Minutes of meeting of 8 December 2017
5.   Audit Scotland Board update
6.   Update report by the Secretary to the Accounts Commission
7.   Update report by the Controller of Audit
8.   Annual Assurance and Risks Report
9.   New approach to auditing Best Value: review
10.   Proposed change of audit appointment
11.   Commission business matters

1. Apologies for absence

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

2. Declarations of interest

   The following declarations of interest were made:
   - Christine May, in item 8, as a former member of Fife Council, in relation to references to Dunfermline Flood Prevention Scheme.

3. Decisions on taking business in private

   It was agreed that the no items needed to be taken in private.

4. Minutes of meeting of 11 January 2018

   The Commission approved as a correct record the minutes of the meeting of 11 January.

5. Audit Scotland Board Update

   The Commission considered a verbal report by the Chair and Secretary to the Commission.

   During discussion, the Commission agreed that the Secretary discuss with Audit Scotland the profile of the Commission in Audit Scotland's Digital Services Strategy.

   Following discussion, the Commission agreed to note the report.

6. Update report by the Secretary to the Accounts Commission

   The Commission considered a report by the Secretary to the Commission providing an update on significant recent activity relating to local government and issues of relevance or interest across the wider public sector.

   During discussion, the Commission:
   - In relation to paragraph 13, in response to a query from Ronnie Hinds, noted advice from the Director of PABV that references to the Commission's performance audit on early learning and childcare, to be published on 15 February, in the Scottish Government's report *The Expansion of Early Learning and Childcare: Evaluation Report 2017*, did not contradict or compromise the messages of the performance audit.

   - In relation to paragraph 24, in response to a query from Sandy Cumming, that a representative of the Scottish Crown Estate be part of the Commission's programme of lunchtime speakers.

     Action: Secretary

   - Further in this regard that the Secretary share with members for comment a list of proposed speakers.

     Action: Secretary

   - In relation to paragraph 25, in response to a point by Sophie Flemig, agreed that the issue of homelessness and vulnerable people be considered by the Commission as part of its consideration of its work programme and at its Strategy Seminar.

     Action: Secretary

- Further in relation to paragraph 25, in response to a query from Pauline Weetman, it was agreed that equalities related issues in relation to homelessness in Scotland be considered by Audit Scotland's Health, Care and Communities Policy Cluster and the Diversity and Equalities Steering Group as appropriate.

Action: Director of PABV and Secretary

Following discussion, the Commission noted the report.

7.　Update report by the Controller of Audit

The Controller of Audit provided a verbal update on his recent activity including meetings and discussions with stakeholders.

During discussion, the Commission:

- In relation to a query from Christine May, noted advice from the Controller of Audit that Audit Scotland was monitoring the implications of recent problems associated with large-scale outsources service providers, and he would report further to the Commission as appropriate.

- Further in this regard, in relation to a query from Stephen Moore, noted advice from the Controller of Audit about the role of the new audit quality framework in reporting the performance of audit service providers.

- In relation to a point by Sophie Flemig, agreed that monitoring by the Controller of Audit in relation to recent issues arising in the care home sector include associated wider maters in relation to support for older and vulnerable people.

- In relation to a query from Tim McKay, agreed that further information be provided on the General Data Protection Regulation.

Actions: Controller of Audit

Following discussion, the Commission noted the update.

8.　Annual Assurance and Risks Report

The Commission considered a report by the Controller of Audit introducing the Annual Assurance and Risks Report (AARR).

During discussion, the Commission agreed:

- In relation to paragraph 30, in response to a query from Tim McKay, that details of the 270 registered charities within 91 sets of charity accounts be provided for information to members via the members' extranet portal.

Action: Secretary

- In response to a point by Ronnie Hinds, that it consider further at its forthcoming Annual Strategy Seminar how reporting of outcomes is reflected in its strategic audit priorities and associated work.

- That consideration be given by the Commission and the Controller of Audit to how its strategic audit priority in relation to the reporting by councils of performance to citizens be reported more prominently.

- Further in this regard, to note advice from the Secretary that such consideration will include the Commission's commitment to reviewing, by the end of 2018, its statutory performance information Direction.

- In relation to paragraph 104, in response to queries from Tim McKay and Sheila Gunn, that further consideration be given by the Commission and the Controller of Audit to the reporting the effectiveness of shared services, including skills of elected members in this regard.

- In relation to paragraph 129, in response to a point by Sophie Flemig, that it consider further at its Strategy Seminar how community empowerment is reflected in its strategic audit priorities.

- In relation to paragraph 159, in response to a query from Tim McKay, that it further consider how to engage with health and social care integration authorities.

Action: Secretary

- In relation to paragraph 191, that the suggestions made by the Controller of Audit in relation to refining its strategic audit priorities be considered further at its Strategy Seminar.

- In relation to paragraph 157, in response to a point by Pauline Weetman and in relation to paragraph 4 of the minutes of the Financial Audit and Assurance Committee of 30 November 2017, noted its previous agreement of the Committee's recommendation that it advise council chief executives to stress to them the importance of councils ensuring the highest quality final accounts process.

Following discussion, the Commission agreed:

- To endorse the Annual Audit and Assurance Report and thereby the assurance provided by the Controller of Audit on how matters arising in audit work is reported to the Commission.

- Agreed that the Chair write to all councils advising of the Commission's endorsement of the AARR and including reference to the point set out above in relation to paragraph 157 of the AARR.

- Agreed that further development of the report, in advance of next year's report, include consideration of:
    - A greater degree of reporting of risk issues.
    - A greater degree of coverage of matters beyond the Commission's strategic audit priorities.

Actions: Secretary & Controller of Audit

9. <u>New approach to auditing Best Value: review</u>

The Commission considered a report by the Secretary introducing the Director of PABV's review of the first year of the new approach to auditing Best Value.

The Chair welcomed Richard Scothorne, Director, Rocket Science, who had as part of the review undertaken independent engagement with the councils who had been subject of the first six Best Value Assurance Reports.

During discussion, the Commission agreed:

- To note advice from Richard Scothorne on general observations that he had drawn from his engagement with council stakeholders on their experience of the process.

- To note advice from the Director, in response to a query from Christine May, that he would continue to monitor the robustness of auditors' annual audit

plans in order to provide the Commission with assurance about the coverage of Best Value across the five years of auditors' appointments.

- To note that further feedback and review of the audit will be reported to the Commission in the annual audit quality report, to be considered by the Commission at its April meeting.

- In relation to paragraph 93, that the feedback from consultants on accessibility and plain language issues associated with audit reports, be shared with members via the extranet portal.

Action: Secretary and Director of PABV

Thereafter, the Commission agreed:

- To endorse the Director's report on his review of the first year of auditing Best Value, thereby noting the effectiveness of the new approach in meeting much of the Commission's expectations and the generally positive experience articulated by councils.

- Thereby endorsing the recommended areas of improvement in the Director's report, subject to:
  - o Including the following areas of improvement:
    - Considering further how to introduce more responsiveness in individual audits where ongoing feedback from councils on their experience is not positive.
    - Considering how the Commission's strategic audit priorities are defined and reflected in audit work and associated guidance.
    - Considering the effectiveness of the reporting of outputs to the public.
    - Considering the relationship between Commission findings and subsequent press releases and other promotion material.
    - Ensuring more testing of councils' approaches to benchmarking.
    - Improvement in relation to the integrated audit approach (i.e. paragraphs 104 to 107)
    - Engagement between the Commission, auditors and councils around audit reporting.
  - o Giving further consideration to improvement action 12, in relation to how the conclusions of audit work are presented to audited bodies.

Actions: Director of PABV and Secretary

- To continue the role of the Commission's Best Value Working Group, to allow it to take forward the conclusions of the review and report to the Commission as appropriate.

- To engage directly with councils on the outcome of the review, to follow the model of the engagement events undertaken in late 2016 following the agreement of the auditing framework.

- As part of this, to advise stakeholders in advance of the Commission's endorsement of the review.

Actions: Secretary

- To note advice from the Director that he would write to auditors advising of the outcome of and matters arising from the review.

10.   <u>Proposed change of audit appointment</u>

The Commission considered a report by the Assistant Director, Appointments and Assurance Team recommending a change of the appointment to audit the East of Scotland European Consortium (ESEC) from KPMG to the Director of Audit Services, Audit Scotland.

Following discussion, the Commission agreed to:

- Accept KPMG's withdrawal from the appointment to audit ESEC.
- Appoint Fiona Kordiak, Director of Audit Services, Audit Scotland, to audit ESEC.

11.   <u>Commission business matters and closing remarks</u>

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

MEETING: 8 MARCH 2018

MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF 22 FEBRUARY 2018

Minutes of the FINANCIAL AUDIT AND ASSURANCE COMMITTEE of the ACCOUNTS COMMISSION held in the offices of Audit Scotland at 102 West Port, Edinburgh, on 22 FEBRUARY 2018

PRESENT: Pauline Weetman (Chair)
Sheila Gunn
Tim McKay
Geraldine Wooley
Ronnie Hinds
Graham Sharp

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
Fiona Kordiak, Director, Audit Services (Items 3 and 4)
Anne MacDonald, Senior Audit Manager, ASG (Items 3 and 4)
Joanne Brown, Director - Head of Public Sector Assurance Scotland, Grant Thornton (Item 5)

Item No   Subject

1.   Apologies for absence
2.   Declarations of interest
3.   Minutes of meeting of 30 November 2017
4.   Current issues from the local authority audits
5.   The auditor perspective: Grant Thornton
6.   Intelligence from Ombudsman etc (six-monthly report)
7.   Any other business

1.	Apologies for absence

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

2.	Declarations of interest

The following declaration of interest was made:

- Sheila Gunn, in item 4, as a non-executive Director of the Wheatley Group, in relation to references to housing matters.

- Pauline Weetman, in item 4, as a resident of Edinburgh, in relation to references to City of Edinburgh Council.

3.	Minutes of meeting of 30 November 2017

The minutes of the meeting of 30 November 2017 were approved as a correct record.

Arising therefrom, the Committee:

- In relation to item 3, second bullet point, noted advice from the Controller of Audit that he would report further on Aberdeen City Council's assessment of risk in relation to its joint venture with Hunchbuzz Limited.

Action: Controller of Audit

- In relation to item 4, first bullet point, noted advice from the Secretary that the Commission had agreed the Committee's recommendation that the Chair of the Commission write to council chief executives to stress to them the importance of councils ensuring the highest quality final accounts process, to be done as part of the Commission's communication with councils around issues arising from its endorsement, at its February meeting, of the Controller of Audit's Annual Assurance and Risk Report.

- In relation to item 4, third bullet point, noted advice from the Controller of Audit that he would report further on the arrangements in place around the masterplan for physical developments around Winchburgh, West Lothian.

- In relation to item 4, fourth bullet point, noted advice from the Controller of Audit that he would report further on Scottish Borders Council's review and 'lessons learned' activities around its cancelled waste management facility, including relating to the scoping of the contract.

Actions: Controller of Audit

- In relation to item 6, noted advice from the Committee Chair that dialogue with the Appointments and Assurance Team around the content of the first and second quality reports is ongoing.

- In relation to item 9, noted advice from the Director of Audit Services that she would discuss with the Commission Secretary options for considering professional scepticism.

Action: Controller of Audit

4.   <u>Current issues from the local authority audits</u>

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

During discussion, the Committee agreed:

- To note advice from the Controller of Audit, in response to a query from Pauline Weetman, that the progress of locality committees in City of Edinburgh Council would be considered by the auditor as part of Best Value auditing activity.

- To note advice from the Director of Audit Services, in relation to a query from Geraldine Wooley, that East Lothian and Moray councils had approved their annual budgets.

- To note advice from the Controller of Audit, in response to a query from Geraldine Wooley, that he would continue to monitor levels of Local Authorities Public Sector Network Accreditation.

- That, in response to a query from Ronnie Hinds, the Controller of Audit provide further information on City of Edinburgh Council's proposal to develop an arm's length body, Edinburgh Homes.

- To note advice from the Controller of Audit, in response to a query from Pauline Weetman, that issues around East Renfrewshire Council's management of council tax direct debits would be considered by the local auditor as part of monitoring the Council's response to the Best Value Assurance Report on the Council.

- To note the report on the information considered by Aberdeen City Council when considering a proposal to issue its capital bond, and to continue its interest in the matter, with the Controller of Audit updating the Committee as appropriate.

Actions: Controller of Audit

Thereafter, the Committee noted the report.

5   <u>The auditor perspective: Grant Thornton</u>

The Committee considered a paper by the Secretary on the latest in a series of presentations from auditors on the auditor perspective of audit work in the context of the first year's implementation of the new Code of Audit Practice and audit planning guidance.

The Chair welcomed Joanne Brown, Head of Public Sector Assurance Scotland, Grant Thornton, who undertook a presentation in this regard.

During discussion, the Committee agreed to recommend to the Commission that the strengths, challenges and risks set out by Joanne Brown be considered in the development of the approach to audit, including in relation to:

- Sharing and reporting of good and different practice in annual audit conclusions and more widely with other audited bodies.

- Responding to the expectations and requirements of different audited bodies.

- Further developing the reporting of culture and leadership.

- The optimum size of the annual audit report.

- Benchmarking conclusions across public sector annual audit work.

- Alignment of strategic audit priorities, audit dimensions and Best Value requirements.

Action: Secretary

Thereafter, the Chair thanked Joanne Brown for her presentation.

6. <u>Intelligence from Ombudsman etc (six-monthly report)</u>

The Committee considered a report by the Secretary to the Commission reporting intelligence on councils, emerging from Audit Scotland correspondence and information reported by the Scottish Public Sector Ombudsman, Commissioner for Ethical Standards in Public Life in Scotland, Standards Commission for Scotland and Scottish Information Commissioner.

During discussion, the Committee agreed:

- That it is assured about audit coverage of issues raised by the public in correspondence with Audit Scotland and the Commission, as set out in the report.

- That this conclusion be reported as part of the Commission's reporting to the public about its assurance around the quality of audit work.

Action: Secretary and Assistant Director of Appointments and Assurance

- To note the recent conclusions reported publicly by the Scottish Public Sector Ombudsman (SPSO), Commissioner for Ethical Standards in Public Life in Scotland, Standards Commission for Scotland and Scottish Information Commissioner in relation to their responsibilities, as set out in the report.

- To note that such conclusions are considered by auditors as part of audit planning and risk assessment work.

7. <u>Any other business</u>

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

MEETING: 8 MARCH 2018

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 22 FEBRUARY 2018

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of held in the offices of 102 West Port, Edinburgh, on Thursday 22 February 2018, at 2.00pm.

PRESENT:	Ronnie Hinds (Chair)
	Alan Campbell
	Sophie Flemig
	Christine May
	Stephen Moore
	Graham Sharp
OTHER COMMISSION MEMBERS PRESENT:	Tim McKay [Item 6]
	Pauline Weetman
	Geraldine Wooley
IN ATTENDANCE:	Paul Reilly, Secretary to the Commission
	Fraser McKinlay, Director of Performance Audit and Best Value (PABV)
	Carol Calder, Senior Manager, PABV [Item 8]
	Neil Cartlidge, Audit Manager, PABV [Item 7]
	Antony Clark, Assistant Director, PABV [Item 4]
	Derek Hoy, Audit Officer, PABV [Item 6]
	Leigh Johnston, Senior Manager, PABV [Items 5, 7 & 8]
	Ronnie Nicol, Assistant Director, PABV [Items 6 & 8]
	Dharshi Santhakumaran, Audit Manager, PABV [Item 5]
	Claire Sweeney, Associate Director, PABV [Items 5, 7 & 8]
	Peter Worsdale, Audit Manager, PABV [Item 6]
	Rikki Young, Business Manager, PABV [Item 4]

Item no.	Subject
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 23 November 2017
4.	Work programme update
5.	Performance audit: emerging messages – Children and young people's mental health
6.	Performance audit: emerging messages – Councils' use of Arms-length organisations
7.	Performance audit: scope - Health and social care integration
8.	Policy briefing: Health, care and communities
9.	Any other business

1. Apologies for absence

   It was noted that apologies for absence had been received from Sandy Cumming.

2. Declarations of interest

   The following declarations of interest were made:

   - Sophie Flemig, in item 8, as a non-executive director of the Board of the Office of the Scottish Charities Regulator, in relation to references to arm's length external organisations.

   - Christine May, in item 8, as former Chair of Fife Cultural Trust, in relation to references to arm's length external organisations.

3. Minutes of meeting of 23 November 2017

   The minutes of the meeting of 23 November 2017 were approved as a correct record.

   Arising therefrom, the Committee agreed:

   - In relation to paragraph 6, first bullet point, to recommend to the Commission that a briefing on the performance of the Scottish economy take place for all Commission members, thus perhaps as a lunchtime speaker session, after summer 2018.

     Action: Secretary

   - In relation to paragraph 6, second bullet point, to note advice from the Director of PABV that he would discuss with the Secretary the Committee's desire for diversity and equalities issues to be covered in all cluster policy briefings, with a view to introducing an approach in the next briefings.

     Action: Director of PABV & Secretary

4. Work programme update

   The Committee considered a report by the Director of PABV providing an update on the parts of the work programme on which the Committee has an oversight and quality assurance role on behalf of the Commission.

   During discussion, the Committee agreed:

   - That issues around Brexit be considered in the scoping of the planned performance audit on the role of local authorities in economic growth.

   - Endorsed the proposal in the report to group the reporting of impact reports to the Committee.

   - To note that further information to this end be considered at its next meeting.

   - To note advice from Alan Campbell that, consequently, he would not be able to be sponsor of the proposed impact report for performance audit Roads maintenance follow-up.

     Actions: Director of PABV & Secretary

   - To note that the Commission would be considering at its March meeting the outputs from the ongoing consultation with councils on its work programme refresh proposals, with a view to approving the programme jointly with the Auditor General.

   Thereafter, the Committee noted the report.

5.   <u>Performance audit: emerging messages – Children and young people's mental health</u>

The Committee considered a report by the Director of PABV proposing the emerging messages from the performance audit on children and young people's mental health.

Following discussion, the Committee agreed:

- To endorse the emerging messages, subject to a small number of revisions and other points to be addressed by the audit team in conjunction with the audit sponsors, Sheila Gunn and Geraldine Wooley.

- That the audit team liaise with the sponsors and Auditor General as remaining audit fieldwork is completed.

- Agree that a draft audit report be brought to the Commission meeting in June 2018, prior to publication in September 2018.

Actions: Director of PABV & Secretary

6.   <u>Performance audit: emerging messages – Councils' use of arms-length external organisations</u>

The Committee considered a report by the Director of PABV proposing the emerging messages from the performance audit on councils' use of arms length external organisations (ALEOs).

Following discussion, the Committee agreed:

- To endorse the emerging messages, subject to a small number of revisions and other points to be addressed by the audit team in conjunction with the audit sponsors, Tim McKay and Stephen Moore.

- Agree that a draft audit report be brought to the Commission meeting in April 2018, prior to publication in May 2018.

Actions: Director of PABV & Secretary

7.   <u>Performance audit: scope - Health and social care integration: update on progress</u>

The Committee considered a report by the Director of PABV seeking approval of the approach to the performance audit *health and social care integration: update on progress.*

Following discussion, the Committee approved the approach proposed in the report, including the proposed audit scope leaflet for publishing, subject to the audit team addressing the issues raised in discussion in conjunction with the audit sponsors, Sophie Flemig and Pauline Weetman.

Action: Director of PABV

8.   <u>Policy briefing: Health, care and communities</u>

The Committee considered a briefing on the update on the work of the policy cluster for health, care and communities. The presentation was delivered by Carol Calder, Leigh Johnston, Ronnie Nicol and Claire Sweeney.

During discussion, the Committee agreed:

- That the outputs from the review of health and care targets and indicators by Professor Harry Burns be considered across appropriate audit work, and a watching brief be retained on developments arising from the review.

- That a watching brief be retained, and reported as appropriate, on long-term trends such as healthy life expectancy and drug deaths.

- To note advice from the Director in this regard that such information is covered in the Auditor General's NHS Overview report.

Actions: Director of PABV

- To note advice from the Secretary that the Commission would be considering the Local Government Benchmarking Framework (LGBF) annual report at its March meeting, and discussing matters arising with the Chair of the LGBF Board at its April meeting.

- To note advice from the Director, in response to a query from Sophie Flemig, that any Commission member is welcome to attend meetings of the Community Empowerment Advisory Group.

- To note the briefing, and to highlight in particular three areas of particular continuing interest, namely:
  o Health and social care integration
  o Local government performance, particularly detailed service performance data.
  o Housing.

9. <u>Any other business</u>

The Chair having advised that there was no further business, the meeting was closed.

ACCOUNTS COMMISSION ✓

MEETING: 8 MARCH 2018

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 members' portal. Hyperlinks are provided in the electronic version of this report for ease of reference.

Commission business

Publications

4.   On 15 February, the Accounts Commission, together with the Auditor General for Scotland (AGS), published performance audit on Early Learning and Childcare. It highlights significant risks surrounding the Scottish Government's ambition to double early learning and childcare (ELC) hours by August 2020. The report attracted widespread coverage in both print and broadcast media.

5.   The download statistics (with the increase from last month) for the reports published by the Commission over the last 12 months (as at 23 February) are shown below:

Report	Date	Report downloads	Report podcasts
Early learning and Childcare	15 Feb 2018	912 (+912)	78 (+78)
Falkirk Council Best Value follow-up audit 2017	1 Feb 2018	592 (+592)	36 (+36)
Clackmannanshire Council Best Value Assurance Report	25 Jan 2018	184 (+1005)	0
Orkney Islands Council Best Value Assurance Report	14 Dec 2017	123 (+504)	0
Local government in Scotland: Financial overview 2017	28 Nov 2017	293 (+1771)	38
West Lothian Council Best Value Assurance Report	23 Nov 2017	73 (+748)	94

Report	Date	Report downloads	Report podcasts
East Dunbartonshire Council Best Value follow-up audit 2017	16 Nov 2017	38 (+405)	79
East Renfrewshire Council Best Value Assurance Report	07 Nov 2017	75 (+945)	158
Equal pay in Scottish councils	7 Sep 2017	218 (+1476)	197
Renfrewshire Council Best Value Assurance Report	31 Aug 2017	199 (+1482)	0
Self-directed support: 2017 progress report	24 Aug 2017	195 (+3530)	78
Best Value Assurance Report: Inverclyde Council	1 Jun 2017	47 (+1387)	307
Accounts Commission annual report 2016/17	25 May 2017	45 (+1042)	
Accounts Commission strategy and annual action plan 2017-22	25 May 2017	57 (+836)	
Accounts Commission engagement strategy and engagement plan 2017/18	25 May 2017	36 (+431)	
Accounts Commission engagement plan 2016/17	25 May 2017	22 (+203)	
Accounts Commission action plan 2016/17	25 May 2017	19 (+198)	

Commission's business

6.   On 26 February, the Commission Chair and Secretary met the Standards Commission to discuss matters of mutual interest. The Chair updated members of the Standards Commission on our work programme and matters arising from audit work.

7.   On 27 February, Ronnie Hinds, Christine May and Pauline Weetman met with representatives of Falkirk Council to discuss the Best Value Assurance Report on the Council which was published on 1 February. The Council was represented by Councillor Cecil Meiklejohn, Leader and Councillor James Kerr (Conservative) and the Corporate Management Team and senior officers (Mary Pitcaithly, Chief Executive; Stuart Ritchie, Director of Corporate and Housing Services; Robert Naylor, Director of Children's Services; Rhona Geisler, Director of Development Services; Bryan Smail, Chief Finance Officer; and Patricia Cassidy, Chief Officer, Health & Social Care Partnership). A note of the meeting has been made available to members on the Commission extranet portal.

8.   On 5 March, Graham Sharp, Ronnie Hinds and Christine May are due, weather permitting, to meet with representatives of Clackmannanshire Council to discuss the Best Value Assurance Report on the Council which was published on 25 January. The Council will be represented by

Request from the previous meeting

9.   In January, the Commission agreed that further information be provided on Scottish Government forecasts in relation to the recommendations of the Barclay Review of Non-Domestic Rates (NDR). The Scottish Fiscal Commission's Scotland's Economic and Fiscal Forecasts (published in December 2017) sets out how the Scottish Government policy changes arising from the Barclay Review and other changes,

totalling £96 million, leads to the estimate of £2,812 million of NDR income for 2018/19 (see pages 18-19).

Audit Scotland

Issues affecting local government

Scottish Government

10. On 5 February, the Scottish Government published its commissioned report on the Impact of Children and Young People's Participation in Policy Making. It looked at the nature and type of impact children and young people's participation has had on national and local policy making in Scotland. The report found that more meaningful ongoing engagement, funding and feedback from policy makers would have led to further participation.

11. On 9 February, the Scottish Government launched its consultation on the details of the first-time buyer relief from Land and Buildings Transaction Tax (LBTT) (to be closed on 23 March), announced in the draft Scottish Budget 2018/19. The relief will increase the zero-tax LBTT threshold for first-time buyers to £175,000. Those buying their first property at above £175,000 will also benefit on the portion of the price between £145,000 and £175,000. Around 12,000 first-time buyers will benefit from the relief each year by up to £600, with an estimated 80 per cent of all first-time buyers paying no LBTT at all. It is proposed that the Commission does not respond to this consultation.

12. On 20 February, the Scottish Government confirmed its allocation of £3 million of its education budget this year for schools to support pupils learning additional languages. The funding will allow every primary school pupil to start to learn a second language in Primary 1 and a second additional language by Primary 5. The allocation by councils is available here. The Government's report estimated that a lack of language skills cost the Scottish economy £0.5 billion in 2011.

13. On 23 February, the Scottish Government published a Review of Publicly-funded Advice Services in Scotland. It looks at how advice services in Scotland are publicly funded and delivered, highlighting significant challenges facing the advice sector, resulting from an increase in demand and cuts in funding. It states that new powers being given to the Scottish Government, there is an opportunity to re-position public investment in need-based advice services to support innovative collaboration across the public sector.

14. On 23 February, the Scottish Government published Understanding the Scottish Rural Economy. It found that the rural economy in Scotland has grown both in terms of employment numbers and Growth Value Added (GVA). On the other hand, it is variable in economic performance between sectors and local authorities. Aberdeenshire and Highland councils have the largest GVA in most sectors; the island authorities are much smaller in employment and GVA terms.

15. On 26 February, the Poverty and Inequality Commission published its first report that advises the Scottish Government on its first Child Poverty Delivery Plan. It sets out three areas likely to have the biggest impact on the child poverty targets; work and earnings, housing costs and social security. The report includes 40 recommendations including topping up the child element of Universal Credit. The Child Poverty (Scotland) Act 2017 sets in law four targets relating to child poverty which are to be met by 2030. The Act requires the Scottish Government to produce three Delivery Plans over the period to March 2031.

16. On 27 February, the Scottish Government published the Scottish Local Government

Financial Statistics: 2016/17. The data provides an overview of financial activity of councils based on their final, audited accounts. Net revenue expenditure on services was £10 billion. Education (£4.8 billion) and Social Work (£3.1 billion) accounted for around three-quarters of the net cost of services.

17. On 27 February, the Scottish Government published its commissioned review of the Fair Funding to Achieve Excellence and Equity in Education consultation. Respondents felt that the involvement of councils in school funding was considered to be valuable. Concerns were raised about the level of accountability that headteachers will face under a more devolved funding system, and most respondents felt that accountability for funding decisions should lie at the local authority level. Also, most did not support allocating a greater proportion of funding directly to clusters.

Scottish Parliament

General:

18. On 31 January, the Scottish Parliament Information Centre (SPICe) published a briefing on the Planning (Scotland) Bill. It describes the major changes to the planning system proposed in the Bill, outlining the reasons for these changes and provides background information to help understand these proposals. It also outlines the subject of current interest which is not included in the Bill. Part 5 of the Bill proposes the introduction of an "infrastructure levy", which aims to help raise funds for essential infrastructure provision. The briefing on this issue is available here.

19. On 2 February, SPICe published a briefing on Common UK Frameworks after Brexit. It discusses the creation of common frameworks between the UK and devolved governments that will come into effect after Brexit. While the UK and devolved governments have agreed on broad principles to guide the establishment of these frameworks, the details of such frameworks are still to be decided.

20. On 21 February, the Scottish Parliament agreed the Government's tax and spending plans for the next year budget. A revised budget includes an additional revenue funding of £160 million for councils and funding of £10.5 million will be provided to support inter-island ferry services (the breakdown by council is available in the hyperlink). Other adjustments includes public sector pay rises, which will extend to apply to 75 per cent of public sector workers, from just over 50 per cent.

21. On 23 February, SPICe published a briefing on Gross Value Added (GVA) in Scotland and accompanying infographics. It provides an overview of GVA, exploring its relationship to Scotland's policy and looking at GVA contribution by sector and by region. It found that Scotland's GVA totalled £134 billion in 2016, which was eight per cent of the UK total, representing annual growth of 1.2 per cent (0.4 percentage points below the UK growth rate of 1.6 per cent). Since 1998, there has been little change in the distribution of Scotland's GVA, of which Glasgow and Edinburgh accounted for about 30 per cent.

Parliamentary Committees:

Local Government and Communities Committee

22. On 1 February, the Committee published the Stage 1 Report on the Housing (Amendment) (Scotland) Bill, recommending that the parliament agrees the general principles of the Bill. The Bill is intended to pave the way for the Office for National Statistics to reclassify Registered Social Landlords back to the private sector in the UK national accounts.

23. At its [meeting](#) on 7 February, the Committee took evidence on the Electoral Commission's [report](#) on the Scottish local government elections 2017 from the organisation and agreed to write to the Scottish Government. Also, the Committee Members reported back on their community engagement events as part of scrutiny of the Planning (Scotland) Bill.

24. On 12 February, the Committee published its [report](#) on homelessness, following its inquiry into the causes and long-term solutions to homelessness. The report includes a number of recommendations to address homelessness and rough sleeping, including the implementation of a 'Scottish style Housing First' that would give people a safe and permanent home.

25. At its [meeting](#) on 21 February, the Committee took evidence on the Small Business Bonus Scheme from small businesses and the Scottish Government. It agreed the terms of its response to the Scottish Government on its review of the scheme. The Committee also agreed to consider undertaking an inquiry on the scheme in the longer term.

26. At its [meeting](#) on 28 February, the Committee will take evidence on the Planning (Scotland) Bill at Stage 1 from stakeholders. The Committee [has received](#) a large volume of submissions in response to its call for evidence as part of its Stage 1 scrutiny of the Bill.

Public Audit and Post Legislative Scrutiny Committee

27. At its [meeting](#) on 1 February, the Committee took evidence on the AGS's report on Transport Scotland's ferry services from Transport Scotland and Fraser McKinlay, Director of Performance Audit and Best Value, and Graeme Greenhill, Senior Manager, Audit Scotland. The Committee agreed to write to the Scottish Government about pension issues arising from the report.

28. At its [meeting](#) on 8 February, the Committee took evidence on the audit and accountability arrangements of the Scotland Act 2016 from the Scottish Government and Caroline Gardner, AGS and Mark Taylor, Assistant Director, Audit Scotland. It agreed to invite views from other committees on the proposed audit and accountability arrangements, and then to write to the UK and Scottish Governments with its views. The Committee agreed to write to the Cabinet Secretary for Health and Sport on the Self-Directed Support (SDS) audit.

29. On 21 February, the Committee published [a letter](#) to the Cabinet Secretary for Health & Sport, Shona Robison about SDS. It endorsed the recommendations in the audit report and shared the concerns raised about the slow progress of implementation. It recommended that the Government takes forward discussions with COSLA as a matter of urgency to agree an estimate of the future funding required and reports back on the progress made. The Committee expects the Government to respond to the letter by 21 March.

Finance and Constitution Committee

30. At its [meeting](#) on 7 February, the Committee took evidence on the Scottish Fiscal Commission's revised forecast from the organisation. It also took evidence on the Budget (Scotland) Bill (Stage 2) and the Land and Buildings Transaction Tax (Relief from Additional Amount) (Scotland) Bill (Stage 1) from Derek Mackay, Cabinet Secretary for Finance and the Constitution and the Scottish Government officials. The Committee completed its Stage 2 consideration of the Budget (Scotland) Bill.

31. At its [meeting](#) on 21 February, the Committee took evidence on the Trade Bill (UK Parliament Legislation) from the Scottish Government and other professionals. It

also agreed a revised draft written agreement on the Budget process between the Committee and the Scottish Government.

32. At its meeting on 28 February, the Committee will take evidence on the Financial Memorandum of the Planning (Scotland) Bill from the Scottish Government and others.

Others

33. On 9 February, the Environment, Climate Change and Land Reform Committee launched a call for views on the general principles of the Scottish Crown Estate Bill (to be close on 23 March). The Bill sets out the proposed long-term management arrangements for Crown Estate assets. Crown Estate Scotland is responsible for managing 37,000 hectares of rural land.

34. On 12 February, the Economy, Jobs and Fair Work Committee published its report following its inquiry into economic data. It highlights that the Scottish Government must help the public and media better understand economic data and recommends the Scottish Government closely work with various stakeholders, including local authorities.

35. On 15 February, the Economy, Jobs and Fair Work Committee issued a call for views as it commences its inquiry into how European Structural and Investment Funds (ESIF) are currently used to support economic development and what should replace ESIFs after Brexit (to be closed on 13 April). It is proposed that the Commission does not respond to this consultation.

36. On 20 February, the Health and Sport Committee took evidence on NHS governance, in a round table format, from Claire Sweeney, Assistant Director, Audit Scotland and other health professionals.

37. On 28 February, the Environment, Climate Change and Land Reform Committee published its Air Quality report, following an inquiry into the Scottish Government's strategy to tackle harmful emissions and how well this fits into the overall plans to cut pollution in the UK and EU. It raised concerns about the tight timescale to introduce the low emission zones (LEZs) and about councils' technical and financial resources to ensure they are fully operational by 2018 and beyond.

Current activity and news in Scottish local government

Improvement Service

38. On 12 February, the Improvement Service published its National Benchmarking Overview Report 2016/17. It states that between 2010/11 and 2016/17, total revenue funding for councils has fallen by 7.6 per cent in real terms from £10.5 billion to £9.7 billion. Spending on child protection and social care has increased by 19 per cent and six per cent, respectively. On the other hand, services including parks and open spaces, road maintenance and leisure and culture saw a significant reduction (22 per cent, 20 per cent and17 per cent each). The report is elsewhere on today's agenda for the Commission's information, in advance of considering the draft of the Commission's Local Government Overview report, and in advance of a discussion at is April meeting with the Chair of the Local Government Benchmarking Framework Board in relation to the progress of the project, and councils' progress against the Commission's Statutory Performance Information Direction.

COSLA

39.   On 9 February, COSLA commented on homelessness, stating that councils are aware of their duty to help those in housing need and highlights some of the activities COSLA is involved with. The Scottish Government's Homelessness and Rough Sleeping Action Group will produce recommendations around improvements to housing options later this year.

40.   On 12 February, COSLA commented on the Improvement Service's Local Government Benchmark Framework report (see paragraph 38), stating that the report shows councils continued to perform well, for example closing the attainment gap. It also noted that the impact of the funding reduction has started to be seen, particularly in the non-statutory services.

41.   On 15 February, COSLA commented on the Accounts Commission and AGS's performance audit of early learning and childcare (see paragraph 4), saying that it is pleased the report recognises the quality and increased flexibility of ELC available. It also underlined that it will focus on delivering the expansion of ELC with their partners and continuing to provide high quality ELC.

42.   On 21 February, COSLA called for the Scottish Government to provide long-term sustainable funding. It stated that without such funding, "it makes committing to pay deals and other major financial commitments very problematic for us."

43.   On 26 February, COSLA welcomed the initial recommendations to Scottish Ministers from the Poverty and Inequality Commission (see paragraph 15), and stated that it looks forward to working with the Scottish Government.

Individual councils

44.   On 20 February, North Lanarkshire council approved plans to provide free meals for children in low income households every day of the year. A pilot project will take place in Coatbridge during the spring break and the programme would be extended for the whole council area in time for the summer holidays. The cost is estimated to be half a million pounds.

By-elections

45.   There has been one by-election since my last report. On 15 February, Niall Coleman held a seat for the SNP in the Bonnybridge and Larbert ward of Falkirk Council, following the death of his father Provost Tom Coleman last year.

Scrutiny, inspection, regulatory and related bodies

Scottish Public Sector Ombudsman (SPSO)

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

Commissioner for Ethical Standards in Public Life in Scotland

47.   Since my last report, the Commissioner has published no decision on complaints relating to councillors.

Standards Commission for Scotland

48. There have been two hearings by the Standards Commission since my last report.

    - At a [hearing](#) on 5 February, the Commission censured Councillor Tim Brett, Fife Council, for using his Council computer and email to ask for help to distribute party political election leaflets.

    - At a [hearing](#) on 13 February, the Commission censured former Councillor Tom McAughtrie, Dumfries and Galloway Council, for posting a discriminatory comment on a social media platform.

UK Government

49. On 2 February, the UK Government [issued](#) its response to the consultation on changes to the guidance on local government investments. From April, local authorities will be required to prepare an annual investment strategy as a means to boost investment transparency. They will also be required to clarify how "non-core investments" contribute towards their core objectives to deliver services. Other requirements include setting quantitative indicators to help elected members identify risks and make decisions.

UK Parliament

50. On 7 February, the Parliament [agreed](#) the local government finance settlement for 2018/19. This followed the Communities Secretary's announcement of an additional £150 million for social care and an additional £16 million to the rural services grant to help deliver services in rural areas. Under the settlement, councils will be able to raise council tax by three per cent.

Communities and Local Government Committee

51. On 9 February, the Committee [published](#) the report on housing for older people. It calls for a national strategy which brings together and improves the policy on housing for older people. Key recommendations include that the National Planning Policy Framework be amended to encourage the development of more housing for older people and that councils identify a target proportion of new housing to be developed for this purpose.

52. On 5 and 26 February, the Committee took evidence from councils and others on the impact of the delay on local authorities' financial planning as well as the wider issues relating to the Government's Fair Funding Review in 2020/21 and what the priorities should be. These sessions were part of [its inquiry into business rate retention](#) and how the extended implementation period is affecting councils' financial planning.

53. On 21 February, the Committee took evidence from councils and others as part of [its inquiry into the Private Rented Sector](#). The inquiry examines the role of local authorities in the sector, focusing on the provision by councils of private rented accommodation and whether they have sufficient powers to deal with bad practices. It also launched its pre-legislative scrutiny of [the draft Tenant Fees Bill](#), which proposes ban on letting fees imposed on tenants.

Scottish Affairs Committee

54. On 5 February, the Committee visited Aberdeen to take evidence on mobile and broadband coverage from councils and local businesses and communities. The session was part of [its inquiry into digital connectivity in Scotland](#), which examines the current state of digital connectivity in Scotland and how to overcome barriers to improve coverage.

55. On 7 February, following the RBS's announcement that it would keep ten branches open until at least the end of the year, the Committee called on the Chief Executive Officer of RBS Group, to give evidence to clarify the contents of its announcements.

56. On 20 February, the Committee visited Fife to hold an evidence session with local businesses and communities as part of its inquiry into Immigration and Scotland to examine the current immigration system and how it meets Scotland's migration needs.

57. On 27 February, the Committee held a one-off evidence sessions with major online retailers, delivery companies and others to examine how prevalent high delivery charges are in Scotland and which areas are most affected.

Public Accounts Committee

58. On 7 February, the Committee published its report on Exiting the European Union. It highlights that Government departments have to face up to some hard choices as they handle Brexit and Brexit delivery costs need to be transparent.

59. On 28 February, the Committee took evidence from the UK Government departments and the service delivery partner as part of its inquiry into adult social care workforce. In 2016/17, councils spent £14.8 billion on adult social care.

Others

60. On 8 February, the Work and Pensions Committee published its report on the Universal Credit Project Assessment Reviews. The report highlights that a full business case for Universal Credit (UC) has yet to be submitted in the eighth year of the programme, criticising the Government for failing to make the case for the rollout of UC and for using management jargon in the reviews.

Other UK Audit Bodies

National Audit Office (NAO)

61. On 8 February, the NAO published The adult social care workforce in England. It concludes that the Department of Health and Social Care is not doing enough to support a sustainable social care workforce. It highlights that the number of adult social care workforce is not meeting the growing care demands and unmet care needs are increasing.

Other UK local government news

62. On 6 February, the Local Government Association (LGA) commented on the final Local Government Finance Settlement, stating that the additional £150 million social care funding is "a temporary measure and needs to be compared against an annual social care funding gap of £2.3 billion by 2020". It stated "the Government needs to allow councils to keep business rates collected to address the growing funding gap and provide the £1.3 billion needed now to stabilise the care provider market".

63. On 7 February, the Scottish Human Rights Commission launched an initiative designed to help Scotland's public bodies put human rights at the centre of their budget planning. It will give budget holders the tools they need to ensure their budget decisions have a positive impact on people's rights. It will also help provide a tool for scrutiny of public spending decisions that impact directly on people's lives. It supports the Scottish Parliament Equalities and Human Rights Committee's recent call for the Scottish Government to develop a national framework for human rights based budgeting.

64. On 17 February, the LGA stated that half of children who are assessed as "in need of extra help" by councils have experienced or witnessed domestic violence. Noting that councils are facing a £2 billion funding gap by 2020, it calls for adequate funding for Children's services for councils to support children in the highest level of need and invest in early intervention initiatives.

65. On 19 February, the UK Government stated that it will appoint a commissioner to run children's services in Buckinghamshire Council, following an Ofsted inspection of Children's Services which judged the council's children's services inadequate for a second time (in 2014 and again in November 2017). The Commissioner will assess the council's capacity and capability to improve its services in a reasonable timeframe. Ofsted will also carry out further monitoring before a re-inspection.

66. On 19 February, Charity Happy City published the Thriving Places Index. The index rated 150 English local authorities against three criteria: sustainability, local conditions and equality, as an alternative to the use of gross domestic product. It found that there is a stark prosperity divide between urban and rural areas and northern and southern parts of England.

67. On 22 February, Northamptonshire County Council agreed to accept a section 114 notice which was issued by the council's chief finance officer on 2 February, imposing immediate spending controls on the organisation. The council approved a budget on 28 February. The budget was drawn up in response to an advisory notice issued by the council's auditor KPMG, warning that an initial budget was illegal due to the council's reliance on "one-off measures", such as selling its expensive new headquarters, suggesting that this was not a sustainable strategy in the long term.

68. On 26 February, the LGA warned that council tax rises will not prevent the need for continued cutbacks to all local services this year. It reported that all but five of the 152 social care authorities will use the additional three per cent precept allowed for social care service, raising additional £548 million. (Authorities with adult social care responsibilities can raise an additional 3% without the need for a referendum via the adult social care precept.) It warned that this, though, would be wiped out by the requirement to pay the national living wage and a potential £400 million for back pay to sleep-in carers.

69. On 1 March, CIPFA reported in its annual council tax survey that just over 95 per cent of councils across England will raise council tax next year and bills are set for the biggest increases in 14 years. Of the 276 councils that responded, 263 will increase their council tax, taking advantage of the ability to raise it by up to a further 1 per cent, allowed by the local government finance settlement for the next financial year. (All councils can increase council tax by up to 2.99 per cent without the need for the rare step of calling a local referendum to validate a higher amount - an increase of 1 per cent from this year). Excluding the 3 per cent precept for adult social care, 71 per cent of English authorities would increase council tax by the maximum 2.99 per cent allowable before reaching the local referendum threshold, CIPFA found.

Conclusion

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

Paul Reilly
Secretary to the Commission
1 March 2018

MEETING: 8 MARCH 2018

REPORT BY: SECRETARY TO THE COMMISSION

WORK PROGRAMME: CONSULTATION OUTPUTS

Purpose

1. This report sets out the responses to the recent consultation on the Accounts Commission refreshed work programme (2017/18 – 2021/22) and seeks the Commission's approval of its joint work programme.

Background

2. The Commission has in place a rolling five-year programme of work published jointly with the Auditor General. The programme is refreshed on an annual basis, setting out detailed work for the first two years and an indication of likely areas of work for the subsequent three years.

3. At its meeting on 7 December 2017, the Commission considered Audit Scotland's proposals for the annual refresh of the Commission's rolling work programme. The Commission agreed:

    - Approved a proposed draft work programme as a basis for consultation with stakeholders, incorporating detailed proposals for 2018/19 and 2019/20, subject to the following being considered by the Chair in consultation with the Auditor General for Scotland, as a basis for consultation with stakeholders:

        o Reversing the phasing of the proposed performance audits on Innovative Financing (City Deals) (2018/19) and Value for money of NPD projects (2019/20).

        o In noting that the proposed draft work programme contain a commitment to a *How councils work* report in 2018/19, that further consideration be given to this matter following consideration of the first six Best Value Assurance Reports and the Controller of Audit's Annual Assurance and Risks Report.

        o In relation to community justice, and with reference to paragraph 7 of the minutes of the Performance Audit Committee of 23 November, that one performance audit be programmed in 2021/22, with a briefing paper in this regard to be considered by the Commission and Auditor General on progress as appropriate.

        o Consequently, that a proposed performance audit on the role of local authorities in economic development be phased earlier.

    - To note advice from the Director that he would report as part of the review of auditing Best Value the resource allocation of Best Value Assurance Reports versus "other local government Best Value audit and intelligence activity" as referred to in the work programme proposals paper.

    - Further in this regard, that more explanation of resource allocation be provided in future such reports.

    - Noted advice from the Director that he was in discussion with the Secretary around further refining reporting of the progress of work programme to the Commission.

- Agreed that a degree of flexibility and responsiveness in the work programme is essential.

- Noted that the work programme proposals as presented incorporate post-publication promotion activity for all performance audits, to be considered by the Commission as appropriate.

- Agreed as part of the work programme a series of outputs beyond audit work, arising from programme development work, to be reported to the Commission.

- Noted the planned activities around the diversity and equality implications of the work programme.

- Approved the proposed consultation arrangements with stakeholders.

- Noted that the Secretary would report back on the outcome of the consultation.

Subsequent discussions: Performance audit on the role of local authorities in supporting local economic growth

4. Subsequent to the Commission meeting, the Chair of the Commission and the Auditor General met on 10 January to consider the proposed re-ordering of the City Deals and VFM of NPD audits. They agreed at that meeting that the performance audit on value for money of non-profit distributing (NPD) projects would start in 2018/19, followed by the City Deals audit in 2019/20. They also agreed that the community justice audit would be undertaken as a single stage audit in 2021/22 with ongoing monitoring and periodic updates to the Auditor General and Accounts Commission. During their discussion they noted that there were a number of potential knock-on consequences from the decision on re-ordering the City Deals audit for the scope and timing of the proposed audit on the role of local authorities in supporting economic growth. Audit Scotland was asked to consider how best to respond to these.

5. Given their shared interest in economic-development related matters, and recognising the likelihood of overlapping stakeholder groups, Audit Scotland is planning to use the same audit team for the City Deals and the Role of Local Authorities in supporting local economic growth audits. This continuity of staffing will enable the audit team to develop expertise in this complex area and will also enable the intelligence gathered during the City Deals audit to be used to inform the scoping of the local authorities in supporting local economic growth audit.

6. Audit Scotland is also proposing to commission a specific piece of research from external consultants as part of the scoping of the City Deals audit that will provide a critical overview of how the landscape for local economic development activity (e.g. Business Gateway, and Business Hubs, SDS, etc.) currently operates, with a particular emphasis on the lead role that local authorities play (including levels of expenditure, key risks and challenges, etc.). As with earlier similar pre-scoping briefings on City Deals, this briefing paper will be shared with the Commission prior to starting the formal scoping of the audit. It would be aimed to bring this briefing to the Commission in Summer 2019.

7. Given the Commission's interest in having a Commission-only public output during 2019/20 Audit Scotland is proposing to hold a Round Table event in Autumn 2019, potentially chaired by the Commission, focusing on the role of local authorities in supporting economic growth which could be used as an interim audit output prior to publication of the final audit report in 2020/21. Of course, the Commission may also choose to publicise its briefing paper if it is so minded.

8. This would mean a sequencing of events as follows:

- VFM of NDPs audit – publish Summer 2019

- Accounts Commission briefing on Local Economic Development arrangements and potential audit issues – Summer 2019

- Local Economic Development Round Table – early Autumn 2019

- City Deals audit – publish late Autumn/early Winter 2019

- The Role of Local Authorities in Supporting Local Economic growth audit – publish Summer 2020

Consultation

9. The Commission is obliged by statute to consult with stakeholders before undertaking any of its performance audit work (specifically 'such associations of local authorities or other bodies whose accounts are required to be audited' and '(appropriate) associations of employees').[1] I have therefore consulted on the draft work programme with COSLA, the Scottish Local Government Partnership, SOLACE and trade unions Unison, Unite and GMB (these are the three members of the Scottish Joint Council, which represents local government employees).

10. In my letter to stakeholders, I set out the principal features of the Commission's proposals, as set out in **Appendices 1 to 3**, thus:

- Continuing our commitment of significant resources to our new approach to auditing Best Value, with seven Best Value Assurance Reports to be considered by the Commission in the next year, and in line with our commitment to an integrated approach, increased profile for Best Value assessments in the annual audit reports for all other councils.

- Continuing our new approach to our flagship local government overview reports, with a financial overview published in late Autumn to help scrutiny of the Scottish budget and to assist councils in their budget deliberations; and the wider overview published in the spring, reporting on a range of matters affecting local government, drawn from our audit work.

- Publishing nine new national performance audits published over the next two years, many jointly with the Auditor General to reflect the increasingly complex service delivery landscape.

- Looking at the role of our How Councils Work series of reports alongside our new approach to auditing Best Value.

- Publishing six impact reports of previous audits. These reports are published 18 months to two years after we publish a performance audit, and provide an assessment of progress made against audit recommendations and how the performance audit was reported and discussed among stakeholders.

- Increasingly varied ways of publishing and promoting our work, including:
  - increasing use of web-based material
  - elected member, board member and officer checklists
  - service user, parent or carer summaries of audit findings
  - conference presentations
  - briefings and workshops for key national and local stakeholder groups
  - open access to audit-related performance data and analysis
  - local promotion strategies for Best Value audit reports.

- Regularly considering outputs from our programme development activity, in order to assure our stakeholders about our responsiveness to the policy environment. The work

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[1] 1973 Local Government (Scotland) Act, section 97A(3).

helps us better understand the nature of key policy developments or challenges and opportunities facing public bodies. It helps us ensure our work is well targeted and will add value. Some of this activity will lead to outputs which we may want to share with stakeholders. (Proposed areas of focus are set out in **Appendix 3**.)

11. We sought views from stakeholders on the work programme proposals and particularly in the following areas:

    - Are there any policy areas that you think we should be considering or reporting on differently over the next two years?

    - As we look at the role of our *How Councils Work* series, do you have any thoughts on our approach, or any areas that you think we should cover?

12. The stakeholders consulted, and responses received, are detailed in **Appendix 4**. I will report any late responses verbally to the Commission.

Consultation responses

13. The consultation feedback, response and a series of actions are set out in **Appendix 5**. The Commission received 20 responses. Responses were received from SOLACE and 19 council chief executives covering a good range of size and geography, albeit with no responses from any island authorities.

14. In general, the feedback has been positive about the draft work programme. This should help assure the Commission that the programme development work that Audit Scotland undertakes on behalf of the Commission has led to a work programme that is addressing strategic issues that are regarded as important by the local government community.

15. Key themes emerging from the feedback include:

    - 10 consultees were positive about the Commission's *How Councils Work* series or offered suggestions for future potential topics (this is discussed further below)

    - Five highlighted the significance of Brexit to local government

    - Three highlighted interest in the community empowerment agenda.

16. A bulk of observations related to audit work already planned or proposed. These comments will be fed to audit teams and considered by the Performance Audit Committee in the scoping of such audit work. A number of points were also made about the shared risk assessment process and the scrutiny burden. These will be referred to the Strategic Scrutiny Group and reported back to the Commission as appropriate.

17. In addition, there were some suggestions around potential new areas of work, thus:
    - Commercialism / entrepreneurship
    - Climate change and energy
    - Cyber security

18. These are already monitored by PABV policy cluster teams, and it is proposed that these be considered by the Commission as it refreshes its 2018/19 work programme.

19. All feedback will of course also inform ongoing programme development activity. This general point will be made when I reply to all respondents.

How councils work

20. The Commission has published a series of reports in its *How Councils Work* (HCW) series. The HCW series began in 2010. Its aim was to use existing audit evidence to inform local government about important issues and to promote good practice.

21. The reports published to date are:

    - Roles and working relationships: Are you getting it right? – published in August 2010

    - Arms length external organisations: Are you getting it right? – June 2011

    - Using cost information: are you getting it right? – May 2012

    - Managing performance: Are you getting it right? – October 2012

    - Major capital projects in councils – good practice guide[2] - March 2013

    - Charging for services: are you getting it right? - 31 October 2013

    - Option appraisal: are you getting it right? - March 2014

    - Roles and working relationships in councils: are you still getting it right? – November 2016

22. In approving its work programme refresh proposals in December for consultation, the Commission noted that the proposed draft work programme contains a commitment to a *How councils work* report in 2018/19 and agreed that further consideration be given to this matter following consideration of the first six Best Value Assurance Reports and the Controller of Audit's Annual Assurance and Risks Report.

23. Subsequently, in this consultation, a specific question in this regard was asked (see paragraph 11). Nine chief executives and SOLACE offered positive views of the series (there were no adverse views). Specifically, the following subject areas were suggested:

    - Delivering sustainable transformational change (Kenneth Lawrie, Midlothian)

    - Considering needs of new councillors (Sandra Black, Renfrewshire)

    - Data management (Crawford McIntyre, Shetland)

    - Empowerment, consultation and engagement, city deals and reporting on outcomes (Joyce White, West Dunbartonshire)

    - Performance management, and internal audit and scrutiny (Graham Hope, West Lothian)

24. In addition, one chief executive (Jim Savege of Aberdeenshire Council) suggested wider use of good practice and innovative media in the series.

25. The Commission is therefore asked to consider how it wishes to proceed in relation to the HCW series. It is encouraging that the consultation has shown some support amongst stakeholders for the product. The Commission will be considering at its Strategy Seminar how it wishes to refresh its Strategy, including its current strategic audit priorities and how it reports the messages of audit work to its stakeholders. As part of this, it will consider the messages in its Overview report (elsewhere on today's agenda) as well as the evidence of council performance against its strategic audit priorities as reported by the Controller of Audit at the Commission's February meeting in his Annual Assurance and Risks Report (a summary of those messages is contained in **Appendix 6**). It may be appropriate for the Commission to consider the use of its HCW series in the light of these conclusions.

26. The Commission may also want to consider further dialogue with COSLA around its expectations of the Improvement Service. With the current Chief Executive of the Improvement Service announcing his retirement on 25 January, the Improvement Service Board announced on 25

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[2] This guide was produced in the style of a HCW report based on a performance audit.

January that it is considering longer term arrangements for the Service. There is of course some crossover between the Commission's aims in its HCW series and the activities of the Improvement Service. There may therefore be an opportunity to consider with COSLA and the Improvement Service how our HCW series fits with their own improvement agenda.

Next steps

27. The Commission is asked, on approval of the joint work programme, to liaise with the Auditor General to finalise the programme. It will then be published on the Commission and Audit Scotland's website.

28. I will respond on behalf of the Commission to all stakeholders who were part of the consultation exercise, addressing any points raised and setting out the final programme of work. Audit Scotland will share the feedback with audit teams and with Local Area Network leads. I will take the opportunity in the letter to councils to highlight that they should continue to engage with their local external audit team and Local Area Network about any issues relating to the programme of work throughout the year ahead.

29. The joint work programme will also be shared with other stakeholders including Ministers, MSPs and Scottish Parliamentary committees.

30. The Commission will be considering its refresh of its Strategy at this year's Strategy Seminar. Part of this will be its engagement with stakeholders, as articulated through its Engagement Strategy. The Commission can therefore take the opportunity to review how it engages with stakeholders on its work programme. There may be scope, for example, to have more dialogue with stakeholders in the lead-up to formally considering its draft work programme. Also, whilst the generally positive response suggests that engagement with councils works well, there would seem scope for considering how to better publicise and explain our approach to programme development, work programming, and the process involved in performance audits, from scoping to impact reporting.

Conclusion

31. The Commission is invited to:

    a) Consider the responses to the consultation and reflect on any implications for the programme of work

    b) Specifically consider the proposed reordering of performance audits and related work (as set out in paragraph 8)

    c) Specifically the proposals to refer feedback on ongoing work to appropriate audit teams and policy cluster teams (paragraphs 15 and 16)

    d) Specifically consider the proposals for new areas of performance audit work as part of the work programme refresh proposals in December 2018 (paragraph 17)

    e) Specifically consider the proposal for a report in its HCW series in 2018/19

    f) Approve the programme of work subject to any revisions agreed as a result of the consultation and subject to liaison with the Auditor General for Scotland in relation to any joint audit work

    g) Endorse the proposed publication and communication arrangements

    h) Agree to consider how it engages with stakeholders on its work programme at its forthcoming Strategy Seminar.

Paul Reilly
Secretary to the Commission
1 March 2018

Appendix 1: Accounts Commission work programme: 2017/18 and 2018/19

	2018/19	2019/20
Overview reports	• Local government financial overview • Local government overview	• Local government financial overview • Local government overview
Best Value reports	Best Value assurance reports: • Dumfries and Galloway Council • East Ayrshire Council • East Lothian Council • Fife Council • Glasgow City Council • West Dunbartonshire Council Best Value assessments featured in other 26 councils	7 Best Value assurance reports (to be agreed in spring 2018).
How councils work reports	The Commission considers its overall approach to HCW reporting in early 2018 once it has had the opportunity in March 2018 to reflect on key themes arising from the first year of the new approach to auditing Best Value. It is assumed that one HCW audit will take place in 2018/19.	It is assumed that one HCW audit will take place in 2019/20.
Performance audit reports	• * Children and young people's mental health [1] • * Health and social care integration part 2 [2] • * Value for money of non-profit distributing models • Arms-length external organisations (ALEOs)	• * Innovative financing – City Deals [3] • * Community assets • * Educational outcomes • * Waste management • * Housing • Digital progress in local government (reporting early 2020/21) [4] • Supporting economic growth: the role of local authorities (reporting early 2020/21) [4]
Shared Risk Assessment	National scrutiny plan and 32 Local Scrutiny Plans	National scrutiny plan and 32 Local Scrutiny Plans
Statutory reports	• As appropriate	• As appropriate

	2018/19	**2019/20**
Impact reports	- Community planning: a follow-up [5] - Roads maintenance - Social work in Scotland	- Early learning and childcare impact and update - Equal pay in Scottish councils - Self directed support follow-up

Key:

* Joint audits with the Auditor General.

[1] These audits were part of our 2017/18 programme but will be published in spring/summer 2018/19.

[2] These audits were part of our 2017/18 programme but will be published in autumn/winter 2018/19.

[3] This audit was part of our 2017/18 programme but will be published in 2019/20.

[4] This audit will intentionally straddle two years.

[5] Impact report publication dates may change in response to significant policy developments that impact on audit recommendations and the final scheduling of the original audit work / report publication.

Appendix 2: Proposed revised longer-term audit programme , including joint work with the Auditor General (2018/19 to 2022/23)

Key:

* Joint audit with Auditor General for Scotland

Italics: audit by Auditor General for Scotland

[1] Impact report publication dates may change in response to significant policy developments that impact on audit recommendations and the final scheduling of the original audit work / report publication.

	2018/19	2019/20	2020/21 provisional	2021/22 provisional	2022/23 provisional
Overview reports	• Local government financial overview • Local government overview --- • *NHS in Scotland* • *Scotland's colleges*	• Local government financial overview • Local government overview --- • *NHS in Scotland* • *Scotland's colleges*	• Local government financial overview • Local government overview --- • *NHS in Scotland* • *Scotland's colleges*	• Local government financial overview • Local government overview --- • *NHS in Scotland* • *Scotland's colleges*	• Local government financial overview • Local government overview --- • *NHS in Scotland* • *Scotland's colleges*
Best Value reports	6 Best Value Assurance Reports (BVARs): • Dumfries and Galloway Council • East Ayrshire Council • East Lothian Council • Fife Council • Glasgow City Council • West Dunbartonshire Council Best Value assessments featured in the annual audit reports for the other 26 councils.	7 BVARs To be confirmed following the 2018/19 shared risk assessment process. Best Value assessments featured in the annual audit reports for the other 26 councils.	7 BVARs To be confirmed following the 2019/20 shared risk assessment process. Best Value assessments featured in the annual audit reports for the other 26 councils.	7 BVARs To be confirmed following the 2020/21 shared risk assessment process. Best Value assessments featured in the annual audit reports for the other 26 councils.	End of five-year audit appointment cycle. Next steps to be confirmed in 2021.
How councils work reports	The Commission considers its overall approach to HCW reporting in early 2018 once it has had the opportunity in March 2018 to reflect on key themes arising from the first year of the new approach to auditing Best Value.	It is assumed that one HCW audit will take place in 2019/20.			

	2018/19	2019/20	2020/21 provisional	2021/22 provisional	2022/23 provisional
Performance audit reports	• * Children and young people's mental health • * Health & social care integration: Part 2 • * Value for money of NPD projects • ALEOs --- • *New financial powers and constitutional change* • *Forth replacement crossing* • *NHS workforce(2) – community based workforce* • *Digital progress in central government and health (reporting early 19/20)* • *Scottish fire and rescue services* • *Broadband*	• * Innovative Financing: City Deals • * Community assets • * Educational outcomes • * Waste management • * Housing • Digital progress in local government (reporting early 2020/21) • Supporting economic growth: the role of local authorities (reporting early 2020/21) --- • *New financial powers and constitutional change* • *A9 dualling* • *Skills planning and investment* • *Higher education (finances)*	• * Flood risk management • * Youth justice • * Health & social care integration part 3 • * Improving outcomes for looked after children • * Teacher workforce planning (NEW) • * Public sector workforce planning for skills post Brexit • * Digital services (learning or justice) (reporting 2021/22) (to be agreed) • * Commonwealth Games legacy – six years on --- • *New financial powers and constitutional change (AGS)* • *Supporting economic growth: impact of enterprise and skills review (AGS)* • *NHS Workforce (3)*	• * Community justice • * Innovative Financing - City Deals (2) • * Early learning and childcare series • * Housing (2) (Joint) • * Community justice (2) (Joint) • * Outcomes for children with additional support needs (Joint) --- • *Social security (AGS)* • *New financial powers and constitutional change (AGS)* • *Development of Scotland's new agriculture and fishing policy post Brexit (AGS)* • *Progress against digital strategy – 5 years on (reporting 2022/23) (AGS)*	• * Replacing structural funds (Joint) • * Mental health 3 • * Progress in addressing child poverty (cross cutting) • * Digital progress across government (cross cutting) (Joint) --- • *New financial powers and constitutional change*
Impact reports	• * Community planning: an update [1] • Roads Maintenance • Social work in Scotland --- • *The role of Scotland's Enterprise Agencies* • *Efficiency of Sheriff Courts* • *Higher education* • *Modern Apprenticeships*	• * Early learning and childcare • Equal pay in Scottish Councils • * Self directed support follow-up --- • *NHS workforce planning: 1* • *Transport Scotland's ferry services*	• ALEOs • * Children and young people's mental health • * Community justice • * Innovative financing: City Deals --- • *Primary and social care workforce* • *Scottish fire and rescue: follow-up* • *Forth replacement crossing*	• * Community assets • * Educational outcomes • * Housing: 1 • * Value for money of NPD projects • * Waste management --- • *Higher education finances* • *Digital in central government and health* • *Skills planning and investment* • *A9 dualling*	• Digital in local government • * Flood risk management • * Improving outcomes for looked after children • * Innovative financing – City Deals (2) • Supporting economic growth – role of local authorities --- • *Youth justice*

Appendix 3: Programme development activity 2018/19 – proposed areas of focus and indicative outputs

Area of focus	Likely output to include
UK and Scottish responses to the Grenfell Tower tragedy, to include any local authority emergency planning issues.	Briefing paper to Accounts Commission (and Auditor General).
Rural issues.	Briefing paper to Accounts Commission (and Auditor General) on how rural issues feature in our work.
The potential impact on Brexit for Scotland's public services.	Briefing paper to Accounts Commission (and Auditor General).
The potential impact on local authorities of benefit changes arising from implementation of Scotland's devolved social security powers.	Briefing paper to Accounts Commission (and Auditor General).
Regulatory services.	Analysis of the financial impact of reductions in funding for regulatory services as part of 2018 local government overview reporting.
Reducing child poverty.	Briefing paper to the Accounts Commission (and the Auditor General) assessing early progress towards Child Poverty Bill 2017 improvement goals and highlighting any challenges or issues encountered to date.
Housing.	A 'round table' event involving key external stakeholders to build our networks in this area and inform the scoping of the performance audit that is proposed to take place in 2019/20.
Public health.	Briefing paper to the Commission (and the Auditor General), to cover the new public health agency and its role in addressing complex public health issues such as inequality of outcomes, the impact of complex social disadvantage on service use e.g. addictions.
Community empowerment.	A range of development work with our strategic scrutiny partners on the Strategic Scrutiny Group, including establishing an advisory group to support activities and share learning, reviewing local outcome improvement plans, producing blogs and briefings, and supporting auditors to develop their understanding.
Community justice.	A briefing paper to the Commission (and the Auditor General) on progress, as a forerunner to our planned audit in 2021/22.

Appendix 4: Respondents and responses received

Name	Title	Organisation	Reply Recd
Angela Scott	Chief Executive	Aberdeen City Council	
Jim Savege	Chief Executive	Aberdeenshire Council	Yes
Margo Williamson	Chief Executive	Angus Council	
Cleland Sneddon	Chief Executive	Argyll & Bute Council	Yes
Elaine McPherson	Chief Executive	Clackmannanshire Council	
Gavin Stevenson	Chief Executive	Dumfries & Galloway Council	
David Martin	Chief Executive	Dundee City Council	
Fiona Lees	Chief Executive	East Ayrshire Council	Yes
Gerry Cornes	Chief Executive	East Dunbartonshire Council	Yes
Angela Leitch	Chief Executive	East Lothian Council	Yes
Lorraine McMillan	Chief Executive	East Renfrewshire Council	
Andrew Kerr	Chief Executive	City of Edinburgh Council	Yes
Mary Pitcaithly	Chief Executive	Falkirk Council	
Steven Grimmond	Chief Executive	Fife Council	Yes
Annemarie O'Donnell	Chief Executive	Glasgow City Council	Yes
Steve Barron	Chief Executive	Highland Council	Yes
Aubrey Fawcett	Chief Executive	Inverclyde Council	Yes
Kenneth Lawrie	Chief Executive	Midlothian Council	Yes
Roddy Burns	Chief Executive	The Moray Council	
Elma Murray	Chief Executive	North Ayrshire Council	Yes
Paul Jukes	Chief Executive	North Lanarkshire Council	
Alistair Buchan	Chief Executive	Orkney Islands Council	
Bernadette Malone	Chief Executive	Perth and Kinross Council	Yes
Sandra Black	Chief Executive	Renfrewshire Council	Yes
Tracey Logan	Chief Executive	Scottish Borders Council	Yes
Mark Boden	Chief Executive	Shetland Islands Council	
Eileen Howat	Chief Executive	South Ayrshire Council	Yes
Lindsay Freeland	Chief Executive	South Lanarkshire Council	
Stewart Carruth	Chief Executive	Stirling Council	Yes
Joyce White	Chief Executive	West Dunbartonshire Council	Yes
Graham Hope	Chief Executive	West Lothian Council	Yes
Malcolm Burr	Chief Executive	Comhairle nan Eilean Siar	
Tracey Dalling	Regional Organiser	Unison	
Gary Smith	Acting Reg Secretary	GMB	
Pat Rafferty	Scottish Regnl Secretary	Unite	
Joyce Whyte	Chair	SOLACE (Scotland)	Yes
Sally Loudon	Chief Executive	COSLA	

Appendix 5: Consultation responses

Respondent	Detail	Proposed response
Jim Savege Aberdeenshire	We welcome the opportunity to comment on the work programme and generally the proposed focus of work is appropriate and focuses on those policy areas which are of particular interest or importance considering the current and future policy environment. It continues to be helpful to have an understanding of the five-year programme.	How Councils work
		Note this positive feedback on this series of reports.
		New approach to auditing Best Value
	Specifically, the re-introduction of the 'How councils work' report series is welcomed. Previously these proved to be helpful to both officers and Elected Members. Incorporating challenge questions within these reports stimulates discussion and improvement activity. The introduction of case studies/best practice examples perhaps as short media clips would help increase engagement with the reports.	Note this positive feedback on the new approach to auditing Best Value.
		Community planning and empowerment
		Advise council of the links between earlier Community Planning audit work and ongoing programme development work on community empowerment.
	The revised approach to auditing Best Value continues to be a positive development in providing assurance to the public and we welcome the proposal to align the 'How councils work' reports with key themes arising from year one of the approach. It is anticipated this approach could provide valuable learning as the process continues to embed.	City Deals
		Note helpful suggestion and advise council of the proposed timing of the future City Deals audit (now 2019/20) and how its findings might inform future HCW or financial overview reporting.
	The themes to be explored as part of the impact reports published over the next two financial years are helpful and we would be pleased to engage with Audit Scotland on these impact reports, particularly the 'Community planning: a follow-up' impact report. We note the impact report on community empowerment is scheduled for 2020/21 however it would be helpful to understand the possible links between the community planning impact report, the community asset performance audit report scheduled for 2019/20 and the future community empowerment impact report.	
	The scheduled performance audit report on 'Innovative financing – City Deals' will be of continued interest to North East councils and partners. It may be beneficial to focus a future 'How council works' report on innovative financing opportunities more broadly or incorporate examples into the financial overview report published in Autumn.	

Respondent	Detail	Proposed response
Cleland Sneddon, Argyll & Bute	The Council welcomes the opportunity to comment on the work programme and supports the work of the Accounts Commission, the role it plays in supporting the delivery of public services and its commitment to the continuing evolution of Best Value assessments.	
	Overview reports	Overview reports
	The Council welcomes both overview reports. In particular the continued publication of the financial overview as a separate output from the more general local government overview.	Note this positive feedback. Highlight to the Commission that this reflects similar positive consultation feedback from local government stakeholders last year about the new two-stage LG overview reporting model.
	Exhibit 20 in the 2016/17 financial overview highlighted some measures that have been taken by councils to close their funding gaps in 2017/18. The continued reductions in funding and cost pressures mean the Council needs to continue identifying savings to bridge funding gaps. The Council is of the view that the level of savings required can only be fully achieved through a fundamental review of service delivery, including a critical consideration of which services are statutory, which are optional and, where applicable, the extent to which service delivery can be removed or reduced. The Council sees this as more comprehensive than service transformation which focuses more on changing how we deliver current services rather than considering the removal of non-statutory services.	
	The Council would welcome the Accounts Commission support to help deliver service review and transformation on the scale set out and consider that delivery of service.	
	Performance audits	
	The Council are broadly content with the areas of performance audit focus. Two observations are:	
	• There may be benefit in bringing forward the proposed timing for publication of 'Supporting economic growth -the role of local authorities'. Economic growth is a key priority for the Council, and many other Scottish local authorities, and the Council would welcome the Accounts Commission's support to help ensure all council approaches are informed by best practice and appropriate guidance.	See paragraphs 4 to 8 of report

Respondent	Detail	Proposed response
Cleland Sneddon, Argyll & Bute (continued)	A potential topic for inclusion in the programme would be to assess the potential impact of the UK's departure from the EU on local government. This will have a fundamental impact across Scotland's 32 local authorities, and the wider public sector, and the Council feel the Accounts Commission, through their working relationship with Audit Scotland, are in a unique position to provide a sector wide assessment and appropriate guidance.	Audit Scotland is already closely monitoring the potential impact of the UK's departure from the EU on the whole of Scotland's public sector (including local government). At present, there is significant uncertainty about the nature of the deal that the UK government is seeking to reach with the EU. Decisions on the merits or otherwise of audit work in this area will be made once the position is clearer.
	Shared risk assessment (SRA)	
	The Council continue to support the SRA process and recognise the benefit of the multi-agency approach to scrutiny and the local scrutiny plans. The Council do reflect on the timing of the SRA process and whether there may be benefit in the assessment occurring once every two years rather than as an annual exercise. This will allow for appropriate time for identified improvement action to be implemented. With the adoption the new best value approach and the annual audit now providing focus on the four audit dimensions of financial sustainability, financial management, governance & transparency, and value for money, the Council feel that, should the SRA assessment be carried every two years rather than annually, there is adequate provision, in the interim year for the local external audit team to provide an annual update on the local scrutiny plan via the annual audit report.	Comments will be shared with the Strategic Scrutiny Group for consideration during any future review of the SRA process.
	Impact reports	Impact reports
	The Council welcomes the proposed impact reports and has no specific comment to make on the areas of focus.	To note.
	Proposed longer term audit programme	Noted. See earlier comment re Brexit.
	The Council welcomes being sighted on the provisional work programme for the three years 2020/21 to 2022/23. We note the intention of the Auditor General for Scotland to review 'New financial powers and constitutional change' as a standing item in each of the five years 2018/19 - 2022/23 and would draw your attention to our comments at paragraph 2.8 to this response, in particular the potential benefit of widening this audit focus to incorporate the potential impact of the UK's departure from the EU on local government.	

Respondent	Detail	Proposed response
Fiona Lees, East Ayrshire	In East Ayrshire, as you are aware, we place great value on the annual performance audit process, the comprehensive audit work which is undertaken by the Accounts Commission, and the work that Audit Scotland carries out on behalf of the Commission. To ensure that we maximise the learning from any reports prepared, we continue to take all reports that directly affect the work of the Council, or would be of interest to Members, to the Council's Governance and Scrutiny Committee and in addition, these reports are fully considered by the Executive Management Team. With regard to the Accounts Commission future work programme and the detailed proposals set out for 2018/19 - 2022/23, we are pleased to note the proposed new approach to the local government overview reports with the split between the financial overview report in Autumn and the wider overview report published in the Spring of each year. The need for a new approach was something that we included in our consultation return last year and we will be interested to see how these reports develop and take cognisance of the increasingly complex landscape within which Councils operate. In addition, I note your proposals to carry out a series of national performance audits and would make two points in this regard: firstly, it may be useful to include an overview of the impact of Welfare Reform and importantly the preparations for Brexit within your work programme; and, secondly, I would once again want to draw your attention to the principles of the Crerar Review to reduce the burden of scrutiny. It is essential that Local Scrutiny Plans carefully schedule planned audits and take into account any proposed national audits which have the potential to place an increased burden on local government, over and above that agreed within each local plan. For example, from an East Ayrshire Council and wider Partnership perspective, over 2017/18 we have had an Audit of Psychological Services, a Joint Inspection of Children and Young People Services and our scheduled Best Value Assurance Audit. In addition, proposals for the Inspection of the Council's Community Learning and Development Service were also in place for January - March 2018, although this has now been rescheduled at our request. We welcome external validation and the support and challenge it provides, to underpin improvement. The Shared Risk Assessment undertaken by the Local Area Network, taken together with the new arrangements in support of Best Value Assurance, should help ensure better planning and timetabling of important audit and inspection activity.	<u>LG overview</u> Note this positive feedback. This reflects similar positive consultation feedback from local government stakeholders last year about the new two-stage overview reporting model. <u>Welfare Reform</u> Advise the council that the Commission will be considering a briefing paper on audit issues associated with welfare reform at its March meeting. Appointed auditors are already monitoring the impact of welfare reform individual council level and Welfare reform also continues to be of wider interest to the Strategic Scrutiny Group. <u>Brexit</u> Advise the council that Audit Scotland is already closely monitoring the potential impact of the UK's departure from the EU on the whole of Scotland's public sector (including local government). At present, there is significant uncertainty about the nature of the deal that the UK government is seeking to reach with the EU. Decisions on the merits or otherwise of audit work in this area will be made once the position is clearer. <u>Crerar/Shared Risk Assessment (SRA)</u> Advise the council that its comments will be shared with the Strategic Scrutiny Group for consideration during any future review of the SRA process.

Respondent	Detail	Proposed response
Gerry Cornes, East Dunbartonshire,	We are happy to support this consultation and welcome the visibility this provides over the future programme of work. We are pleased to see the continuing focus on Best Value and note how the shift towards outcomes has shaped recent reports. We also acknowledge the increasing impact of the overview reports, both locally and nationally. This position reflects a key role of the Commission and importance of both consolidating issues and reflecting upon emerging pressures following the completion of the audit year. The continued presence of overview reporting within the overall plan of work is welcomed. This report has been used by the Council to inform our activities with further publications, such as that on the Non-Domestic Rate account, providing useful analysis as part of the Council's budget setting process and financial planning exercises. The Council is keen to use these reports to highlight relevant and timely national trends that facilitate local scrutiny and comparison. In addition, we are also pleased to see the continued focus on key risks with these forming the basis of the ongoing plan. Future reports in areas such as health and social care integration will continue to be used to inform our reports and support Elected Member development. Following the Local Government elections these reports were used in induction training and, in the period since, those reports with 'questions for elected members' have been circulated for consideration in advance of meetings. Such publications and have been welcomed and have been used by the Council to good effect. Finally, we support the proposed areas of focus in Appendix 4: Programme development activity. We recognise the significance of these reports, the impact that they will have and the role the Council will need to play in supporting the audit process. The Council is keen to inform such work and have set about a process to ensure that we engage effectively with Fiona, Peter and Kenny in the local team. We welcome their input to date and the effective scrutiny that they have delivered within the Council.	General comment: note positive feedback on the visibility of the work programme. Best Value: note positive feedback on the changing focus of Best Value auditing. Overview reporting: note positive feedback on the usefulness of the local government overview report. General comment: note positive feedback on how the key risks that the council faces are reflected in the work programme. Programme development activity: note positive feedback on the focus of this work. Engagement with local audit team: note positive feedback on the engagement the council has had with the local audit team and the effective scrutiny that the local audit team is providing.

Respondent	Detail	Proposed response
Angela Leitch, East Lothian	The programme is extensive and it will be challenging for local authorities as well as for the Accounts Commission/Audit Scotland at a time when we are facing a diminution of resources. In that context, East Lothian will continue to support your work programme, and we will, of course, continue to develop our close working with the Local Area Network. Through my activities not only within East Lothian Council but also with COSLA and SOLACE, I share in a general concern among local authorities about compression in the budget development timetable. This timetable seems to get more fraught rather than more efficient each year. In the current financial year we have had:- • the UK budget announcement being delayed until November; • the draft Scottish Budget and local authority settlement not published until mid/late • December; • last-minute changes to the settlement figures; and • the Scottish budget not being approved until mid-February (i.e. after Councils are obliged to set their budgets). All this has led to uncertainty about Revenue Support Grant and settlement figures which, as we have experienced this year, can vary substantially from the draft issued in December. This leads to difficulties in consulting the public, and impinges greatly on elected members being able to format their thoughts and seek appropriate support from officers so as to produce a draft budget for the Council.	Note implied concern about the breadth of the work programme and its potential impact on councils in terms of participating in audit work and/or responding to recommendations. Advise the council of the Commission's commitment to risk-based and proportionate approach to our work. Note concern about timetable for Scottish local government budget settlement process.

Respondent	Detail	Proposed response
Angela Leitch, East Lothian continued	I was glad to see recognition of this issue in the Financial Overview for 2016-17 published in November. I wonder if you might further reflect on any influence the Accounts Commission could bring to bear on this broader timetable? For example, would it be possible for the Commission to report on the impact of the compression of the budget process and late decisions as part of the Financial Overview report, or possibly as a separate study? Lastly, I would like to ask if you can do anything to change the timing of the Accounts Commission Local Government Performance and Challenges report. In 2016, overview reporting for Local Government became a series of outputs throughout the year; and at the time the Accounts Commission was keen to have feedback. Our feedback from experience is that we find the publication of the Financial Overview in November very useful, but the publication of the Performance and Challenges report in the following March is too late to influence council budgets that are finalised in December/January and approved in February. It would be useful if the Performance and Challenges report could be published in advance of councils' budget-setting.	<u>Local Government financial overview report</u> Note positive feedback on the overview report's coverage of issues associated with the timetable for Scottish local government budget settlement process. <u>Local Government forward-looking overview report</u> Note request to try and pull forward publication of this report. To be considered by the Commission in planning for next year's report.
Andrew Kerr, Edinburgh	I am happy with the proposed work programme and can see the direct benefits for local authorities. The Strategy and Insight service which I oversee directly will cover all the audits and inspections as part of the rolling audit.	Note positive comments on the proposed work programme.

Respondent	Detail	Proposed response
Steve Grimmond, Fife	It is reassuring and positive that the work programme takes account of the significant changes that have taken place across Scotland over the last four years and focusses on the important issues.	<u>General comment</u> Note positive comments on the alignment between the proposed work programme and the significant important issues raised by the changes that have taken place across Scotland over the last four years.
	Our current experience of Best Value and the new BV3 Audit approach is positive in its appropriate and proportionate focus. One reflection would be whether the BV Audit lens sufficiently deals with Education and Health and Social Care arrangements. While recognising that these are addressed by other audit and inspection frameworks, given that they account for 75% of Council expenditure they require to be considered within that wider context.	<u>Best Value</u> Note suggestion; advise council that wider education and health and social care issues would already be considered during a BV audit, as is the case in East Lothian council, where education outcomes are included in the audit scope.
	In this respect, we welcome the further scrutiny of Education and Health and Social Care highlighted in the proposed programme. Given the currency of issues it would be beneficial to consider teacher workforce planning (scheduled for 2020/21) being brought forward.	<u>Education and Health and Social Care</u> Note these positive comments on the proposed work on health and social care and education in the work programme; advise council that the Commission will consider the merits of earlier work on teacher workforce planning as part of the 2018 work programme refresh.
	There maybe merit in considering a greater focus on asset rationalisation and service integration in terms of new models of delivery, rather than just a focus on digital transformation.	<u>Asset rationalisation</u> Advise the council that the Commission will consider this proposal as part of the 2018 work programme refresh.
	The How Councils Work reports provide helpful checklists on the areas covered, and we would welcome further reports in this series.	<u>How Councils Work</u> Note this positive feedback on this series of reports.
	Finally, it would be helpful if the audit approach is cognisant of the significant challenges Local Authorities face in responding to growing demand and a myriad of policy priorities, with continually reducing resource. An approach which is proportionate and seeks to minimize the call upon local resources required to respond to and engage with the audit process would be welcome.	<u>General comment</u> Note this general comment on the resource pressures facing local authorities and confirm the Commission's commitment to proportionate and risk-based approaches to auditing.

Respondent	Detail	Proposed response
Annemarie O'Donnell, Glasgow	We have one proposal to make in response to the question "Are there any policy areas that you think we should be considering or reporting on differently over the next two years?" We suggest that there might be merit in the Accounts Commission considering the impact of Brexit on the resources and workforce in the public sector and local government plans to meet this challenge.	The potential impact of the UK's departure from the EU on local government. Audit Scotland is already closely monitoring the potential impact of the UK's departure from the EU on the whole of Scotland's public sector (including local government). At present, there is significant uncertainty about the nature of the deal that the UK government is seeking to reach with the EU. Decisions on the merits or otherwise of audit work in this area will be made once the position is clearer.
Steve Barron, Highland	Thank you for sight of the Accounts Commission work programme, I have discussed this with my Directors and senior managers and there were no significant issues raised. I welcome continued work on the overview reports, we find these valuable and they are discussed at Council. This year following Local Government Elections the How Council's Work (HCW) series was particularly useful for Member induction and they are also considered by Council when updates are published. The review of HCW in the context of the new approach to auditing Best Value would be welcomed. The risk assessment at a local level and the subsequent Local Scrutiny Plan continue to be valuable tools to engage with our external auditors and also to flag the implications for the Council of the overall work programme of the Commission. Given the ambition of the work programme it would be helpful for the Commission to consider the scheduling of audits to ensure Councils have adequate capacity especially when any engagement on national audit work might fall at the same time as a Best Value Assurance Audit (BVAR).	LG overview Note this positive feedback. This reflects similar positive consultation feedback from local government stakeholders last year. How Councils work Note this positive feedback on this series of reports. SRA and Local Scrutiny Plan Note this positive feedback. The request that we consider the scheduling of national audit work alongside any local BVAR work is noted. Advise council that these considerations already feature when Audit Scotland is resourcing and scheduling the work programme.

Respondent	Detail	Proposed response
Aubrey Fawcett Inverclyde	Thank you for your letter to Mr Aubrey Fawcett, Inverclyde Council's Chief Executive dated the 23rd January seeking the Councils views on the Accounts Commissions proposals to refresh its rolling work programme for 2018/19 to 2022/23. The proposals have been discussed by the Councils Corporate Management Team and hope you find the following comments relating to Appendix 3 of use. The CMT were broadly supportive of the planned Work Programme which recognises many of the key issues being faced by Local Government in the medium term. In terms of specific comments, the Corporate Management Team would ask whether it would be possible to incorporate something in the Work Programme over 2018/20 in relation to Shared Services and associated progress? Other Comments: Education Outcomes - We believe it is important that when carrying out a review of Educational outcomes that there are some international comparators which demonstrate the value for money of the investment within Education in Scotland and the outcomes compared to other countries. Given the fact that Education is the largest area of spend within Local Government then such information will help support future investment decisions. Supporting Economic Growth. the role of Local Authorities - Would it be possible to incorporate a review of the effectiveness of Non Domestic Rates Policy in supporting economic growth in particular in light of the recommendations of the Barclay Review many of which will have been implemented by this time? Community Assets - It was noted that participatory budgeting was not specifically mentioned in the commentary in relation to the Community Assets Performance Audit. Given that this is a new and challenging area for Local Government which is due to be formally implemented by 2020 then an overview of progress towards implementation with examples of good practice would be of assistance.	Shared services Advise the council that the Commission continues to have an interest in this regard (most recently discussed at its February meeting) and will be giving further consideration. Educational Outcomes Advise the council that that these comments will be used to inform the scoping of this audit. Supporting Economic Growth Advise the council that that these comments will be considered during the scoping phase of this audit. Community Assets Advise the council of the Commission's continuing interest in this regard, and that Audit Scotland will continue to consider the impact of participatory budgeting as part of its ongoing programme development work on community empowerment.

Respondent	Detail	Proposed response
Kenneth Lawrie, Midlothian	I can advise that the wider programme approach aligns well with areas of focus for Midlothian Council moving forward and the policy areas of particular interest for Midlothian are set out below: • The audit on children's and young people's mental health service is welcomed. Our hope is that the audit does not just focus on clinical services but will include the role of education and early year's services, as well as youth services as a key component for exploration. • The scope of the audit on Health & Social Care Integration (part 2) notes "now that integration authorities are more established, to look at progress and to follow up on these risk". Given they are less than 3 years old and a range of issues are still to be resolved with health boards, we trust that a degree of pragmatism will be applied and recognise that the audit may highlight these issues and accelerate work to resolve them. • The Innovative financing – City Deals performance audit Whilst Midlothian Council is supportive of the current draft of the rolling work programme we note that at this stage of development there is no planned activity for the 'Education Collaboratives' or Education Governance. We would hope that this would be considered within the programme at an appropriate time. Reference to the approach to How Councils Work series being informed by key themes from the first year of the new approach to Best Value would seem appropriate and Midlothian would suggest that a critical area for consideration would be the demonstrable delivery of sustainable transformational change.	<u>General comment</u> Note positive comments on the alignment between the proposed work programme and the significant important issues facing the Council. <u>Children and young people's mental health</u> Advise the council that the wider scope of this audit which looks beyond specialist clinical services. <u>Health and Social Care Integration (2)</u> Note the request for a pragmatic approach to the audit. <u>City Deals</u> No response required. <u>Education Collaboratives and Education Governance</u> Advise the council that that these two issues are likely to feature as part of the Educational Outcomes audit planned for 2019/20. <u>How Councils work</u> Note this positive feedback on the proposed approach to selecting future topics for this series of reports. The Commission to consider work on sustainable transformational change when determining its future strategy.

Respondent	Detail	Proposed response
Elma Murray, North Ayrshire	We welcome the use of thematic reports. It was heartening to see recognition of the fact that services are being delivered in a complex landscape. In fact, it may be beneficial for this to be explored further in order that less complex ways of delivering services may be developed. We would suggest that as we may have new education legislation this year or early next year, consideration could be given to a review of how any new arrangements are working. In addition, we would suggest consideration be given to the following audit areas which could be in year 2020-21: • The future effective funding of local authorities. • The future of education in a local authority context. • The effective funding and service delivery of health and social care services in Scotland. • At a local level, North Ayrshire's approach to delivering 1140 hours of early learning and childcare. Other areas which may be worthy of consideration are commercialism / entrepreneurship and climate change and energy. With the constant risks associated with digital systems, it would be reassuring to see Cyber Security included within future Work Programmes. In relation to National Scrutiny, we welcome scrutiny and the benefits this can bring, however, we would ask that the timing of such visits be reviewed. Our recent Attainment Challenge Inspection took place the week prior to the Council's budget setting which put a great deal of pressure on Officers.	General comments Note the positive comments on our approach. Advise council of the importance of a joint work programe with the Auditor General. Education legislation Commission Secretary to confirm to Renfrewshire Council that the early impact of the Attainment Challenge Fund and Pupil Equity Fund is within the proposed scope of his audit. Health and social care Advise council of the ongoing series of audits in this regard. Early learning and childcare Advise council of the recent published performance audit in this regard. Commercialism / entrepreneurship and climate change and energy Advise the council that these areas will be considered by the Commission as part of its 2018/19 work programme refresh. Cyber security Advise council of the Commission's continuing interest in this regard; and that this issue will be considered in the context of the scope for the proposed performance audit on *Digital progress in local government;* and that this area will be considered by the Commission as part of its 2018/19 work programme refresh' National scrutiny Advise council that its comments will be shared with the local area network and the Strategic Scrutiny Group.

Respondent	Detail	Proposed response
Sandra Black, Renfrewshire	With regards to proposed work in relation to Educational Outcomes, I trust that work in this area will specifically focus on the early impact of the Attainment Challenge Fund and Pupil Equity Fund over the coming years. There may also be an opportunity to consider the issue of the significant number of new councillors in Scotland, potentially in line with the previous" How Councils Work" report on officer and member relationships.	Educational outcomes Advise the council that the early impact of the Attainment Challenge Fund and Pupil Equity Fund is within the proposed scope of his audit. How Councils Work The Commission to consider this proposed topics when determining its future strategy for HCW reporting.
Tracey Logan, Scottish Borders	I have considered the proposed areas of work as part of the Internal Audit planning process for 2018/19 and will continue to monitor reports published by Accounts Commission / Audit Scotland for consideration and presentation to Audit and Scrutiny Committee or other depending on the subject matter e.g. IJB.	Note the comments.
Crawford McIntyre, Shetland Islands	In terms of the 'How Councils work' series, it would be useful to examine how councils store, process and use data from the perspectives of efficiency, citizen experience and transparency. This is linked to the Digital First agenda across Scotland and would also tie into GDPR requirements and how councils have managed the transition process from the DPA.	How Councils work The How Councils Work series was designed to be the Accounts Commission's improvement offering to local authorities which would draw together best practice guidance in an easily understandable format for officers and members. A key principle when selecting topics for inclusion in the series was the availability of audit evidence and good practice from previous audit work undertaken on behalf of the Commission. The idea being that limited additional audit work should be necessary when preparing any HCW report. On that basis, the topic that Shetland Islands Council has proposed would not be a suitable topic for inclusion in the HCW series as it is not a topic which has been the subject of significant audit coverage to date. It is proposed therefore to advise the council that the Commission will consider the merits of focusing on this topic when scoping the 2019/20 audit on digital progress in local government (reporting early 2021/21).
Eileen Howat, South Ayrshire	It is useful to see the areas you plan to cover over the next few years and I welcome the different options for publishing and promoting your work. We particularly welcome the How Councils work series of reports which we have used with elected members to review their understanding of key areas through the checklists and I think that picking up on the key themes from Best Value audits is a good approach.	How Councils work Note this positive feedback on this series of reports.

Respondent	Detail	Proposed response
Stewart Carruth, Stirling	I have no specific comments on the programme as is, but would ask if you can consider in future the impact of AI and robotics on local government and the impact of leaving EU on local government.	<u>AI and robotics</u> Advise the council that the Commission will consider this suggestion when scoping the 2019/20 audit on digital progress in local government (reporting early 2021/21). <u>Brexit</u> Advise the council that Audit Scotland is already closely monitoring the potential impact of the UK's departure from the EU on the whole of Scotland's public sector (including local government). At present, there is significant uncertainty about the nature of the deal that the UK government is seeking to reach with the EU. Decisions on the merits or otherwise of audit work in this area will be made once the position is clearer.

Respondent	Detail	Proposed response
Joyce White, West Dunbartonshire	We would request that you consider including a focus on engagement and involvement of residents towards the end of this programme to take account of the work Councils are doing to implement and embed the ambitions of the Community Empowerment (Scotland) Act. A number of areas highlighted in your work programme are specific to areas of service delivery, and while we recognise this links to policy areas and priorities as described in your letter, we would ask you to consider widening your focus to look at partnership outcome areas. This would be in line with the new approach to the National Performance Framework currently being finalised. As an example we would suggest widening the current activity area of school educational attainment to look at the Getting It Right for Every Child (GIRFEC) approach. All Local Authorities take a wide ranging approach to the education of our children and young people which makes consideration of attainment in isolation disappointing. A focus on GIRFEC would give a more comprehensive and child centred assessment. We as an organisation have found the 'How Councils Work' series to be a useful local resource and would be keen to see this approach refreshed and reinvigorated. The model works well as central collation of topics and guides allows for consistency of message while local approaches can be taken to the cascade and training of specific guides and topics. It may be useful when reviewing the plan for the series to consider topics which are more current for our Elected Members, such as empowerment, consultation and engagement, city deal and reporting on outcomes. As a Council area currently undertaking Best Value Assurance I wanted to take the opportunity to express support for the revised approach to auditing Best Value. This more rounded approach, with an opportunity the draw out best practice and case study examples, reflects a more holistic model in line with the range of inspection bodies.	<u>Community engagement</u> Advise the council that Audit Scotland is already considering the impact of participatory budgeting and local improvement planning as part of our ongoing programme development work on community empowerment. We will also consider West Dunbartonshire's specific proposal as part of the 2018 work programme refresh. <u>Partnership outcome areas/GIRFEC</u> Advise the council that we are already considering the impact of wider policy developments such as GIRFEC and the contribution of local authority partners as part of the scoping of the educational outcomes audit. <u>How Councils Work</u> Note this positive feedback on this series of reports and consider the proposed topics when determining the Commission's future strategy for HCW reporting. <u>Best Value</u> Note positive feedback on the changing focus of Best Value auditing.

Respondent	Detail	Proposed response
Graham Hope, West Lothian	West Lothian Council welcome the Accounts Commission work programme and the value added by independent scrutiny of local government activities; The revised approach to best value audit appears to be working well; The division of the local government overview reports between financial overview and performance has enhanced the profile of both of these important areas; In relation to the "how councils work" series, whilst appreciating this is covered by best value audit of individual councils, there could be merit in considering Scotland wide projects on both performance management, and also internal audit and scrutiny; In relation to performance audit, the programme seems to be comprehensive In terms of the performance audit, a greater appreciation of the financial constraints that councils are operating under would be welcomed.	General comment Note positive comments on the Accounts Commission work programme and added value of scrutiny. Best Value Note positive feedback on the new approach to Best Value auditing. LG overview Note this positive feedback on the new approach to overview reporting. How Councils Work Note this positive feedback on this series of reports and consider the proposed topics when determining the Commission's future strategy for HCW reporting. Performance audit programme Note positive comments on the proposed performance audit programme and the request for a greater appreciation of the financial constraints that councils are operating under.
SOLACE (response from Joyce White)	In general terms, there is a good fit between the key risks and resilience issues facing Scotland's councils and the Commission's proposed programme. In particular, SOLACE welcomes the inclusion of audit work on mental health services for children and young people with a strong focus on prevention and health and social care integration (part 2) following up on risks and evidence of shifts from acute to community based and prevention. Regarding the proposed work in 2019/20 on Innovative financing: City Deals, we are pleased to note that you will consider any overlap with another strand of associated work on Supporting Economic Growth: the role of local authorities.	General comment Note the view of a good fit between the key risks and resilience issues facing Scotland's councils and the Commission's proposed programme.

Respondent	Detail	Proposed response
SOLACE (response from Joyce White) (continued)	Last year, we gave feedback on a couple of areas as follows: • Integrated children's services – we suggested that while there are discrete audit proposals on pre-5 services, school attainment and (in 2021/22) on outcomes for looked after children in the plan, it would perhaps assist the rolling programme of best value audits if some complementary national thematic work was considered by the Commission in this area and the work programme might usefully be amended to include greater emphasis on integrated children's services. The Children's Services policy landscape continues to change rapidly and we remain convinced that this should be reflected in the Account Commission's Work Programme. • Transformational changes, particularly Welfare Reform and devolved Social Security – it is pleasing to note that several areas of work will take place over the coming years in these areas, as well as on Digital progress in local authorities.	<u>Integrated Children's Services</u> Note suggestion that integrated national thematic work be considered by the Commission on integrated children's services. Advise SOLACE that the Commission will consider this proposal as part of the 2018 work programme refresh. <u>Transformational Change particularly Welfare Reform and devolved Social Security</u> Note positive feedback on how this already features in the work programme.
	Your programme development activity on a) The potential impact of Brexit for Scotland's public services and b) Reducing child poverty will be of particular interest to all local authorities and our Community Planning Partners.	<u>Programme development activity on the potential impact of Brexit for Scotland's public services and reducing child poverty</u> Note positive feedback on the value this work might bring.
	In relation to the 'How Councils Work' series of audit reports, these have been useful 'toolkits' for Council officers and members in recent years. The 'Roles and Working Relationships in Councils' report was particularly useful during 2017 given the number of new elected members into most local authorities. Last year, we welcomed the proposed link between the initial Best Value Audit programme and future HCW reports. It would be useful to hear if, based on the audits now complete you have areas highlighted for future HCW reports.	<u>How Councils Work</u> Note positive feedback on previous work in this area and advise SOLACE once the Commission's future plans in this area are clearer.
	We would welcome further discussion on how the local government benchmarking data could be used to highlight a council's performance in a balanced way within the Best Value Assurance reports, particularly in relation to the seven indicators used in graphs showing the six year trend and whether these are the most rounded suite of indicators.	<u>Local Government Benchmarking data</u> Advise SOLACE of the outcome of the Commission's review of the first year of auditing Best Value. Also note forthcoming discussion with the Chair of LGBF Board at Commission's April meeting.
	Finally, on the topic of Best Value Assurance, a working group was set up last year (chaired by David Martin) with a remit to refresh the statutory guidance. An update on how this is progressing with the Scottish Government would be appreciated.	<u>BV Statutory Guidance</u> This matter is being taken forward by the Scottish Government and COSLA. Refer SOLACE's view to Scottish Government and COSLA.

Appendix 6: Annual Assurance and Risks Report: summary conclusions of performance against Commission's Startegic Audit Priorities (SAPs)

SAP 1 - Having clear priorities and better long term planning

- Most councils have clear corporate plans and strategies with a focus on strategic priorities, but the extent to which these align to budgets varies across Scotland.

- Councils' financial challenges continue to grow, with signs of increasing financial stress. In this environment, sound financial planning and effective leadership is more important than ever

- There is evidence of medium term financial planning, with some councils using scenario planning, but a small number of councils are behind the curve and have no plans beyond their annual cycle. More work is required to establish effective long term financial planning arrangements across Scotland

- Councils need to demonstrate that resources are being managed to secure the sustainability of services into the future. Many councils are using revenue reserves to deliver services, which is not sustainable in the longer term.

- Reducing inequalities is a strategic priority for a number of councils.

- Councils continue to make progress in addressing equality and diversity issues

SAP 2 - Recognising that incremental savings are not enough, and thus evaluating options for more significant changes in how services are delivered

- Councils are at various stages in their change programmes, and different approaches have been adopted.

- There is limited evidence of councils collaborating or sharing services with each other

SAP 3 - Ensuring people - members and officers - have the right knowledge, skills and support to design, develop and deliver effective services in the future

- Constructive working relationships exist between councillors and officers. However, councillors must always play an active role in effectively scrutinising policies, plans and services.

- Councils provide comprehensive induction training for elected members, although councillors do not always make the most of training available to them

- Audit findings focused on wider aspects of workforce planning as an area for development in many councils

SAP 4 - Involving citizens more in making decisions about local services and empowering local communities to identify and help deliver services they need

- Councils continue to use traditional approaches to community engagement, but new and innovative ways of engaging with the public are also being adopted

- There is evidence that councils are planning to make more use of participatory budgeting

SAP 5 - Reporting performance in a way that enhances accountability to citizens and communities

- Most councils have satisfactory arrangements in place for public performance reporting. Auditors could provide more detail on the nature and effectiveness of those arrangements

- Auditors have reported on the need to strengthen scrutiny in councils

ACCOUNTS COMMISSION ✓

MEETING: 8 MARCH 2018

REPORT BY: SECRETARY TO THE COMMISSION

**LOCAL GOVERNMENT BENCHMARKING FRAMEWORK:
NATIONAL BENCHMARKING OVERVIEW REPORT 2016/17**

Purpose

1. This paper introduces for the Commission's information the Local Government Benchmarking Framework (LGBF) National Benchmarking Overview Report 2016/17 and advises the Commission of the next stages of its dialogue with the LGBF Board.

Background

2. The Commission has maintained a close interest in the development of the LGBF. This interest reflects the Commission's ongoing commitment to encourage sector-led benchmarking and improvement, as well as its statutory responsibilities in relation to directing local authorities to publish performance information and securing the audit of Best Value.

National benchmarking overview report 2016/17

3. The Improvement Service published on 12 February the National Benchmarking Overview Report 2016/17. This is in effect the annual report of the LGBF project. It is attached in **Appendix 1**. The press release issued by the Improvement Service and COSLA is attached for information in **Appendix 2**.

4. The report is presented to the Commission today for information, to allow it to consider its conclusions as part of its consideration of the draft of the Commission's Local Government Overview report which is elsewhere on today's agenda.

Further dialogue with the LGBF Board: SPI Direction

5. The Commission has a strategy for statutory performance information (SPI) incorporating the following principles:

   - A three year SPI Direction from 2015.

   - Reflecting the increasing maturity of, and the Commission's ongoing support for the further development of, the LGBF within the SPI Direction.

   - Incorporating our assessment of councils' approaches to public performance reporting (PPR) as an integral element of the new approach to auditing Best Value, rather than as a separate assessment of this aspect of councils' performance, as was previously the case in recent years.

6. At its December 2018 meeting, the Commission will consider a new SPI Direction. To do so, it will review councils' progress against the requirements of the Direction.

7. Given that the LGBF is a core feature of the Commission's SPI Direction, the Commission will wish to engage in dialogue with the LGBF Board to discuss progress with the project, including the conclusions set out in the National Benchmarking

Overview Report. It is therefore intended that such discussion will take place initially at the April meeting of the Commission. David Martin, Chair of the LGBF Board (and Chief Executive of Dundee City Council) will attend the April meeting, accompanied by Emily Lynch, Programme Manager - Performance Management & Benchmarking, Improvement Service.

Conclusion

8. The Commission is invited to:

    a) Consider the attached National Benchmarking Overview Report 2016/17, in advance of it considering the draft of the Commission's Local Government Overview report which is elsewhere on today's agenda.

    b) Note that a discussion with the Chair of the LGBF Board will take place at the April meeting in relation to the progress of the project, and councils' progress against the Commission's SPI Direction, in advance of the Commission considering a new SPI Direction in December 2018.

Paul Reilly
Secretary to the Commission
28 February 2018

Appendix 1: National Benchmarking Overview Report 2016/17

See separate paper

Appendix 2: Improvement Service and COSLA press release of 12 February 2018 (accompanying the publication of the National Benchmarking Overview Report 2016/17)

Councils continue to perform well despite sharp reduction in spend

Scotland's councils continue to perform well for their communities in terms of service delivery despite a sharp reduction in their finances according to the latest Local Government Benchmarking Framework report.

The latest data clearly demonstrates that councils and schools are closing the education attainment gap; measures of educational outcome continue to show positive progress overall but particularly for children from the most deprived areas.

Another positive trend to emerge from the data is the increased usage of libraries, museums and leisure facilities coupled with reduced costs.

These and other findings are contained in the Local Government Benchmarking Framework (LGBF) published by the Improvement Service. The LGBF reports on how much councils spend on particular services, service performance and how satisfied people are with the major services provided by councils.

Across the seven-year period for which data is presented, total current funding for Scottish councils has reduced by 7.6% in real terms from £10.5 billion to £9.7 billion.

Education spending has been relatively protected, and child protection and social care spending have grown substantially. As these account for over 70% of the benchmarked expenditure within the LGBF, other services have taken much more substantial reductions. Expenditure on roads has fallen by 20% in real terms, on planning by 33% and on culture and leisure services by 17%.

The main findings from the report show that reduction in spend has been variable across service areas:

- education has been relatively protected (-4%),
- child protection has grown (+19%),
- adult social care has grown (+6%)
- waste disposal spend has grown (+4.3%) linked to the transition from landfill to recycling .

Other areas have had substantial cuts to spending:

- Leisure and culture services (-17%),
- Parks and open spaces (-22%),
- Roads maintenance (-20%)
- Corporate Support Services (-14%).

The Local Government Benchmarking Report also highlights that during this period councils have achieved substantial improvements in efficiency, innovation and productivity while service output and outcomes have been largely maintained and improved.

However, it should be recognised that use of reserves was a key contributor to this trend. The report states that it will be harder to reproduce the efficiency and productivity gains of the last five years again, particularly with the current financial outlook and the relaxation of the pay strategy proposed by the Scottish Government.

Commenting on the report, COSLA President, Councillor Alison Evison, who also Chairs the Improvement Service Board, said: "Today's report shows that the cuts to local government have really started to bite, particularly in the non-statutory services.

"It also illustrates clearly that despite this Scotland's councils continue to deliver high quality services to their communities.

"It is particularly pleasing that the data released today clearly demonstrates that councils and schools are closing the attainment gap.

"There are however still major inequalities in attainment between the most deprived pupils and others. Continuing reform and improvement is essential, but it is critical to ensure that continued reform does not disrupt the stable and consistent improvement trend already there, as schools, councils and regional improvement collaboratives adjust to new roles and relationships.

"What councils are continuing to achieve for communities is impressive in spite of the financial challenges we face.

"Indeed I think that today's report shows fantastic results for culture and leisure services. The increased usage of libraries, museums and leisure facilities coupled with reduced costs is a great story of transformation and how widely valued council services are across Scotland.

"Local government cannot continue to be the poor relation of the public sector and the fact that roads spending is down 20% will not have gone unnoticed.

"Spending on care for older people has grown in real terms but not at the level necessary to keep up with demographic change. The same applies to child protection."
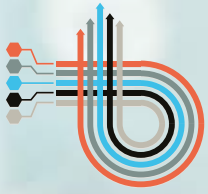
Local Government Benchmarking Framework

National Benchmarking Overview Report 2016/17

Contents

Preface

This is the sixth annual report for the Scottish Local Government Benchmarking Framework (LGBF). All 32 Scottish councils have worked with the Improvement Service (IS) over the last seven years to develop a common approach to benchmarking, which is grounded in reporting standard information on the services councils provide to local communities across Scotland.

This approach has been successful in encouraging councils to work and learn together to drive service improvements. Benchmarking enables greater understanding of why councils vary in terms of what they deliver and achieve for their communities and how they do so. This information is available to all citizens and users of council services, so that they can hold councils to account for what is achieved on their behalf, and ask questions of local government to promote improvement.

To ensure comparability across councils, it has been necessary to develop standard service definitions, and standard classifications for spending and performance. These are continually reviewed and improved to ensure the best possible performance information is available to communities, and to councils themselves. It is important to remember that councils across Scotland do not have common service structures. Each council has the structure and service arrangements that it believes are the most appropriate and cost effective to support its local community. Equally, all councils report their performance locally within locally developed and agreed public reporting frameworks, which draw upon LGBF information.

Councils are arranged in 'family groups' enabling comparisons to be made between councils that are similar in terms of the type of population that they serve (e.g. relative deprivation and affluence) and the type of area in which they serve them (e.g. urban, semi-rural, rural). The point of comparing like with like is that this is more likely to lead to useful learning and improvement.

There is a continuous improvement programme to refine the benchmarking framework and the current priority is on improving the outcome benchmarks for the health and wellbeing of children and for economic development. Stronger measures to support improvements in outcomes for older people are imperative and developments here will be informed by the evolving core suite of Health and Social Care Integration measures. Local government will, in the years to come, work with colleagues across wider public services to expand the range of indicators being deployed to support benchmarking.

The driving force behind this work is, and will always be, to improve the lives of people in communities across Scotland. We believe that effective public services contribute to both individual and community quality of life and the LGBF is an increasingly important element of the local intelligence necessary to achieve this vision.

Alison Evison

Chair, Improvement Service
COSLA President

Joyce White

Chair of SOLACE (Scotland)

Executive Summary

The benchmarking framework reports on how much councils spend on particular services, service performance and how satisfied people are with the major services provided by councils. The framework supports evidence based comparisons between similar councils so that they can work and learn together to improve their services. It is important to highlight that this report sets out the national position, however there is a wide range of variation in costs and performance across councils. It is this variation which provides the platform for learning and improvement.

The benchmarking framework now has seven years of trend data, covering 2010/11 to 2016/17[1]. Across the seven-year period for which we present data, total revenue funding for councils has fallen by 7.6% in real terms from £10.5 billion to £9.7 billion. Education spending has been relatively protected, and child protection and social care spending have grown substantially. As these account for over 70% of the benchmarked expenditure within the LGBF, other services have taken much more substantial reductions. Expenditure on roads has fallen by 20% in real terms, on planning by 33% and on culture and leisure services by 17%.

During this time councils have achieved substantial improvements in efficiency, innovation and productivity while service output and outcomes have been largely maintained and improved. Measures of educational outcome continue to show positive progress overall, but particularly for children from the most deprived areas showing the value of council's holistic approach to children's services. The increased usage of libraries, museums and leisure facilities coupled with reduced costs, provides evidence of positive service transformation and how widely valued council services are by communities across Scotland.

It is worth noting that the improvements evidenced by the LGBF may be subject to lag effects, and the full impact of the funding reduction in some service areas may take time to work through the system. It should also be recognised that use of reserves and a public-sector wage cap underpin the expenditure trends observed, therefore the historic trend of improvements shown in the LGBF cannot be taken for granted in future years. This will particularly be the case if staff pay increases by more than in recent years following the Scottish Government's relaxation of its Public Sector Pay Policy, which although not applicable to local government employees may raise their expectations in their pay negotiations. Given the scale of the challenge facing councils, the sustainability of some services will be increasingly dependent on the ability of councils and their partners to address the underlying demand for them.

Children's Services

1. Despite real reductions in the education budget of 3.8% since 2010/11, the number of pre-school and primary places in Scotland has increased by over 30,000. Across this same period, attendance and exclusion rates have also improved. Measures of educational outcome continue to show positive progress, particularly for children from the most deprived areas showing the value of council's holistic approach to children's services.

2. In pre-school, real costs per place have risen for the third year in a row, increasing by 7.1% in the past 12 months. This reflects the additional costs associated with new entitlements introduced in the Children and Young People (Scotland) Act 2014. The percentage of funded early years provision graded 'good or better' has improved from 87.1% to 91.7% since 2010/11, although it has shown a slight reduction in the past two years.

3. There has been a year on year improvement in the percentage of children meeting developmental milestones, increasing from 70.9% in to 72.4% between 2013/14 in 2015/16. Data for 2016/17 is not available until March.

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4. Expenditure on looked after children has increased by 18.9% since 2010/11 reflecting the policy priority in this this area. Historic data shows significant improvement in school attendance and exclusion rates for children who are looked after, and positive trends in relation to the balance of care achieved between community and residential settings. Looked After Children statistics are published in March 2018 and so it was not possible to include current data on service performance or outcomes within this report. The introduction of thematic reporting will enable inclusion of this data when it is available.

5. In the past 12 months, there have been small reductions in real spend per primary and secondary pupil (0.2% and 0.4% respectively), with expenditure trends largely reflecting pupil number changes. Since 2010/11, real spend per primary and secondary pupil has fallen by 9.6% and 2.9%.

6. Meanwhile, senior phase attainment continues to show a very strong improving trend in 2016/17. The Scottish average tariff score has improved by 15.1% since 2011/12, and 1.1% in the past 12 months. Pupils from the most deprived areas have the fastest rate of improvement (30.5% since 2011/12 and 3.5% in the past 12 months). The pattern in the total tariff score data is replicated in the data on 5+ passes at SCQF level 5 and level 6 with average improvement rates of 17.6% and 30.8% respectively (1.7% and 3.0% in the past 12 months). For the most deprived quintile it was double that: 41.4% and 60.0% (2.5% and 6.7% in the past 12 months). There are however still major inequalities in attainment between the most deprived pupils and others. There are also very varying outcomes from pupils from similar backgrounds between councils and between schools. Continuing reform and improvement is essential, but it should be based on recognising the consistent pattern of improvement across the last six years despite the resource constraints in place. It is critical to ensure that continued reform does not disrupt the stable and consistent improvement trend already there, as schools, councils and regional improvement collaboratives adjust to new roles and relationships. This is not about whether continued reform occurs but how it is designed and implemented.

7. Satisfaction with schools has fallen for the fourth year in a row, reducing from 74% to 73% in the last 12 months, and by 10 percentage points since 2010/11. The LGBF satisfaction data is drawn from the Scottish Household Survey (SHS) and represents satisfaction levels for the public at large rather than for service users. There is considerable difference between satisfaction results observed in the SHS and those identified through local surveys.

Adult Social Care

8. Spending on care for older people has grown in real terms across the period since 2010/11 (6.3%) but not at the level necessary to keep up with demographic change (2-3% per annum). In the past 12 months, real spending on care has increased by 1.6%, a significant element of which has been focussed on meeting living wage commitments.

9. The balance of care has shifted in line with policy objectives across the period with a growth in home care hours provided (9.6%) and a relative decline in residential places (-1.1%). The percentage of people with intensive needs who are now receiving care at home has increased from 32.2% in 2010/11 to 35.3% in 2016/17. As importantly, the number of people receiving home care has decreased over time and the hours of care they receive on average has increased, i.e. in shifting the balance of care, a greater resource has become targeted on a smaller number of people with higher needs. Direct payments and personalised managed budgets have grown steadily across the period from 1.6% to 4.7% of total social work spend (excluding outliers).

Culture and Leisure Services

10. Despite a real reduction in spend of 17%, leisure and cultural services have sharply increased their usage rates and reduced their costs per use. Since 2010/11, the substantial increases in visitor numbers across sports (19.1%), libraries (47.4%), and museums (33.1%) have resulted in unit

cost reductions of 26%, 47% and 31% respectively. In the past 12 months, there has been a 3.6% reduction in spend on leisure and cultural services, largely driven by a 10% reduction in libraries expenditure. Public satisfaction rates for sports, library and museums facilities have fallen since 2010/11, with libraries and museums showing a further reduction in the last 12 months. In contrast to this trend, public satisfaction rates for parks and open spaces have increased by 3.9 percentage points over this period.

Environmental Services

11. Real spending on environmental services has reduced by 8.6% since 2010/11 with reductions in waste management (-1.4%), street cleaning (-30%) and trading standards and environmental health (-16.7%). The reduction in spend has accelerated in the past 12 months, with overall spend reducing by 4%. While recycling rates continue to improve despite these spending pressures, recent years have seen reductions in street cleanliness scores and satisfaction with refuse and cleansing.

12. Across the period, real spending on roads has fallen by 19.9%, while the road conditions index indicates conditions have been maintained and improved slightly across all class of roads. In the last 12 months, roads spending has increased by 1.6% due to an increase in capital expenditure as councils strive to tackle the backlog of maintenance and improvements.

Corporate Services

13. Council corporate and support costs continue to account for only 5% of total gross revenue spend for local government across Scotland. Real spend on support services has reduced by 13.9% since 2010/11, including an 8.1% reduction in the past 12 months. The cost per dwelling of collecting council tax also continues to reduce, falling by 40.9% over the period with the rate of reduction accelerating in recent years. Meanwhile, the collection rate continues to show steady improvement from 94.7% in the base year to 95.8% in 2016/17.

14. Sickness absence days for teaching staff have reduced by 8.2% since 2010/11 and by 0.5% in the past 12 months. However, for non-teaching staff, sickness absence has increased by 1.1% since 2010/11, and by 2.7% in the past 12 months.

Housing Services

15. Councils continue to manage their housing stock well with rent lost to voids reducing from 1.3% in 2010/11 to 0.9% in 2016/17, and a 14.2% reduction in average repair times across this period. There have also been consistent and significant improvements in terms of housing standards and energy efficiency standards, both of which are now above 90%. However, at the same time, the growth in tenant's rent arrears from 5.6% to 6.5% between 2013/14 and 2016/17 reveals evidence of the increasing financial challenges facing both housing residents and councils alike. Welfare reform and Universal Credit roll out may create further pressure on this trend and it will be important to monitor this. Where evidence is available from Universal Credit pilot councils, there has been a significant increase in rent arrears during 2016/17 following the introduction of Universal Credit Full Service.

Economic Development and Planning

16. While there has been an overall increase in the percentage of unemployed people assisted into work from council funded/operated employability programmes (9.1% in 2012/13 to 14% in 2016/17), there has been a small reduction in the past 12 months. The Business Gateway start-up rate has reduced from 19% to 16.6% across the period, including a fall from 16.9% to 16.6% in the last 12 months.

17. Councils continue to spend around 20% of their procurement spend on local small/medium enterprises (SMEs), although there has been a very small reduction since 2010/11, from 21.2%

to 20.3%. Given the pressures on council budgets this is a positive outcome as it suggests that the drive to reduce costs has not resulted in local SMEs being displaced by larger national suppliers of goods and services.

18. Real spend on planning services has reduced by 33.4% since 2010/11, representing one of the sharpest reductions across all services, and continuing in the past 12 months. Looking forward, the forthcoming Scottish Planning Bill proposes the introduction of higher fees for planning applications in line with those in England and the option to charge a pre-application fee. Once enacted this should increase planning service income generation to a full cost recovery scenario. Across this period, there has been a 23% reduction in the number of planning applications processed, and costs have fallen from £5,376 per application to £4,636 per application. In parallel, the time taken to process business and industry planning applications has reduced by 28.1% since 2012/13, from 13 weeks to 9.3 weeks.

Introduction

Trends and Key Issues

This section of the report highlights a number of key trends and issues at national level that cut across the more disaggregated data on individual councils and services presented across the rest of this report. The trends highlighted this year are:

(i)   The continuing downward pressure on council budgets.

(ii) The continued improvement in pupil attainment over time, and in post school destinations.

(iii) The continued improvement in take up of leisure and cultural services.

The current and potential future issues raised by these trends are discussed in context below.

(i) Continuing Pressure on Council Budgets

Across the period from 2010/11 to 2016/17, total current revenue funding for councils has fallen by 7.6% in real terms (taking account of inflation across the period)[2]. This real-terms reduction in Scottish Government funding has created growing pressures on council budgets, the impact of which has not been felt equally across all council services. Table 1 below illustrates the different expenditure trends for different service areas.

As can be seen, education spending has been relatively protected, and child protection and social care spending have grown substantially in cash and real terms. As these account for over 70% of the benchmarked expenditure within the LGBF, other services have taken much more substantial reductions. Expenditure on roads has fallen by 20% in real terms, on planning by 33% and on culture and leisure services by 17%. This reflects national priorities in education and care, and "ringfencing" and targeting of grants from Scottish Government through conditionalities. The effect has been to create a block of "protected" services (education, child protection and care) and a block of "unprotected" services (all the rest).

Within that context, there has still been variation between councils in spending patterns, reflecting different population trends, different challenges and different priorities in different parts of Scotland. Table 2 below shows the variation around the average across the 32 councils in Scotland.

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2   Audit Scotland, Local Government in Scotland, Financial Overview 2016-17

Table 1 – Changes in Real/Cash Expenditure Since 2010/11 (£000s) *

		Scotland Level							Change	
		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	% Change from 2010/11 to 2016/17	% Change from 2015/16 to 2016/17
Education	Cash	£3,989,588	£3,903,522	£3,930,928	£3,963,880	£3,986,728	£4,094,762	£4,222,825	5.8%	3.1%
	Real	£4,388,117	£4,232,470	£4,175,442	£4,139,736	£4,104,105	£4,187,130	£4,222,825	-3.8%	0.9%
Looked After Children	Cash	£370,787	£395,030	£412,609	£431,076	£452,913	£471,420	£484,777	30.7%	2.8%
	Real	£407,826	£428,319	£438,274	£450,201	£466,248	£482,054	£484,777	18.9%	0.6%
Social Care	Cash	£2,553,788	£2,585,837	£2,672,604	£2,738,703	£2,796,594	£2,876,228	£2,986,620	16.9%	3.8%
	Real	£2,808,892	£2,803,744	£2,838,847	£2,860,204	£2,878,931	£2,941,109	£2,986,620	6.3%	1.5%
Culrture and Leisure	Cash	£444,164	£428,258	£431,687	£437,163	£421,352	£411,572	£405,626	-8.7%	-1.4%
	Real	£488,533	£464,347	£458,539	£456,558	£433,757	£420,856	£405,626	-17.0%	-3.6%
Environmental	Cash	£686,292	£679,538	£673,868	£687,391	£679,422	£702,981	£690,300	0.6%	-1.8%
	Real	£754,847	£736,802	£715,784	£717,887	£699,426	£718,839	£690,300	-8.6%	-4.0%
Roads	Cash	£628,695	£572,060	£547,915	£532,617	£518,845	£533,407	£554,057	-11.9%	3.9%
	Real	£691,497	£620,267	£581,997	£556,246	£534,121	£545,439	£554,057	-19.9 %	1.6%
Planning	Cash	£169,185	£157,054	£179,738	£132,148	£125,441	£136,933	£123,984	-26.7%	-9.5%
	Real	£186,085	£170,289	£190,918	£138,011	£129,134	£140,022	£123,984	-33.4%	-11.5%
Central Support Services	Cash	£783,855	£806,185	£796,541	£757,513	£769,090	£790,597	£742,589	-5.3%	-6.1%
	Real	£862,156	£874,122	£846,088	£791,120	£791,734	£808,431	£742,589	-13.9%	-8.1%

Note: Table 1 includes expenditure covered by the LGBF measures. While the LGBF measures reflect the significant areas of local government expenditure, there are some minor areas of spend excluded, which accounts for differences with Scottish Government published expenditure data. All trends represent gross expenditure, except Culture and Leisure and Residential Social Care which are based on net expenditure.

Table 2 – Variation in Spending Patterns Across Councils in Scotland (£000s)

		Scotland 2010-11	Scotland 2016-17	Scotland % Change from 2010/11 to 2016/17	Range Among Local Authorities % Change from 2010/11 to 2016/17
Education	Cash	£3,989,588	£4,222,825	5.8%	-12% to 18.6%
	Real	£4,388,117	£4,222,825	-3.8%	-20% to 7.8%
Looked After Children	Cash	£370,787	£484,777	30.7%	-28.6% to 121.9%
	Real	£407,826	£484,777	18.9%	-35.1% to 101.8%
Social Care	Cash	£2,553,788	£2,986,620	16.9%	-11.4% to 41.2%
	Real	£2,808,892	£2,986,620	6.3%	-19.5% to 28.4%
Culture and Leisure	Cash	£444,164	£405,626	-8.7%	-37.2% to 36.5%
	Real	£488,533	£405,626	-17.0%	-42.9% to 24.1%
Environmental	Cash	£686,292	£690,300	0.6%	-30% to 38.9%
	Real	£754,847	£690,300	-8.6%	-36.4% to 26.3%
Roads	Cash	£628,695	£554,057	-11.9 %	-52.6% to 94%
	Real	£691,497	£554,057	-19.9%	-56.9% to 76.4%
Planning	Cash	£169,185	£123,984	-26.7%	-65.7% to 68%
	Real	£186,085	£123,984	-33.4%	-68.9% to 52.8%
Central Support Services	Cash	£783,855	£742,589	-5.3%	-62.3% to 77.3%
	Real	£862,156	£742,589	-13.9%	-65.8% to 61.2%

Issues

Three key issues are raised by the trend data above. First, given the Scottish Fiscal Commission's projections of economic and fiscal pressures, it is likely that councils face continuing funding reductions for the foreseeable future. Recent analysis has shown the scale of additional expenditure required just to keep pace with the inflationary and demographic pressures facing local authorities. In 2018/19, for example, an additional £545 million (an increase of 5.7%) is estimated to be necessary simply to stand still[3] . Efficiency and productivity gains have already been made, and sustaining services across the last five years has depended on staff accepting real reductions in wages. Although greater exploitation of digital can improve productivity, it will be harder to reproduce the efficiency and productivity gains of the last five years again, especially if pay increases for staff are higher than in recent years with a consequential upward pressure on wage costs (around 60% of total costs).

Second, the relative priority for education, child protection and adult care makes policy sense given the economic, productivity and demographic challenges Scotland faces. However, it has meant that across the last five years, education and care have taken a progressively larger share of council budgets: 5% more between 2010/11 and 2016/17, increasing from 70% to 75% of benchmarked service expenditure. If that continues, there will be much greater pressure on other service budgets, and they have already taken much greater reductions across the last five years. Some of these are critical to Scotland's post Brexit offer (the quality of infrastructure, the integrity and responsiveness of the regulatory system), and some are central to health and wellbeing priorities (leisure and cultural services). If further substantial reductions are necessary, a much more fundamental and transformative change will be necessary and that will require local and national government to work together.

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3   Improvement Service, Projected Cost Pressures for Scottish Local Government, 2017, http://www. improvementservice.org.uk/research.html

Finally, three related financial and fiscal issues should be noted. The level of spending that has been sustained across the last period has depended on use of reserves, but reserves are an exhaustible resource. As Audit Scotland has noted, many councils have depleted their reserves and it will be hard to rebuild them, given spending pressures. This is positively offset by the removal of the council tax freeze and the ability to raise council tax by up to 3% each year. The increased yield from the higher council tax bands will also contribute. Whether this offsets service budget cuts, or simply contributes to meeting wage pressures and reduced ability to deploy reserves is not yet clear. The increased income from charges has also helped to sustain the level of spending across the period. However, there may be limited market tolerance to this particularly for lower income households.

(ii) Continuing improvement in attainment

The 2016/17 data shows a continuing improvement in the attainment of Scottish school leavers. Table 3 provides the data from 2011/12 to 2016/17.

Table 3 - Average Tariff Scores by Quintile

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	% change 2011-12 to 2016-17
Overall Average Total Tariff	770	798	827	860	877	886	15.1%
Average Total Tariff SIMD Quintile 1	478	510	551	581	603	624	30.5%
Average Total Tariff SIMD Quintile 2	618	644	685	716	740	750	21.4%
Average Total Tariff SIMD Quintile 3	759	789	817	851	864	880	15.9%
Average Total Tariff SIMD Quintile 4	909	929	962	984	998	999	9.9%
Average Total Tariff SIMD Quintile 5	1101	1135	1149	1185	1196	1207	9.6%

As the table shows, the Scottish average tariff score has improved consistently across the period, overall by 15%, and pupils from the most deprived areas (SIMD quintile 1) have the fastest rate of improvement (30.5% across the period of 5% per annum). This has occurred despite a real reduction in spending per pupil (around 8%). The tariff score data is supported by the data on the percentage of pupils gaining 5+ qualifications at N5/standard grade, and highers. Again, the most improved group are the most deprived (SIMD quintile 1), albeit from a low base.

The data on post school destinations also shows improvement with 40.3% of school leavers going directly into higher education.[4] The UK Government's "initial participation" measure, participation in higher education between the ages of 17 and 30, records the Scottish rate as 56%[5] against an English rate of 49%[6]. In summary, the current generation of Scottish school leavers is the best qualified in our history, with the highest rate of participation in higher education in our history both directly from school and subsequently.

As the data also shows, there is still major inequalities in attainment between the most deprived pupils and others and in participation in higher education. These are the lowest ever recorded (in 2016/17) but they are still unacceptably high. There are also very varying outcomes for pupils from similar backgrounds between councils and between schools. Continuing reform and improvement is essential but it should be based on recognising the consistent pattern of improvement across the last six years despite the resource constraints in place.

4   Scottish Government initial Destinations of Senior Phase School Leavers, 2017, http://www.gov.scot/publications/2017/03/2421

5   Scottish Funding Council, Statistical publication, 2017 http://www.sfc.ac.uk/web/FILES/Statistical_publications_SFCST062017_HigherEducationStudentsandQualifiersatS/SFCST062017_HE_Students_and_Qualifiers_2015-16.pdf

6   Department of Education, participation rates in Higher Education, 2017 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/648165/HEIPR_PUBLICATION_2015-16.pdf

Three issues are raised by the above data. First, it is critical to ensure that the continued education reform process does not disrupt the stable and consistent improvement trend already there, as schools, councils and regional improvement collaboratives adjust to new roles and relationships. This is not about whether continued reform occurs but how it is designed and implemented.

Second, education reform needs linked to wider social welfare and economic policy. Ensuring children from deprived backgrounds realise their full potential is essential but so also is ensuring that fewer Scottish families experience deprivation. This will require education to be part of a multi-agency approach and schools to be hubs for wider public service support.

Third, although the sharply improved higher education participation rate is welcomed, around 30% of Scottish graduates are not in graduate employment one year after graduation. Educational improvement is an important part of national strategy for improving growth, productivity and investment in Scotland but also vice versa: if young people experience limited opportunities at the end of their educational journey, it will be harder to maintain motivation and momentum within education itself.

(iii) Continued improvement in uptake and use of leisure and cultural services

Despite a real reduction in spend of 17%, leisure and cultural services have sharply increased their use rates and reduced theirs costs per use. Table 4 gives the data for sports, libraries and museums.

Table 4 – Culture and Leisure Services Expenditure and Use

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	% change 2010-11 to 2016-17
Cost per attendance at Sports facilities (£)	3.91	3.50	3.33	3.33	3.05	2.98	2.90	-25.9%
Net Expenditure Sports facilities (£000s)	177569	168626	172085	177614	160774	158429	156828	-11.7%
No. Of Attendances	45459818	48202343	51624697	53320837	52705262	53084305	54149045	19.1%
Cost Per Library Visit (£)	3.75	3.53	3.35	2.69	2.53	2.50	1.98	-47.1%
Net Expenditure Libraries (£000s)	119188	113304	110636	108569	103271	103258	92831	-22.1%
No of Library Vists	31800305	32074635	33066250	40415254	40898758	41281169	46864184	47.4%
Cost of Museums per Visit (£)	4.62	3.76	3.81	3.49	3.43	3.11	3.19	-31.0%
Net Expenditure Museums & Galleries (£000s)	42840	44076	42265	40752	40864	39428	39329	-8.2%
No of museum visits	9270129	11707609	11102498	11670085	11917948	12663109	12334652	33.1%

As can be seen, the growth in use has been spectacular, particularly for libraries and museums, and the reduction in unit cost equally so. This suggests the management of retrenchment in these services, and service redesign for charged circumstances, has been very effective. The data however raises a range of issues. First, the data reflects "net spending", i.e. net of income raised from fees and charges. If the data was purely for the public budget, the spending reductions for sports facilities would be much greater. Reductions in public funding have been offset by increasing charges and increasing market share. Given the new public health agenda in Scotland, the importance of physical activity to

health, and increasing rates of obesity, it is critical that growing income does not "price out" the people that most need brought into participation. Current attendance data does not allow analysis of who is using the service and better monitoring of that is necessary.

Second, the overwhelming bulk of funding for sports and leisure facilities comes from councils or from fees and charges. Given the preventative role of these services in maintaining physical and mental health and wellbeing, other public authorities need to consider funding programmes. As most provision is through leisure and culture trusts, dependence solely on council budgets is both unnecessary and restrictive.

Finally, the library service is now the major source of online access for people who are digitally excluded. This is critical around welfare and employability and the ongoing roll out of UK welfare reform assumes that claimants are supported to access benefits online. Continuing budget reductions on the scale of the last five years will jeopardise that and support for libraries could be examined as part of devolved welfare arrangements in Scotland.

The LGBF Approach

The core purpose of the exercise is benchmarking. That is making comparisons on spending, performance and customer satisfaction between similar councils so that all councils can identify their strengths and weaknesses and learn from those who are achieving the best performance to improve local service delivery throughout Scotland. All councils continue to participate in these collective efforts towards self-improvement.

Our approach means that there are three core points to bear in mind:

1. It is important when looking at councils to compare like with like.

2. The focus presented in this report is on variations in spending and performance that councils can directly control.

3. The aim is to help councils improve and become more cost effective in delivering local services and through that support people in improving their life outcomes.

The benchmarking framework reported here lends itself to any type of comparison councils, or citizens, wish to make. What is does not support is a crude "league table" assessment: it would be as misleading to assess the performance of councils with high levels of deprivation without taking account of that as it would be to explore the performance of island councils without noting they are island groups with a very distinctive population distribution.

The purpose is to create a framework that supports evidence based comparisons and, through that, shared learning and improvement. The indicators in the LGBF are very high-level indicators, and are designed to focus questions on why variations in cost and performance are occurring between similar councils. They do not supply the answers. That happens as councils engage with each other to "drill down" and explore why these variations are happening. That provides the platform for learning and improvement.

Councils continue to work together to 'drill-down' into the benchmarking data across service areas. This process has been organised around 'family groups' (see Appendix 2) of councils so that we are comparing councils that are similar in terms of the type of population that they serve (e.g. relative deprivation and affluence) and the type of area in which they serve them (e.g. urban, semi-rural, rural). The point of comparing like with like is that this is more likely to lead to useful learning and improvement. Examples of best practice emerging from this collaboration are being shared across all local authorities and are being used to inform local improvement activity within self-evaluation, service review, and service planning processes. Further information, briefing notes and case studies are available on the LGBF website.[7]

The benchmarking data should not be considered in isolation. To support this, there is a growing focus to better align the benchmarking data with outcomes. A new online interactive tool[8] links the LGBF with outcomes data presented in the Community Planning Outcomes Profile[9] (a resource which provides trend data on outcomes, both at a local authority level, and at a locality level). This will help to strengthen the narrative around the contribution council services play in improving outcomes, and support more strategic use of the LGBF in decision making and greater visibility within Public Performance Reporting.

The introduction of thematic reporting in 2018/19 will provide a 'drill down' into key policy areas to re-emphasise the 'can opener' nature of the LGBF information and strengthen the link between performance information and outcomes. This will encourage a more diagnostic use of the data, particularly within family groups. These developments will link with the Outcomes, Evidence and Performance Board (OEPB)[10] and support their work to improve the availability of performance evidence that can illuminate improvement in outcomes.

There is a continued commitment to make benchmarking information available to all citizens and users of council services. To further this end an online benchmarking public reporting tool has been designed called 'My Local Council'[11] and is incorporated within councils own local approaches to public performance reporting. All of the information generated by the LGBF is presented in this online benchmarking tool which contains "dashboards" for each council showing movement on indicators across the six years covered, and a comparison with the Scottish and Family Group average for all indicators.

LGBF Framework Indicators

The framework is based on seven overall service groupings which cover the major public facing services provided to local communities, and the support services necessary to do that. This includes children's services (education and child care), adult social care, environmental services, culture and leisure, housing, corporate support services and economic development and planning.

To develop precise indicators of cost and performance for comparison between councils, these broad service categories are divided into more specific sub-categories. For example, children's services divide into: pre-school education; primary education; secondary education and child care and protection. For each category, standard indicators of spend and performance have been applied.

This year, the suite of measures for children and young people has been expanded. This is to reflect the strategic priority given to improving outcomes for children and young people across Scotland, and to provide a more holistic picture of children's services to help inform decision making and target improvements. This suite now includes:

- Percentage of children meeting developmental milestones (27-30 months)

- Percentage of funded early years provision rated good/better

- School attendance rates (all pupils & looked after children)

- School exclusion rates (all pupils & looked after children)

- Participation rates for 16-19 year olds

- Child protection re-registrations within 18 months

- Percentage of looked after children with more than one placement in the last year

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8   http://www.improvementservice.org.uk/benchmarking/outcomes-tool.html

9   http://www.improvementservice.org.uk/community-planning-outcomes-profile.html

10 www.improvementservice.org.uk/oepb

11 http://www.improvementservice.org.uk/benchmarking/tool.html

Unfortunately, 2016/17 figures are not yet available for most of these new measures and they are not therefore included in this overview report. The framework has, however, been updated to incorporate historic data, and will be refreshed with 2016/17 data as soon as this is available. Additionally, the introduction of thematic reporting will enable inclusion of this data when it is available.

A full list of service categories and indicators is attached (Appendix 1) and full technical specifications for all 75 indicators, including source details are available on the Local Government Benchmarking website.

The sources used to populate the measures include statistical returns to the Scottish Government, Scottish Qualifications Authority, The Scottish Housing Regulator, and SEPA, among others. Where data is not currently collected/published by another body or where it is published too late to allow inclusion within the benchmarking framework, councils provide data directly to the Improvement Service. The Scottish Household Surveys and the Health and Care Experience Surveys are used to provide customer satisfaction measures.

This framework is iterative and councils continue to collaborate to strengthen indicators and address framework gaps. We welcome public views in relation to how to improve this benchmarking framework and particularly if there are other measures which might usefully be included. You can provide feedback and suggestions by visiting our website (www.improvementservice.org.uk/benchmarking).

The Purpose of this Report

This report is an overview report and does not seek to replicate the local context or interpretation provided by each council via their Public Performance Reporting or the depth and detail of the 'My Local Council' tool.[12]

The focus of this report is on three important areas:

1. Trends across Scotland for the key framework indicators covering the period 2010/11 to 2016/17 inclusive. For consistency, all data is presented as financial years though some data may be for calendar years or academic years. For each unit cost indicator, we have calculated the change over the period in cash and in real terms, that is taking account of impact of inflation over time. To explore change over time we focused on the **real term change** but to allow for other comparisons we have also included the cash figures for each relevant indicator

2. The level of variation across councils and factors shaping these trends including physical geography, population distribution, size of council and the impact of deprivation[13]. Graphs are presented showing the level of variation across councils for each benchmarking measure. To improve interpretation, these graphs include only the base year and 2 most recent years.

3. Identification of areas where unexplained variation exists, providing opportunities where councils may wish to target improvements and/or efficiencies.

Before examining each section in turn, Table 5 below presents an overview of the trends across all LGBF indicators.

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12   http://www.improvementservice.org.uk/benchmarking/tool.html

13   Correlation analysis and Mann-Whitney/Wilcoxon Two-Sample Tests were carried out to establish where statistically significant relationships exist between framework indicators and levels of deprivation, rurality, population distribution and size of council.

Table 5: Overview of Local Government Benchmarking Framework Indicators 2016/17

Indicator Description	Scotland							Change*	
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	%/value change base* to 16/17	%/value change 15/16 to 16/17
Cost Per Primary School Pupil	5317	5173	5028	4924	4780	4813	4804	-9.7%	-0.2%
Cost per Secondary School Pupil	7022	6820	6798	6796	6756	6841	6817	-2.9%	-0.4%
Cost per Pre-School Education Registration	3678	3342	3290	3134	3401	3928	4207	14.4%	7.1%
% of Pupils Gaining 5+ Awards at Level 5		51.0	53.0	55.0	57.0	59.0	60.0	9.0%	1.0%
% of Pupils Gaining 5+ Awards at Level 6		26.0	27.0	29.0	31.0	33.0	34.0	8.0%	1.0%
% of Pupils from Deprived Areas Gaining 5+ Awards at Level 5 (SIMD)		29.0	32.0	34.0	37.0	40.0	41.0	12.0%	1.0%
% of Pupils from Deprived Areas Gaining 5+ Awards at Level 6 (SIMD)		10.0	11.0	14.0	14.0	15.0	16.0	6.0%	1.0%
The Gross Cost of "Children Looked After" in Residential Based Services per Child per Week	3091	3268	3112	3242	3264	3483	tbc	12.7%	
The Gross Cost of "Children Looked After" in a Community Setting per Child per Week	225	240	265	276	287	298	tbc	32.4%	
Balance of Care for looked after children: % of children being looked after in the Community	91.0	91.2	90.9	90.6	90.1	90.4	tbc	-0.7%	
% of Adults Satisfied with Local Schools	83.1		83.0	81.0	79.0	74.0	73.0	-10.1%	-1.0%
Proportion of Pupils Entering Positive Destinations		90.1	91.7	92.5	93.0	93.3	tbc	3.2%	
Overall Average Total Tariff		770	798	827	860	877	886	15.1%	1.1%
Average Total Tariff SIMD Quintile 1		478	510	551	581	603	624	30.5%	3.5%
Average Total Tariff SIMD Quintile 2		618	644	685	716	740	750	21.4%	1.4%
Average Total Tariff SIMD Quintile 3		759	788	816	851	864	880	15.9%	1.9%
Average Total Tariff SIMD Quintile 4		909	929	962	984	998	999	9.9%	0.1%
Average Total Tariff SIMD Quintile 5		1101	1134	1149	1185	1196	1207	9.6%	0.9%
% of Children Meeting Developmental Milestones (27-30 months)				70.9	71.6	72.4	tbc	1.5%	
% of Funded Early Years Provision Rated Good/Better	87.1	90.6	91.3	92.6	93.5	91.9	91.7	4.6%	-0.2%
School Attendance Rates	93.1		93.6		93.7	93.3	93.3	0.2%	
School Attendance Rates (Looked After Children)			88.5		91.6		tbc	3.1%	
School Exclusion Rates	40.0		32.8		27.2	26.8	tbc	-32.0%	
School Exclusion Rates (Looked After Children)			184.5		94.3		tbc	-48.9%	
Participation Rates for 16-19 year olds						90.4	91.1	0.7%	0.7%
Child Protection Re-registrations within 18 months			6.5	6.8	6.7	6.2	tbc	-4.7%	
% of looked after children with more than 1 placement in the last year	21.1	21.4	21.2	21.9	21.4	20.7	tbc	-0.4%	-0.7%

Children's Services

|	Scotland							Change*	
Indicator Description	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	%/value change base* to 16/17	%/value change 15/16 to 16/17
Corporate Services									
Support services as a % of Total Gross expenditure	4.9	5.3	5.2	5.2	5.3	5.4	4.9	0.0%	-0.5%
% of the highest paid 5% of employees who are women	46.3	48.5	48.7	50.7	51.7	51.9	52.0	5.7%	0.1%
The gender pay gap						4.5	4.1	-0.4%	-0.4%
The cost per dwelling of collecting Council Tax	15.2	14.3	14.1	12.7	11.3	10.6	9.0	-40.9%	-15.1%
Sickness Absence Days per Teacher	6.6	6.2	6.6	6.1	6.3	6.1	6.1	-8.2%	-0.5%
Sickness Absence Days per Employee (non-teacher)	10.8	10.4	10.9	10.3	10.8	10.6	10.9	1.1%	2.7%
% of income due from Council Tax received by the end of the year	94.7	95.1	95.2	95.2	95.5	95.7	95.8	1.1%	0.7%
% of invoices sampled that were paid within 30 days	89.5	90.2	90.5	91.9	92.5	92.8	93.1	3.6%	0.3%
Adult Social Care									
Older Persons (Over65) Home Care Costs per Hour	22.15	21.44	21.74	21.15	20.84	21.67	22.54	1.7%	4.0%
SDS spend on adults 18+ as a % of total social work spend on adults 18+	1.58	2.94	5.95	6.44	6.90	6.66	6.48	4.9%	-0.2%
% of people 65+ with intensive needs receiving care at home	32.23	33.01	34.07	34.26	35.34	34.81	35.27	3.0%	0.5%
% of adults receiving any care or support who rate it as excellent or good.					84.00	81.00	tbc	-3.0%	
% of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life					85.00	84.00	tbc	-1.0%	
Older persons (over 65's) Residential Care Costs per week per resident	427.42	431.87	392.67	378.59	382.36	372.93	375.06	-12.2%	0.6%
Culture and Leisure Services									
Cost per attendance at Sports facilities	3.91	3.50	3.33	3.33	3.05	2.98	2.90	-25.9%	-3.0%
Cost Per Library Visit	3.75	3.53	3.35	2.69	2.53	2.50	1.98	-47.1%	-20.8%
Cost of Museums per Visit	4.62	3.76	3.81	3.49	3.43	3.11	3.19	-31.0%	2.4%
Cost of Parks& Open Spaces per 1,000 Population	28520.40	26326.77	25134.16	24329.89	24094.75	22285.78	21580.85	-24.3%	-3.2%
% of adults satisfied with libraries	83.50		83.00	81.00	77.00	74.00	73.00	-10.5%	-1.0%
% of adults satisfied with parks and open spaces	83.10		86.00	86.00	86.00	85.00	87.00	3.9%	2.0%
% of adults satisfied with museums and galleries	75.50		78.00	76.00	75.00	71.00	70.00	-5.5%	-1.0%
% of adults satisfied with leisure facilities	74.60		80.00	78.00	76.00	73.00	73.00	-1.6%	0.0%
Environmental Services									
Net cost per Waste collection per premises			62.8	64.0	66.7	65.7	64.5	2.6%	-1.9%
Net cost per Waste disposal per premises			98.0	96.3	93.9	99.6	98.8	0.8%	-0.8%
Net cost of street cleaning per 1,000 population	21834.8	21012.9	18624.7	16962.5	16282.1	15792.3	14726.4	-32.6%	-6.7%
Cleanliness Score (%age Acceptable)	95.4	96.1	95.8	96.1	93.9	93.4	93.9	-1.5%	0.5%
Cost of maintenance per kilometre of roads	13269.7	11873.9	11118.4	10583.0	10152.9	10310.7	10456.2	-21.5%	2.8%
% of A class roads that should be considered for maintenance treatment	30.3	30.5	29.4	28.7	29.0	29.0	29.5	-0.8%	0.5%
% of B class roads that should be considered for maintenance treatment	35.8	36.3	35.0	35.2	36.1	34.8	34.8	-1.0%	0.0%
% of C class roads that should be considered for maintenance treatment	35.0	36.0	34.8	36.6	37.3	34.7	34.6	-0.4%	-0.1%

	Indicator Description	Scotland							Change*	
		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	%/value change base* to 16/17	%/value change 15/16 to 16/17
Environmental Services	% of unclassified roads that should be considered for maintenance treatment	41.9	38.3	40.1	39.4	39.3	40.1	39.5	-2.4%	-0.6%
	Cost of trading standards, money advice and citizen advice per 1,000 population			5438.2	5853.7	5758.0	5865.1	5438.5	0.0%	-7.3%
	Cost of environmental health per 1,000 population			17248.2	18045.7	17169.8	16980.4	16117.3	-6.6%	-5.1%
	% of total household waste arising that is recycled	38.7	40.1	41.1	42.2	42.8	44.2	45.2	6.5%	1.0%
	% of adults satisfied with refuse collection	80.9		83.0	83.0	84.0	82.0	79.0	-1.9%	-3.0%
	% of adults satisfied with street cleaning	73.3		75.0	74.0	74.0	73.0	70.0	-3.3%	-3.0%
Housing Services	Gross rent arrears as a % of rent due for the reporting year				5.6	5.9	6.2	6.5	0.9%	3.0%
	% of rent due in the year that was lost due to voids	1.3	1.3	1.2	1.3	1.2	1.1	0.9	-0.4%	-0.2%
	% of dwellings meeting SHQS	53.6	66.1	76.6	83.7	90.4	92.5	93.6	40.0%	1.1%
	Average time taken to complete non-emergency repairs				10.2	9.9	9.4	8.7	-14.2%	-7.0%
	% of council dwellings that are energy efficient	74.9	81.2	88.8	94.0	96.5	96.2	96.6	21.7%	0.4%
Corp. Asset	Proportion of operational buildings that are suitable for their current use	73.7	74.8	75.9	78.2	79.0	79.6	79.8	10.8%	4.9%
	Proportion of internal floor area of operational buildings in satisfactory condition	81.3	82.7	82.6	80.9	82.9	81.5	84.5	-1.5%	-1.7%
Economic Development	% of Unemployed People Assisted into work from Council Funded/Operated Employability Programmes			9.1	12.5	14.1	14.2	14.0	4.9%	-0.2%
	Cost per Planning application	5376.0	5186.4	6572.7	4634.5	4376.1	4907.0	4635.6	-13.8%	-5.5%
	Average Time Per Business and Industry Planning Application			13.0	12.9	10.9	11.2	9.3	-28.2%	-16.8%
	% of procurement spent on local small/medium enterprises	21.2	21.0	20.6	20.1	20.1	20.2	20.3	-1.0%	-1.0%
	No of business gateway start-ups per 10,000 population				19.0	18.9	16.9	16.6	-12.7%	-1.7%

Children's Services

The major elements of children's services, and the percentage of total spend on each one, are given in the graph below.

Proportion of Gross Revenue Expenditure for Children's Services by Element 2016-17

- Secondary Education
- Primary Education
- Child Care and Protection
- Pre Primary Education
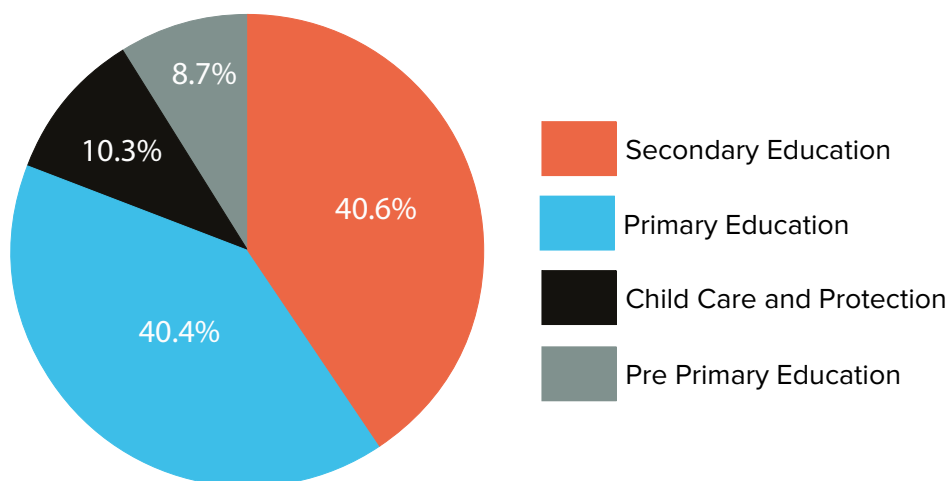
Source: Council supplied expenditure figures

As can be seen, primary and secondary school provision are the major spend areas, with pre-school education and child care and protection accounting for a very much lower percentage of total spending on children. The proportion spent on pre-primary has grown over recent years in line with the policy agenda to expand early years provision. Each element is looked at in turn below.[14]

Pre-school Provision

For pre-school educational provision for children ("nursery school"), spending has been standardised as total spend per pre-school place. Over the seven-year period the Scottish average for the cost per pre-school place has increased by 14.4%, an increase in real terms of £529 per place. This reflects a 20.5% increase in gross expenditure and a 5.3% increase in the number of pre-school places provided, an additional 4911 places.

In the last 12 months, real unit costs have increased by 7.1%. This reflects an increase in gross expenditure of 6.8% and a 0.3% reduction in the number of places provided during this period.

Cost per Pre-School Place 2010/11 – 2016/17

% Change	Cash	Real
2010/11 - 2016/17	25.8	14.4
2010/11 - 2011/12	-7.8	-9.1
2011/12 - 2012/13	0.5	-1.6
2012/13 - 2013/14	-3.1	-4.7
2013/14 - 2014/15	10.1	8.5
2014/15 - 2015/16	16.3	15.5
2015/16 - 2016/17	9.5	7.1

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14   Data on Looked after Children will be published by Scottish Government in March 2018 therefore is not included within this analysis. The Benchmarking Framework will be updated to incorporate these figures at that time

From August 2014, the Children and Young People (Scotland) Act 2014 required local authorities to increase the amount of early learning and childcare from 475 hours a year to 600 hours for each eligible child. By 2020, the Act introduces a further commitment to the near doubling of entitlement to funded early learning and childcare to 1140 hours a year for all three and four-year olds and eligible two-year olds.

The impact of the new entitlements has been to increase the unit cost per pre-school place due to the increased hours associated with each funded place. The additional staffing costs in delivering the new entitlements, and the commitment by councils to offer the extended hours in a way that allows parents some choice and flexibility over what pattern of hours they can get will influence costs here.

In 2016/17, the average cost per place was £4,207, with substantial and widening variation between councils, ranging from £2,420 to £6,409 per place. There is no systematic relationship with deprivation, rurality or size of council.

Cost per Pre-School Registration (£)
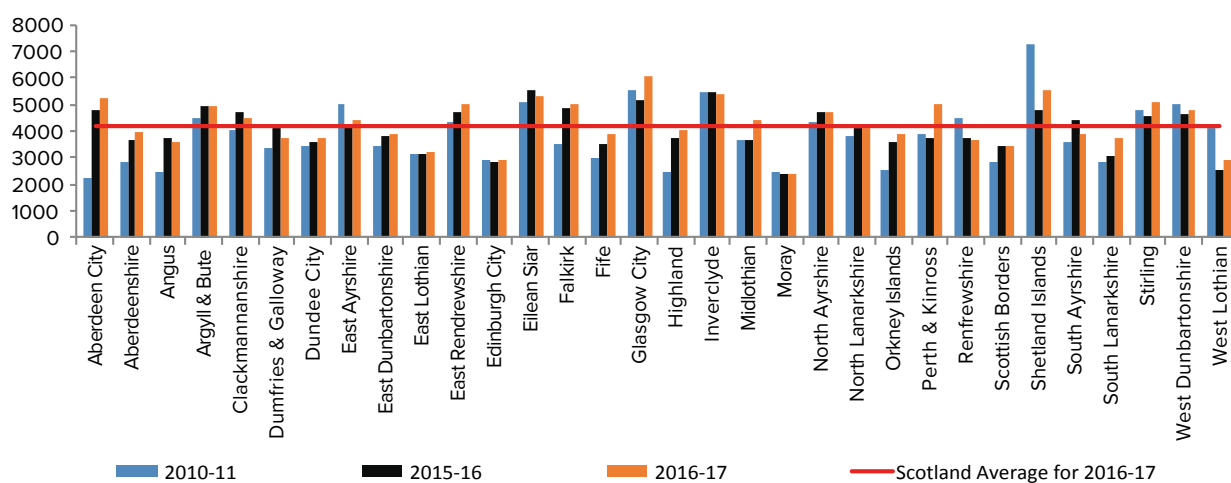
Source: Early Learning and Childcare Census, Scottish Government; council supplied expenditure figures

Work within Family Groups has identified the following factors as important in understanding the local variation between authorities

- *Workforce composition – age, experience, grade and qualification level of staff*
- *Balance between council and partner provision*
- *Level of integration of pre-school and primary school provision*
- *Demographic variation and local capacity to respond*

Pre-School Performance

We have been working to develop systematic and consistent measures deployed by all 32 councils for assessing performance within the pre-school sector, or for understanding children's development as they progress through the pre-school setting.

This year, we have included in the framework Care Inspectorate quality evaluations for early years services and health visitor assessments at 27-30 months.

Care Inspectorate quality evaluations reflect the number of funded early years providers which were graded good or better for all quality themes as a percentage of all funded early years provision which was inspected. Overall, the proportion of funded services graded good or better for all quality themes

has increased between 2010/11 and 2016/17, although there has been a small decrease in the past two years.

Percentage of Funded Early Years Provision Which is Graded Good/Better[15]

Year	% graded good/better
2010/11	87.1%
2011/12	90.6%
2012/13	91.3%
2013/14	92.6%
2014/15	93.5%
2015/16	91.9%
2016/17	91.7%

Further exploration is needed to fully understand the trends observed, including what role the following factors may play:

- The decreasing number of registered day-care of children services

- Variation in return rates of annual returns, inspection methodology and inspection frequency

- Variations in the question wording in the annual return in line with changes to government policy (the biggest change in the question was between 2014 and 2015).

- Number of cancellations and new registrations of services.

There is considerable variation across councils, with quality ratings in 2016/17 ranging from 84% to 100%. This variation has widened in recent years and does not appear to be systematically related to deprivation, rurality or size of authority. As this is the first year of inclusion within the benchmarking framework, this measure will be subject to review and on-going development across the coming period[16].

Percentage of Funded Early Years Provision Graded Good or Better
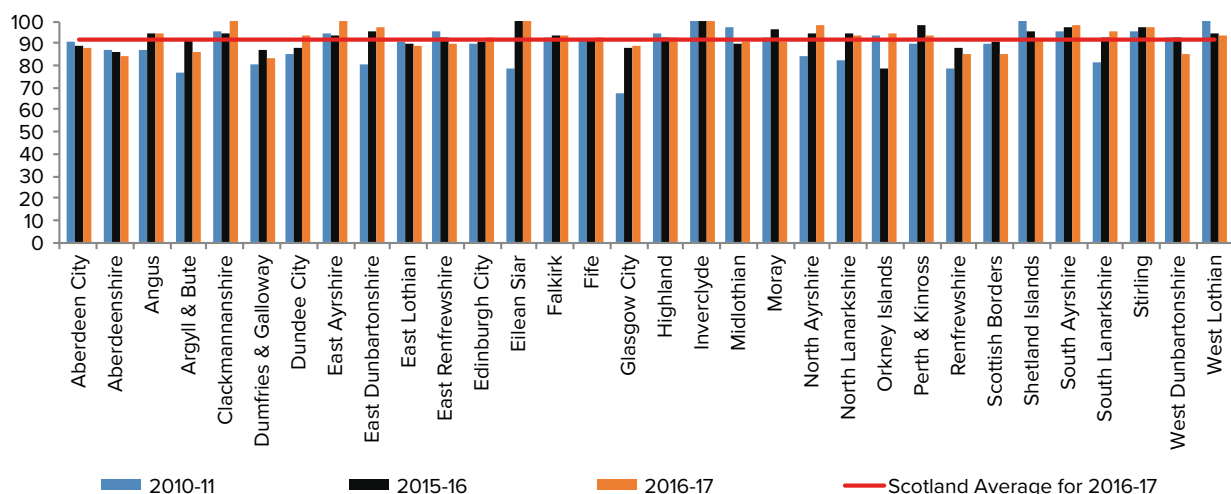
Source: Figures supplied by the Care Inspectorate

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15   Data is a snapshot as at 31 December each year.

16   The figures on whether services provide funded places are based on returns received by the Care Inspectorate directly from Daycare of Children Services, and development work is ongoing to improve the robustness and reliability of this particular data item

Percentage of Children Meeting Developmental Milestones

Understanding children's development as they progress through the pre-school setting is reflected as the percentage of children meeting developmental milestones, i.e. with no concerns across any domain, at their 27-30 month review. During 27-30 month reviews, the health professional (normally a health visitor) assesses children's developmental status and records the outcome (e.g. no concern, concern newly suspected as a result of the review, or concern or disorder already known prior to the review) against each of nine developmental domains (social, emotional, behavioural, attention, speech language & communication, gross motor, fine motor, vision and hearing).

Year	% children meeting developmental milestones (27-30 months)
2013/14	70.9
2014/15	71.6
2015/16	72.4
2016/17	tbc[10]

For the three years of data currently available, there has been a year on year improvement in the percentage of children meeting developmental milestones, increasing from 70.9% to 72.4%. Data for 16/17 will be published later in 2018 and will be included in the LGBF update if available.

There is significant although narrowing variation across councils, ranging from 45.4% to 88.1%. There is no systematic relationship with deprivation, rurality or size of council.

Percentage of Children Meeting Developmental Milestones (27-30 months)
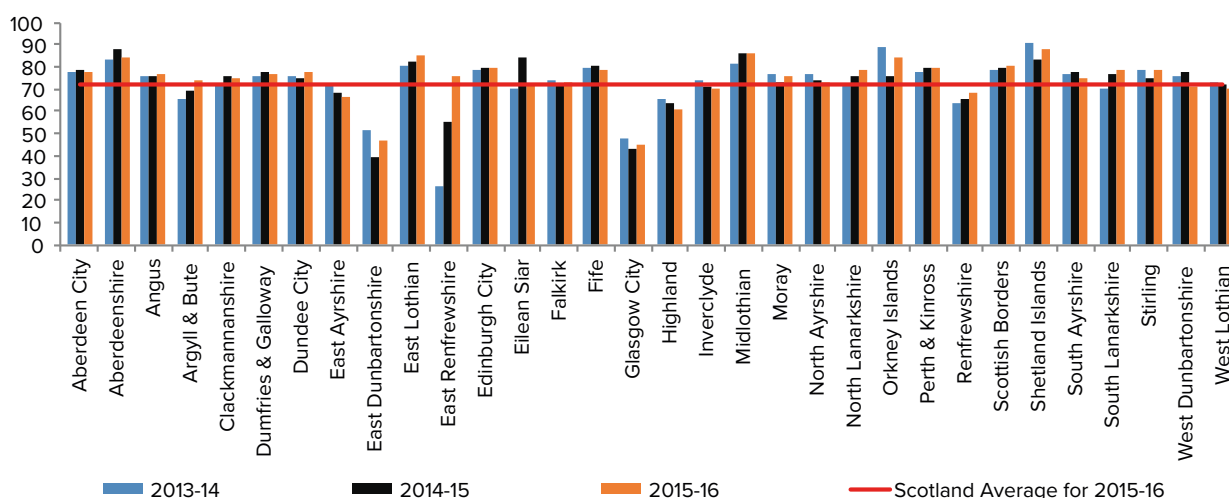
Primary and Secondary School Spending

The pattern of spend on primary and secondary schooling is standardised as "total spend per pupil". In both primary and secondary education, there has been a reduction in real costs per pupil since 2010/11 (-9.65% and -2.9% respectively), although this has slowed in recent years.

Cost per Primary Pupil

Since 2010/11 there has been a real terms reduction of £513 per primary pupil, representing a 9.7% reduction. This reflects a 1.9% reduction in real gross expenditure which has occurred in parallel with an 8.6% increase in pupil numbers.

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17   16/17 data not yet published

In 2016/17, the average cost per primary pupil was £4,804, a 0.2% reduction from £4,813 the previous year. This reflects a 1.2% increase in gross expenditure and a 1.4% increase in pupil numbers.

Cost per Primary Place 2010/11–2016/17

% Change	Cash	Real
2010/11 - 2016/17	-0.6	-9.7
2010/11 - 2011/12	-1.3	-2.7
2011/12 - 2012/13	-0.8	-2.8
2012/13 - 2013/14	-0.4	-2.1
2013/14 - 2014/15	-1.5	-2.9
2014/15 - 2015/16	1.4	0.7
2015/16 - 2016/17	2.1	-0.2

Cost per Secondary Pupil

As with primary pupil costs, since 2010/11 to 2016/17 there was a real terms reduction of £205 per secondary pupil, representing a -2.9% reduction in unit costs. There has been a -6.7% reduction in pupil numbers across this period; however, the reduction in gross expenditure has been proportionately larger at -9.4%.

In 2016/17, the average cost per secondary school pupil was £6,817, which has reduced from £6,841 in 2015/16, a reduction of 0.4%. This reflects a 0.7% reduction in expenditure in the past 12 months, and a 0.3% reduction in pupil numbers.

Cost per Secondary Place 2010/11–2016/17

% Change	Cash	Real
2010/11 - 2016/17	6.8	-2.9
2010/11 - 2011/12	-1.5	-2.9
2011/12 - 2012/13	1.8	-0.3
2012/13 - 2013/14	1.7	0.0
2013/14 - 2014/15	0.8	-0.6
2014/15 - 2015/16	1.9	1.3
2015/16 - 2016/17	1.9	-0.4

Around 60% of primary and secondary school spending is teaching staff costs. Given the current agreement between the Scottish Government and Local Authorities that teacher numbers will be maintained in line with pupil numbers, this represents a relatively fixed cost to councils. As such, this may limit councils' efforts in seeking to generate further efficiencies in this major area of expenditure and implement the curriculum in a way that meets local needs. In addition, after a decade in which public sector pay has been frozen or rises capped at 1%, the relaxation of its Public Sector Pay Policy, although it does not apply to local government, could by raising expectations put an upward pressure on budgets going forward.

However, despite the fixed costs associated with teacher numbers, there is still a considerable although narrowing level of variation across councils, particularly for secondary education. Cost data continues to show a very distinctive pattern across Scotland, with the island councils spending significantly more than others. In primary education, costs range from £4105 to £8394 (£4,105 to £5,775

excluding islands) while in secondary the range is £5844 to £11,968 (5,844 to 8,433 excluding islands).

Cost per Primary School Pupil (£)

Legend: 2010-11 · 2015-16 · 2016-17 · Scotland Average for 2016-17
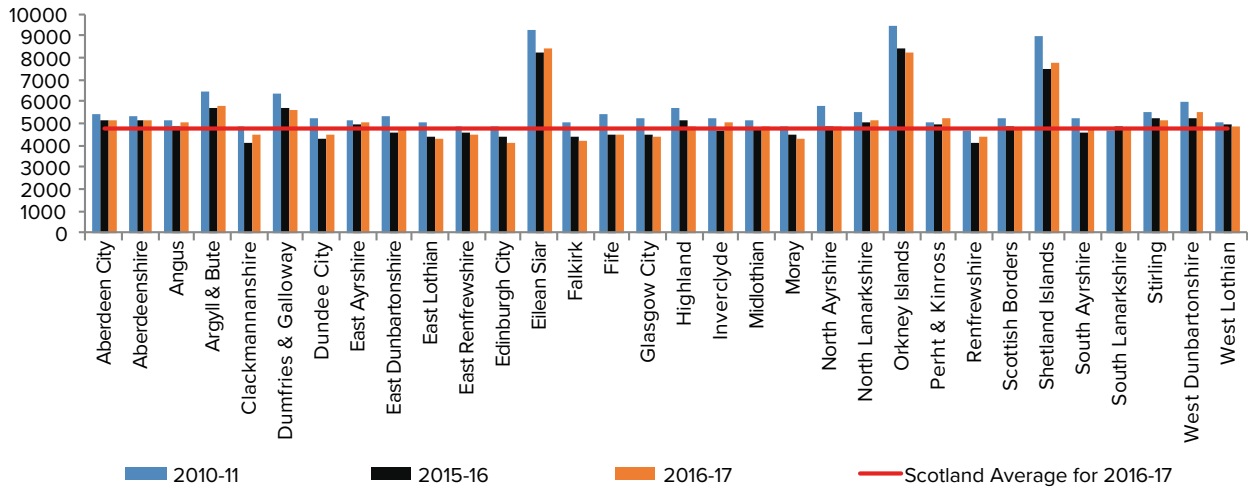
Source: Pupil Census, Scottish Government; council supplied expenditure figures

Cost per Secondary School Pupil (£)
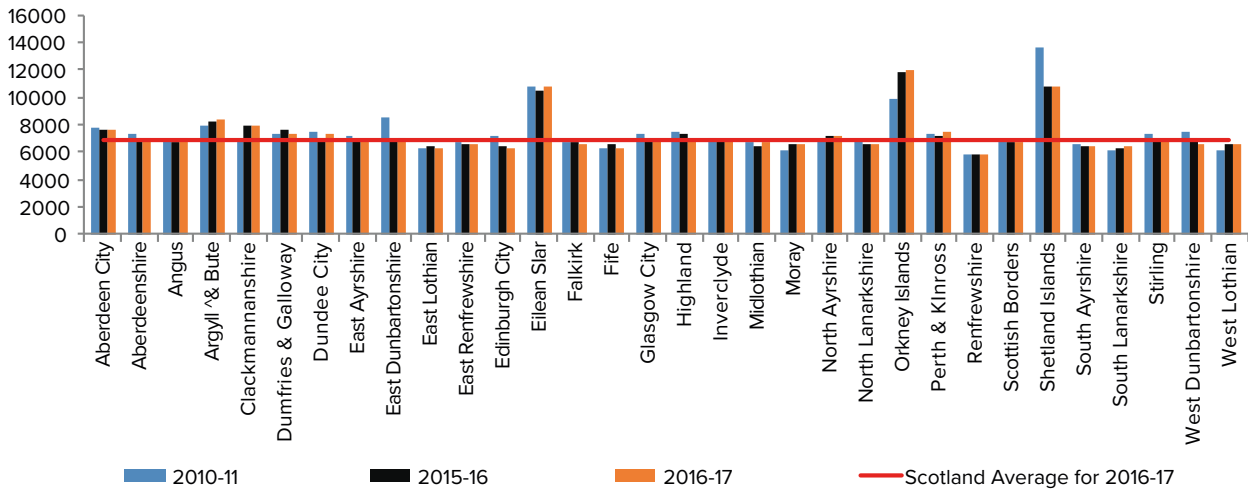
Legend: 2010-11 · 2015-16 · 2016-17 · Scotland Average for 2016-17

Work within Family Groups has identified the following factors as important in understanding the local variation between authorities in education expenditure

- *Teacher demographics*
- *Local choices and priorities in relation to non-ringfenced elements of staffing budget such as support staff, teaching assistants, support for children with additional support needs, development teams*
- *PPP/PFI contract costs and arrangements*
- *Service design and growth of campus/hub school models*
- *Management structure and balance of senior roles*
- *Access to additional monies such as The Attainment Challenge fund*
- *Demographic variability – depending on existing class sizes and teacher numbers locally, changes in pupil numbers will have a varying impact on expenditure patterns for councils.*

Source: Pupil Census, Scottish Government; council supplied expenditure figures

Broad General Education

The National Improvement Framework has committed to introducing a consistent method for assessing children's development throughout the Broad General Education, P1-S3. This development is a significant contribution and addresses an important gap in understanding the educational journey of children across all stages of the curriculum.

For the past two years, the Scottish Government have published "experimental data" based on teacher professional judgements.[18] As there are still issues with consistency and reliability, this data is not yet sufficiently robust for benchmarking purposes. A new national programme of quality assurance and moderation has been put in place to provide more support and improve confidence and understanding among teachers, and, from August 2017, new nationally consistent standardised assessments have been made available for teachers to help inform their judgements.

We welcome these developments and will continue to work with Scottish Government and Education Scotland to strengthen this information to enable inclusion in the framework in future.

School Attendance Rates

Good school attendance is key to ensuring that every child gets off to the best start in life and has access to support and learning that responds to individual needs and potential. The role of school attendance in the protection of children is key.

Local authorities record information on pupils' attendance and absence from school and the reasons for this. This information is used to monitor pupil engagement and also to ensure pupils' safety and wellbeing by following up on pupils who do not attend school.

Attendance is standardised within this framework as "school attendance rates", the number of half-days attended for a local authority, as a percentage of the total number of possible attendances.[19] Between 2010/11 and 2014/15, the attendance rate increased from 93.1% to 93.7% and then decreased to 93.3% in 2016/17. Data is published only every two years.

School Attendance Rates for all Pupils and for Children who are Looked After (LAC)

Year	School attendance rates	School attendance rates (LAC)
2010/11	93.1	-
2012/13	93.6	88.5
2014/15	93.7	91.6
2016/17	93.3	*tbc*

In terms of variation across councils, attendance rates range from 91.8% to 95.3%. This range of variation in attendance rates is consistent with the preceding years. There is no systematic relationship with deprivation, rurality or size of councils.

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18   http://www.gov.scot/Resource/0052/00529096.pdf

19   This is based on a 380 half day year. The national average is the average number of half-days attended for local authority and mainstream grant-aided schools in Scotland.

School Attendance Rates
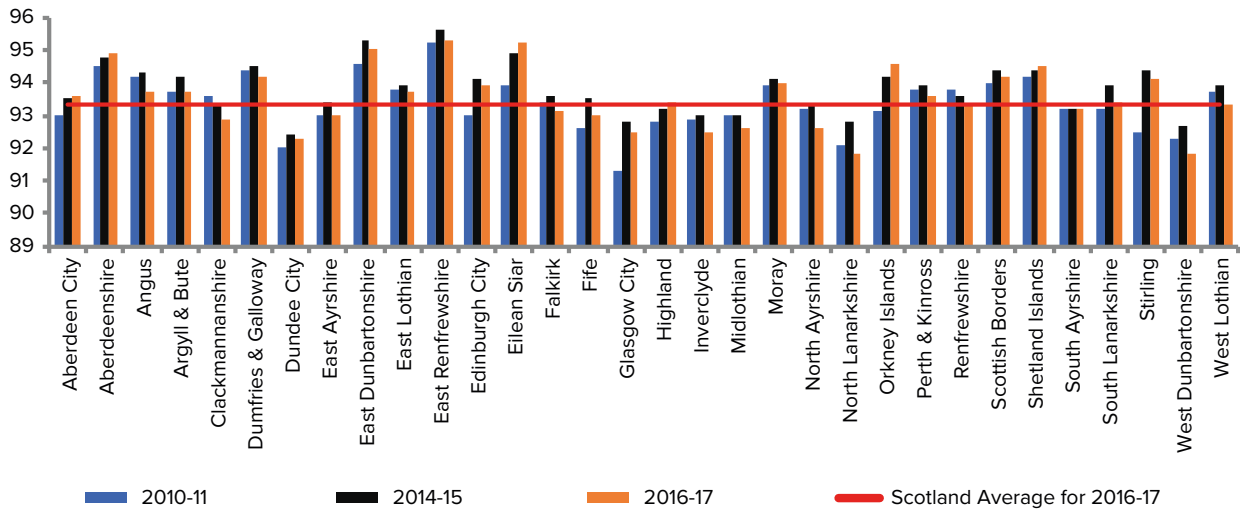
Source: Scottish Government Attendance and Absence figures

The 2 years of data currently available for looked after children show lower attendance rates for children who are looked after compared to other pupils. However, the figures suggest a faster rate of improvement for children who are looked after which has resulted in a significant closing of this gap in the most recent year available. School attendance rates for children who are looked after improved from 88.6% in 2012/13 to 91.6% in 2014/15. As with overall attendance rates, data is published only every 2 years. Figures for 2016/17 are not yet available.

There is greater variation across councils in attendance rates for looked after children than for other pupils, ranging from 84.8% to 96.0%. There are no systematic effects of deprivation, rurality or size of council. The small number of looked after children in some authorities may introduce volatility in the data for this measure which may explain some of the variation.

School Attendance Rates for Looked After Children
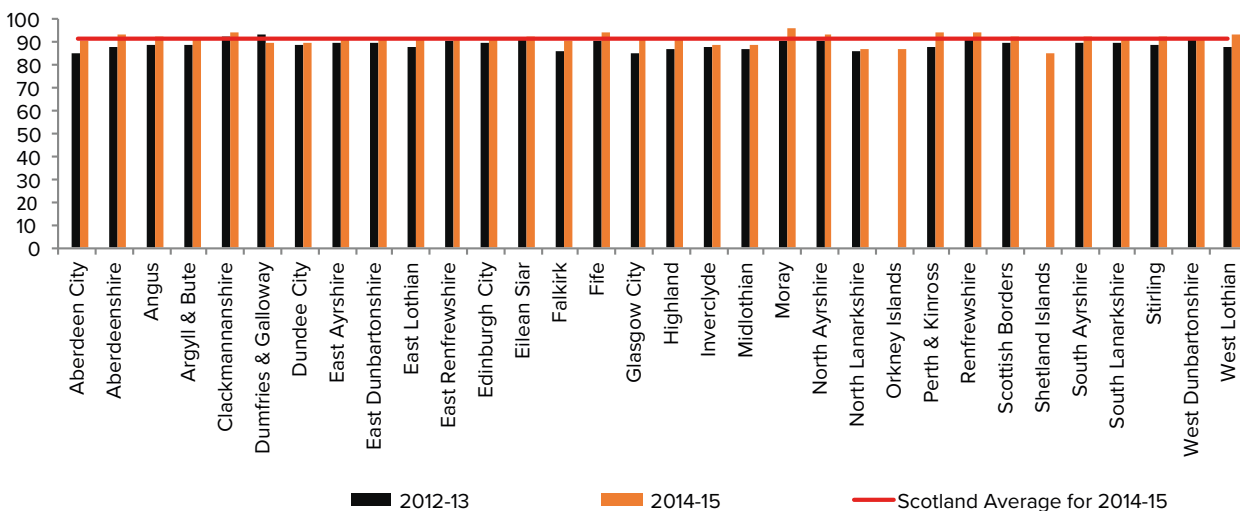
Source: Scottish Government Attendance and Absence figures

School Exclusion Rates

Councils strive to keep all learners fully included, engaged and involved in their education, wherever this takes place; and, to improve outcomes for those learners at risk of exclusion. While the power exists to exclude children and young people from school, there have been significant, concerted efforts by schools and local authorities to implement a range of approaches and solutions to positively

engage young people in their education and improve relationships and behaviour. This is based upon a shared approach of agencies working together, and responding to the needs of learners early and effectively, in line with the principles of Getting it Right for Every Child (GIRFEC). Exclusion is considered only when to allow the child or young person to continue attendance at school would be seriously detrimental to order and discipline in the school or the educational wellbeing of the learners there.

Exclusion is standardised within the framework as 'School Exclusion Rates", the number of half-days of temporary exclusions and number of pupils removed from the register (previously known as 'permanent' exclusions) per 1000 pupils. Between 2010/11 and 2016/17, exclusion rates reduced from 40.0 to 26.8.

School Exclusion Rates for all Pupils and for Children who are Looked After

Year	School exclusion rates (per 1000 pupils)	School exclusion rates (per 1000 Looked After Children)
2010/11	40.0	-
2012/13	32.8	184.53
2014/15	27.2	94.33
2016/17	26.8	*tbc*

There was significant but narrowing variation across councils in 2014/15, with rates per 1000 pupils ranging from 1.1 to 70.9. Exclusion rates do not vary systematically with deprivation, rurality or size of council. As with attendance rates, figures for exclusion are published every 2 years. Data for 2016/17 is not yet available at local authority level.

School Exclusion Rates (per 1000 Pupils)
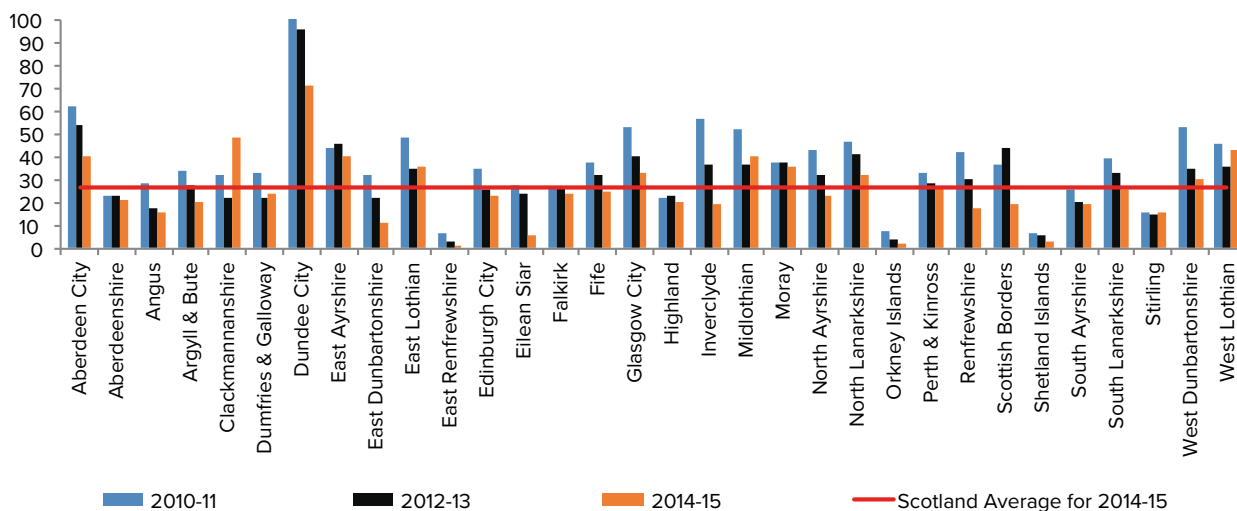
Source: Scottish Government Exclusions Dataset

Exclusion rates for children who are looked after are significantly higher than for all pupils, although the two years of available data indicates they are reducing at a much faster rate. Between 2012/13 and 2014/15, exclusion rates for children who are looked after reduced from 184.5 to 94.3. As with overall exclusion rates, figures for exclusion are published every two years, and data for 2016/17 is not yet available

There is greater variation across councils in exclusion rates for looked after children than for all pupils, ranging from 0 to 229.1. This variation between councils has narrowed significantly in the most recent year data is available for. There are no systematic effects of deprivation, rurality or size of council on

exclusion rates. The small number of looked after children in some authorities may introduce volatility in the data for this measure which may explain some of the variation.

School Exclusion Rates for Looked After Children (per 1000 Looked After Children)

Source legend:
- ■ 2012-13
- ■ 2014-15
- — Scotland Average for 2014-15
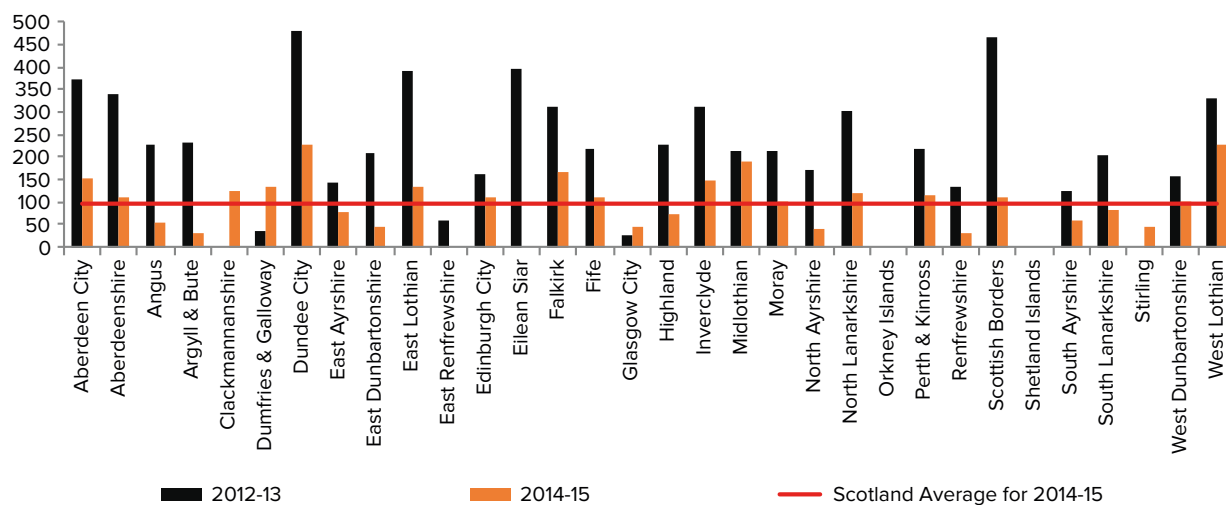
Source: Scottish Government Exclusions Dataset

Senior Phase

The LGBF Board is committed to developing a suite of performance measures which accurately reflect the senior phase (S4-S6) landscape and reflect wider educational achievement. The transitional suite presented here marks an important step in this development, however further measures will be introduced as suitable data becomes available over future years, to improve the scope and balance of information available on children's services.

Performance at secondary level is currently measured by:

- Average tariff score (by SIMD quintile)

- Percentage of pupils gaining 5+ SCQF level 5 qualifications or higher (described as '5+ at Level 5' for the purpose of this report)

- Percentage of pupils gaining 5+ SCQF level 6 qualifications or higher (described as '5+ at Level 6' for the purpose of this report)

The suite of measures also includes the percentage of school leavers entering positive destinations. However, as this information is no longer published in December it was not possible to include 2016/17 data here. This will be included when this is published in March.

The new participation measure was first published as experimental statistics in 2015 and provides a useful opportunity to track the progress of young people beyond the point at which they leave school. This measure reflects Opportunities for All[22] and measures participation in learning (including school), training or work for all 16-19 year olds in Scotland. This information is included for the first time in this report, and as this approach matures, we will work with education partners to agree how this information might be used alongside school leaver destinations in future publications.

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22 Source: 'Developing a 'Participation' Measure for Post 16 Learning, Training and Work' 2013 Consultation, Scottish Government, http://www.gov.scot/Topics/Statistics/Browse/Labour-Market/scotstat/PartMeasureConsult/ PartMeasCons-Report

Average tariff

Average Tariff is an overall measure of educational attainment which offers a wider measure of achievement to consider alongside breadth and depth measures. The tariff score is a summary measure calculated from the latest and best achievement of pupils during the senior phase (S4-S6) across a range of awards included in the benchmarking tool Insight. The measure here reflects cumulative attainment either to the point of leaving or to the end of S6.

Under Curriculum for Excellence, the number of subjects typically studied by pupils varies between local authorities. This reflects differing approaches to developing employability skills and the core qualification sets needed to enable a range of post school destinations. Tariff scores strongly reflect the total number of subjects studied and a better measure is needed to reflect different curriculum models better. Work is ongoing nationally to develop these better measures and they will be included in LGBF when available.

As the school leaver data is not yet available for 2016/17, the basis for the data included for these measures is different from published data available on Parentzone which is based on school leavers. To allow 2017 data to be included the Scottish Government have provided pupil's attainment by S6 based on the S4 cohort.

Average Total Tariff by SIMD Quintile

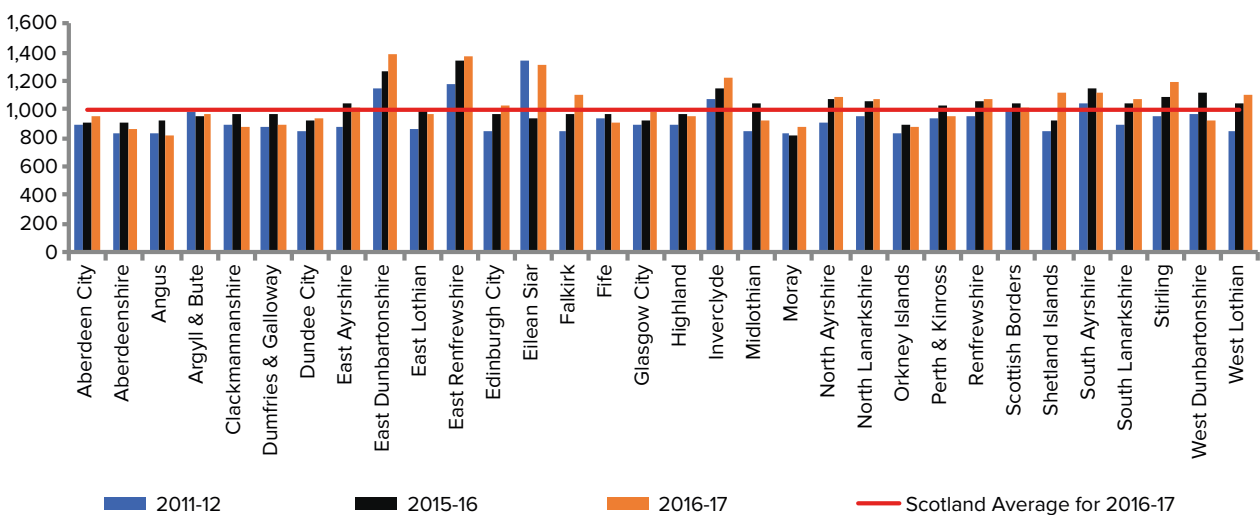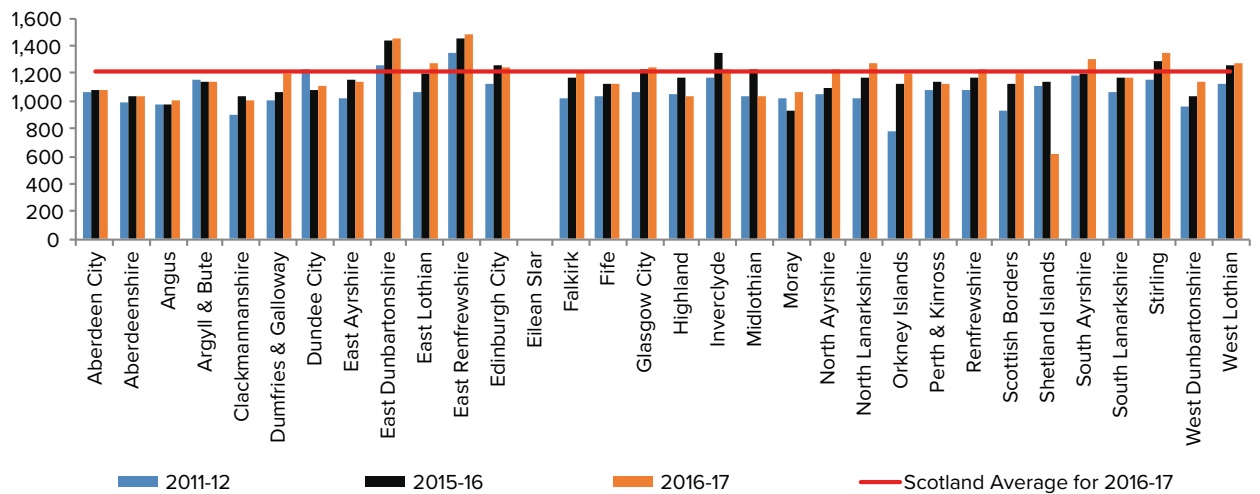| Year	Overall Average Total Tariff	Average Total Tariff SIMD Quintile 1	Average Total Tariff SIMD Quintile 2	Average Total Tariff SIMD Quintile 3	Average Total Tariff SIMD Quintile 4	Average Total Tariff SIMD Quintile 5
2011/12	770	478	618	759	909	1101
2012/13	798	510	644	788	929	1134
2013/14	827	551	685	816	962	1149
2014/15	860	581	716	851	984	1185
2015/16	877	603	740	864	998	1196
2016/17	886	624	750	880	999	1207
% change	15.1	30.5	21.4	15.9	9.9	9.6
Range 16/17	743 - 1351	417 - 945	612 - 1216	619 - 1280	813 - 1393	610 - 1491
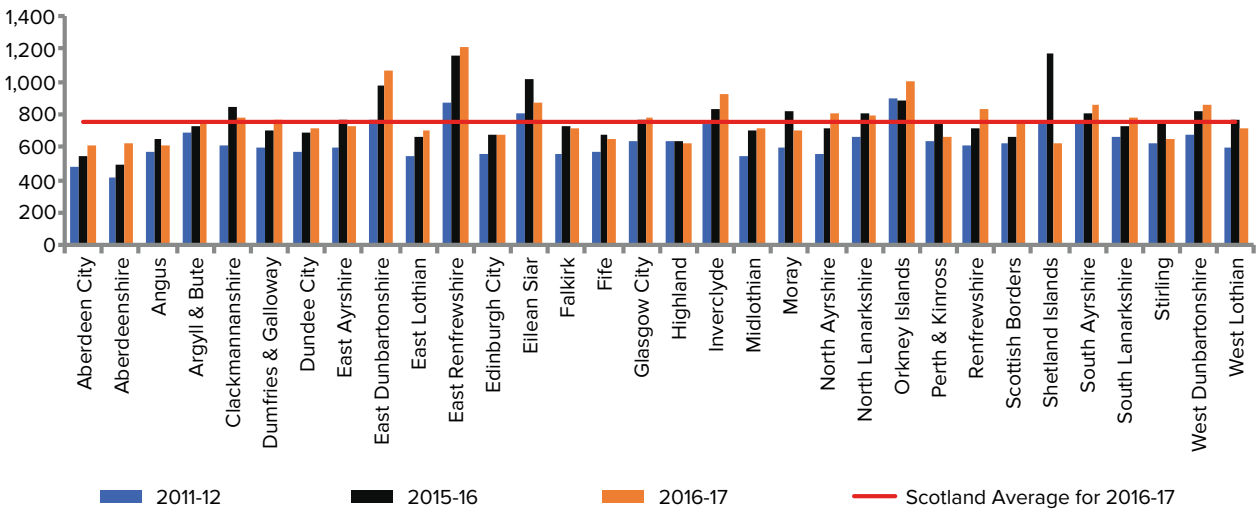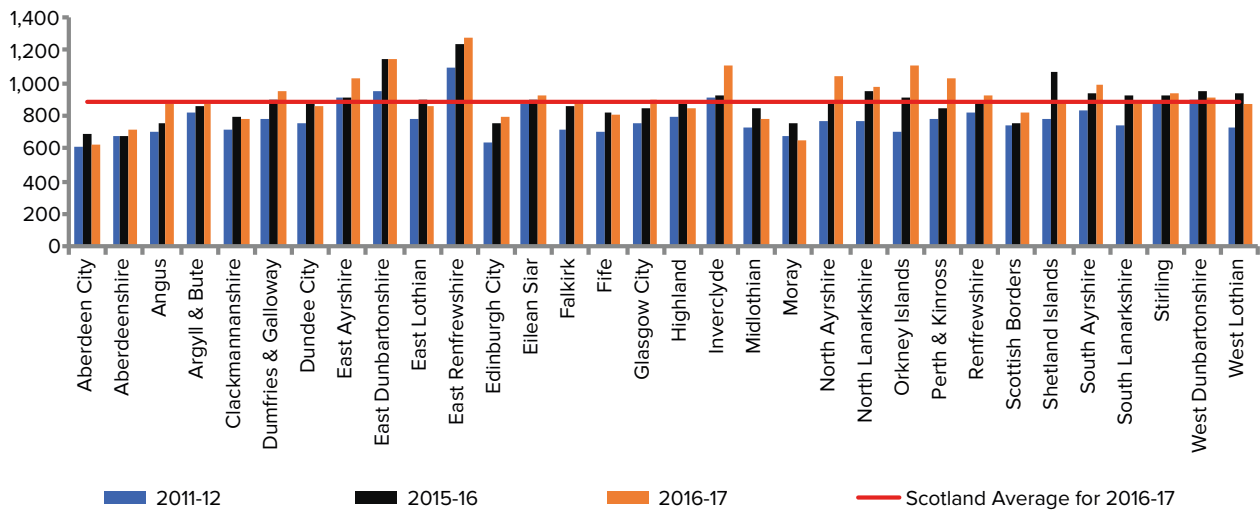
An improving trend can be seen in average total tariff over the past 6 years, increasing by 15.1% from 770 in 2011/12 to 886 in 2016/17.   While this improving trend is evident for all SIMD groups, pupils from the most deprived groups have shown the largest improvement. Average tariffs have increased by 30.5% and 21.4% for the two most deprived groups compared to 9.9% and 9.6% for the least deprived groups.   However, Average total tariff scores remain significantly lower for those pupils from the most deprived areas. Pupils from the least deprived quintile achieved an average tariff score of 1207 compared to 624 for pupils from the most deprived quintile.

There is a considerable and widening level of variation between councils in relation to overall average tariff (743 to 1351), and within each quintile group. Further detail of the variation within councils is presented in the graphs below.

Overall Average Tariff

Legend: 2011-12 | 2015-16 | 2016-17 | Scotland Average for 2016-17

Average Total Tariff SIMD Quintile 1

Legend: 2011-12 | 2015-16 | 2016-17 | Scotland Average for 2016-17

Average Total Tariff SIMD Quintile 2

Legend: 2011-12 | 2015-16 | 2016-17 | Scotland Average for 2016-17

Average Total Tariff SIMD Quintile 3

| 2011-12 | 2015-16 | 2016-17 | Scotland Average for 2016-17 |

Average Total Tariff SIMD Quintile 4

| 2011-12 | 2015-16 | 2016-17 | Scotland Average for 2016-17 |

Average Total Tariff SIMD Quintile 5

| 2011-12 | 2015-16 | 2016-17 | Scotland Average for 2016-17 |

Source: Breakdown of average total tariff by SIMD quintile provided by the Scottish Government and overall average total tariff calculated from this by the Improvement Service
Note: Missing values represent councils which have no pupils in this SIMD quintile

Performance at SCQF Levels 5 and Level 6 or Higher

These indicators provide a breadth and depth measure of achievement for pupils at higher levels of attainment, for all pupils and for those from more deprived areas. It should be noted that 5+ awards at SCQF level 5 and level 6 or higher are demanding academic criteria, and on their own provide a rather narrow picture of attainment. They are concentrated heavily on high attainers—those who would typically progress to higher education—and do not adequately reflect the outcomes and life chances of all school pupils.

These measures reflect the cumulative attainment at SCQF level 5 and level 6 or higher either to the point of leaving or to the end of S6. However, as with average tariff scores, as the school leaver data is not yet available for 2016/17, the basis for the data included for these measures is different from published data available on Parentzone which is based on school leavers. To allow 2017 data to be included the Scottish Government have provided pupil's attainment by S6 based on the S4 cohort.

An improving trend can be seen in the SCQF level 5 and level 6 data across the years for which we have collated data. The total percentage of young people gaining 5+ awards at level 5 and level 6 is increasing, for all pupils, and for those in the most deprived communities.

Percentage of Pupils Achieving 5 or More Awards at SCQF Level 5 and Level 6 or Higher

Year	% 5 or More Awards at Level 5	% 5 or More Awards at Level 5 in 20% Most Deprived Communities	% 5 or More Awards at Level 6	% 5 or More Awards at Level 6 in 20% Most Deprived Communities
2011/12	51.0	29.0	26.0	10.0
2012/13	53.0	32.0	27.0	11.0
2013/14	55.0	34.0	29.0	14.0
2014/15	57.0	37.0	31.0	14.0
2015/16	59.0	40.0	33.0	15.0
2016/17	60.0	41.0	34.0	16.0

In 2016/17, 60% of pupils achieved five or more awards at level 5 or higher, an increase of nine percentage points from 2011/12. Similarly, there has been a eight percentage point increase in the percentage of pupils achieving five or more awards at level 6 or higher during this time, from 26% to 34%. Since 2011/12, all 32 councils have seen an increase in attainment at these levels, with most showing a year-on-year improvement.

While achievement levels remain lower for children from the most deprived areas, there has been a faster rate of improvement within these groups. The percentage of children from the most deprived communities achieving 5+ awards at level 5 and level 6 in 2016/17 was 41% and 16% respectively, an increase of 12 percentage points and six percentage points from 2011/12. This is an improvement rate of 41.4% and 60.0%, compared to 17.6% and 30.8% for all pupils' achievement.

Across Scotland, substantial variations between councils can be identified at both level 5 and level 6, ranging from 50% to 85% and 22% to 63% respectively. The range has widened in the past 12 months at both levels due to faster improvement at the higher performance end. Substantial variations can also be seen between councils in achievement levels for the most deprived, ranging from 21% to 64% at level 5, and 0% to 33% at level 6. As with all pupils, the variation has widened in the past 12 months.

Achievement varies systematically with the overall level of deprivation in the council area: this accounts for approximately 35% to 40% of the variation in outcome between councils. For example, if councils are grouped according to their levels of deprivation, the average at level 5 for the most deprived councils is 58% compared to 64% for the least deprived councils. However, there are some councils with very low levels of overall deprivation who are achieving exceptional results with pupils

from deprived areas. There are also councils with relatively high levels of overall deprivation achieving higher than average results.

The work being driven forward with local authorities and schools under the Scottish Attainment Challenge will be instrumental here. National and local partners will work together to identify the specific work that can be implemented successfully in classrooms and which will have a significant impact on the attainment of children from deprived communities. The local economy, size of the higher education/further education sector and types of local services supporting education are also important factors in understanding the variation. We will continue to work with all councils, ADES and Education Scotland to better understand the existing level of variation and the factors that drive it at school and council levels.

Percentage of Pupils Gaining 5+ Awards at Level 5
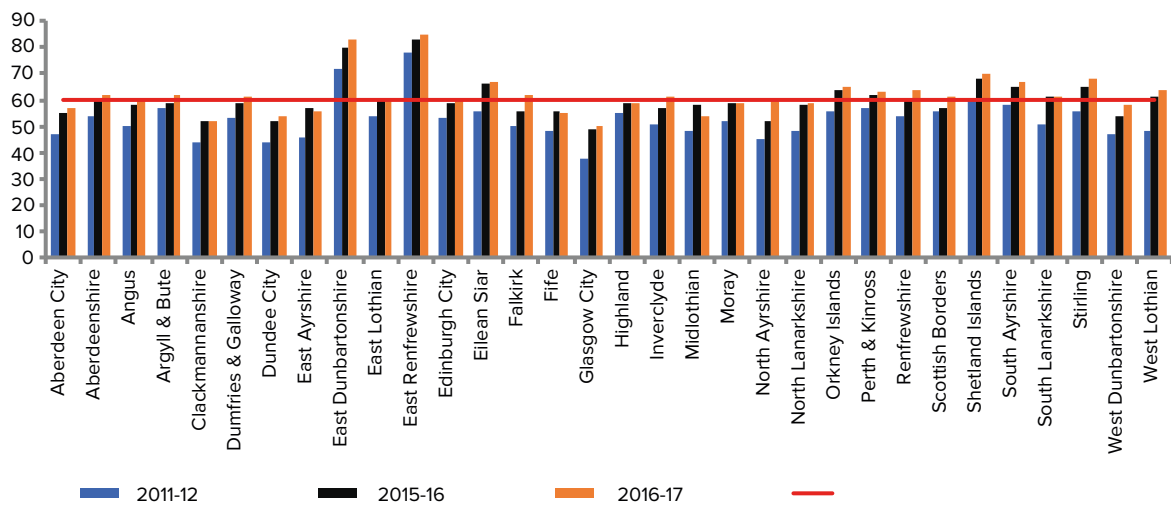
Percentage of Pupils Gaining 5+ Awards at Level 6
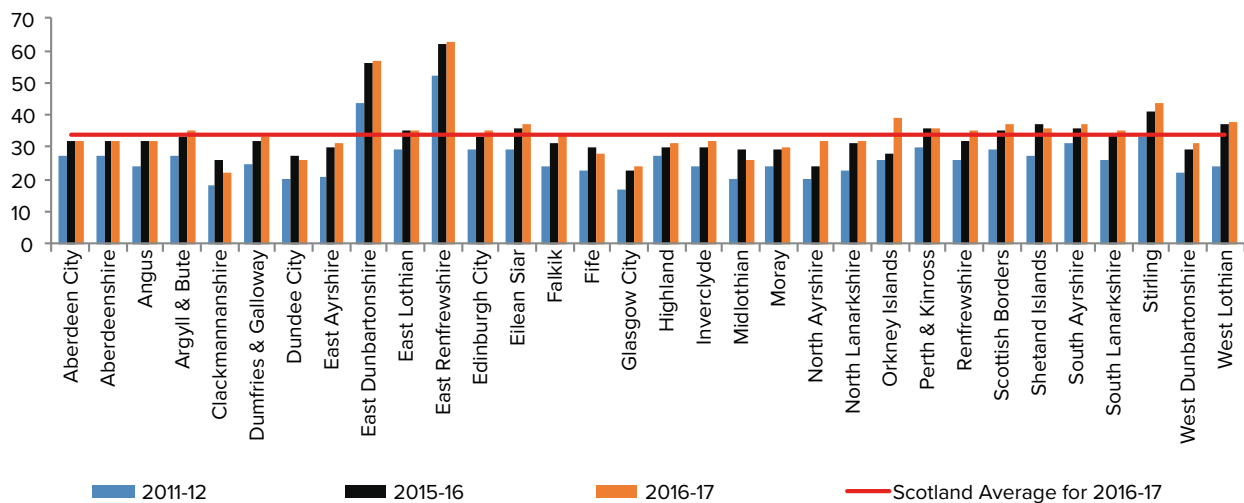
Percentage of Pupils from Deprived Areas Gaining 5+ Awards at Level 5 (SIMD)
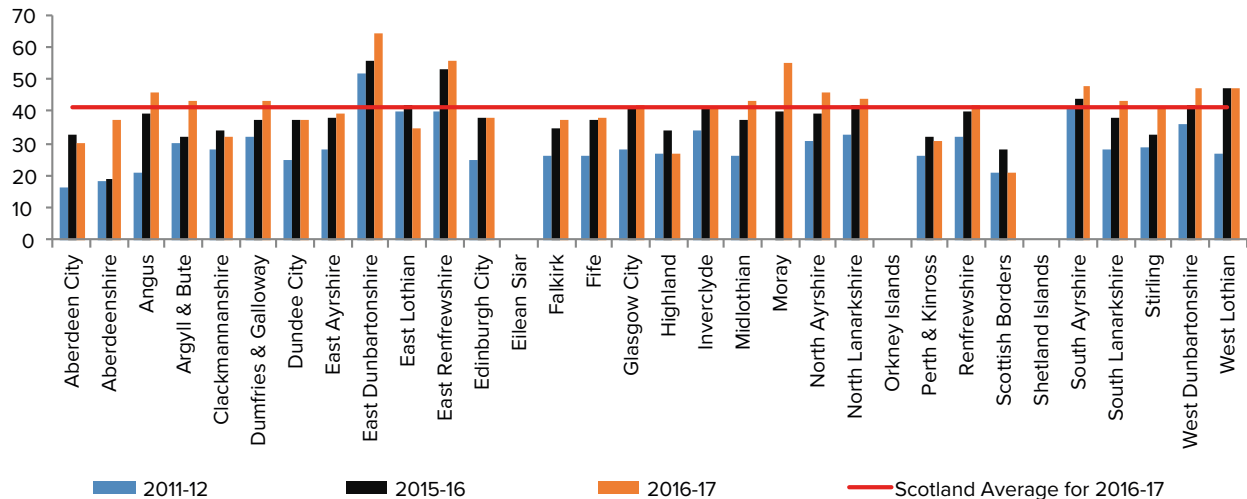
2011-12   2015-16   2016-17   Scotland Average for 2016-17

Percentage of Pupils from Deprived Areas Gaining 5+ Awards at Level 6 (SIMD)

2011-12   2015-16   2016-17   Scotland Average for 2016-17
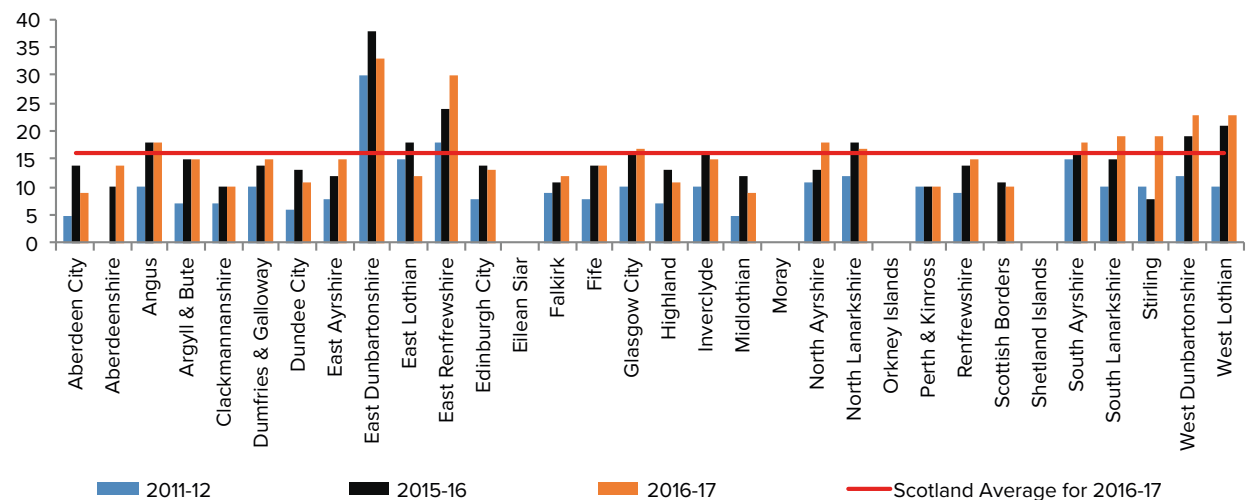
Source: Figures supplied by Scottish Government
Note: Missing values represent councils which have no pupils in the 20% most deprived communities

Positive Destinations and Participation Rate

Between 2011/12 and 2015/16, there has been continued improvement in relation to the proportion of young people entering initial "positive destinations" after school, increasing from 90.1% to 93.3%. Positive destinations include participation in further education (FE), higher education (HE), training/ apprenticeships, employment, volunteering or Activity Agreements. Data is not yet available for 2016/17, but will be included in the LGBF March refresh.

In 2016/17, the LGBF added a participation measure alongside positive destinations. The participation measure reflects participation in learning (including school), training or work for all 16-19 year olds in Scotland (as defined by Opportunities for All Data Practice Framework, Scottish Government, August 2014). This measure provides a useful opportunity to track the progress of young people beyond the point at which they leave school. It also recognises that all participation is positive and should be regarded as transitional— education and training are important phases in a young person's life that can improve their job options but are not destinations in themselves.

This measure was first published in 2015 by Skills Development Scotland as experimental statistics, and shows an increase in the participation rate from 90.4 to 91.1 between 2015/16 and 2016/17. This has been driven by an increase in employment, particularly part-time employment.

Positive Destinations and Participation Rate

Year	% Entering Positive Destinations	Participation Rate
2011/12	90.1	-
2012/13	91.7	-
2013/14	92.5	-
2014/15	93.0	-
2015/16	93.3	90.40
2016/17	tbc	91.10

In 2016/17, the participation rates for 16-19 year olds ranged from 87.6% to 96.9% across councils, with variation narrowing slightly in the past 12 months. As with destinations, there is a systematic relationship between participation rates and deprivation, with those councils with higher levels of deprivation reporting lower participation rates (e.g. 89.9% average for the most deprived councils compared to 93.6% average for the least deprived councils).

Participation Rates for 16-19 Year Olds (%)
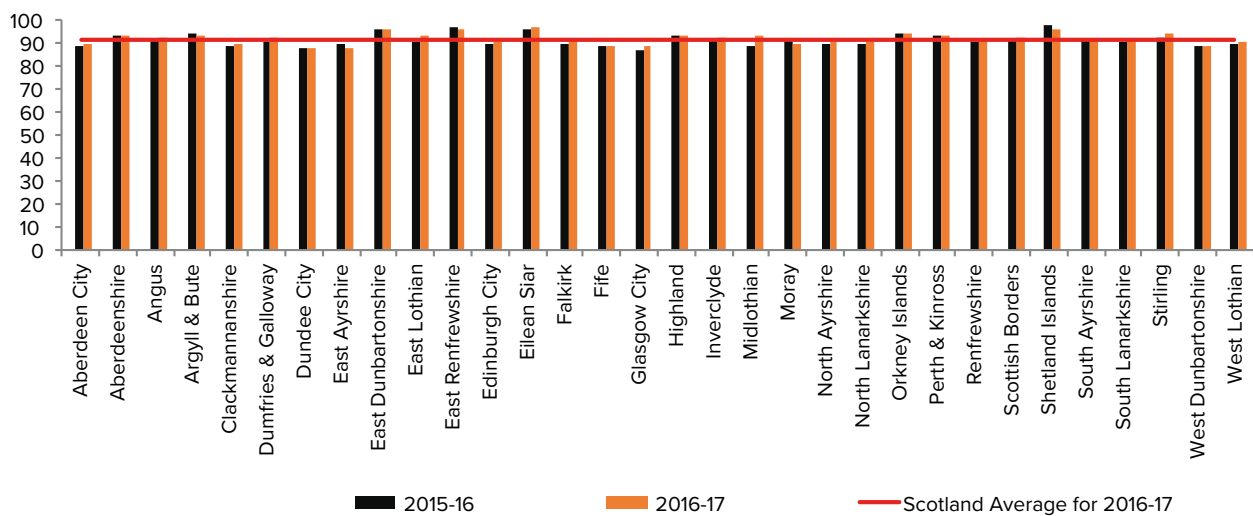
Source: SDS Annual Participation Measure

There is significant variation across councils in how the participation status breaks down by education, employment and training as can be seen in the graph below. Further disaggregation of these categories will be provided as additional trend data becomes available in future years.

Participation Rates - Breakdown of Participating Status by Council, 2016-17 (%)

■ Participating in Education ■ Participating in Employment ■ Participating in Other Training and Development
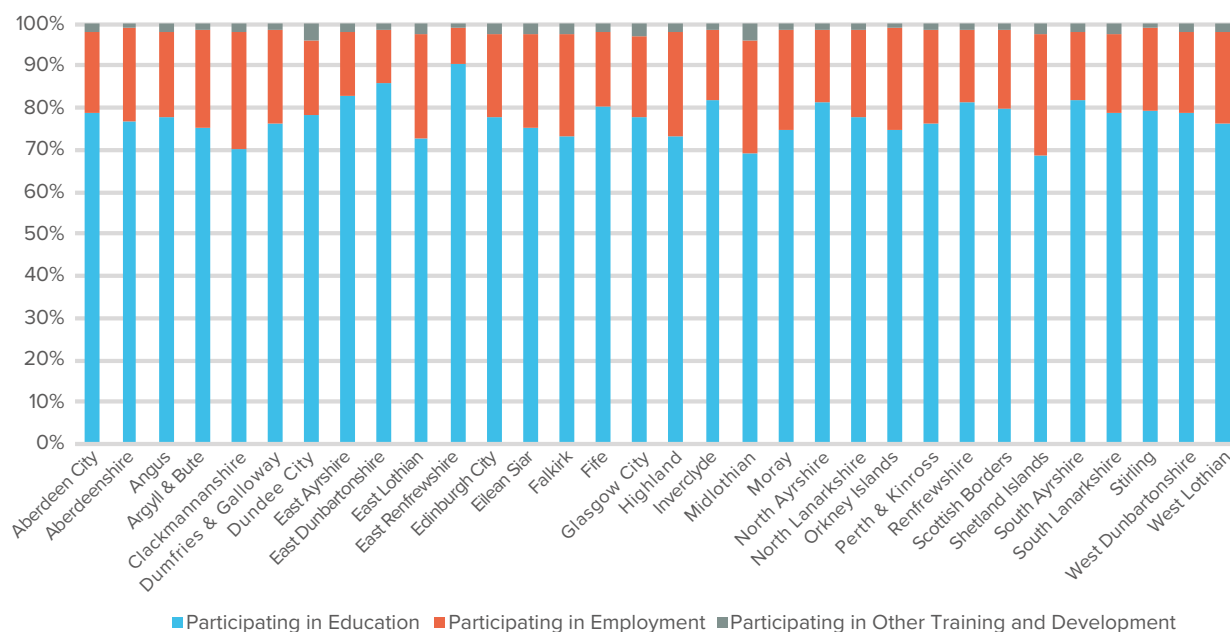
Source: SDS Annual Participation Measure
Education includes: school pupils, higher education & further education
Employment includes: full time employment, part time employment, self-employment and modern apprenticeships
Other training & development includes: employability fund, activity agreements, other formal training, personal skills development and voluntary work

Satisfaction with Schools

There has been a ten percentage point reduction in adults satisfied with their local schools service over the period, with satisfaction levels falling from 83% to 73% in between 2010/11 and 2016/17.

Percentage of Adults Satisfied with Local Schools

Year	% satisfied
2010/11	83
2012/13	83
2013/14	81
2014/15	79
2015/16	74
2016/17	73

The customer satisfaction data that is included in the LGBF is derived from the Scottish Household Survey (SHS). While this data is proportionate at Scotland level, it is acknowledged there are limitations at local authority level in relation to small sample sizes and low confidence levels. To boost sample sizes, three-year rolled averages have been used here. This ensures the required level of precision at local levels with confidence intervals within 6%. The data used represents satisfaction for the public at large rather than for service users. Smaller sample sizes for service users mean it is not possible to present service user data at a local authority level with any level of confidence. It should be noted that satisfaction rates for service users are consistently higher than those reported by the general population.

The range in satisfaction with local schools across Scotland is 63% to 95%, with larger authorities

reporting significantly lower levels of satisfaction (73% compared to 87% in smaller authorities). The variation between authorities in satisfaction has widened year on year due to reductions at the lower end.

Percentage of Adults Satisfied with Local Schools
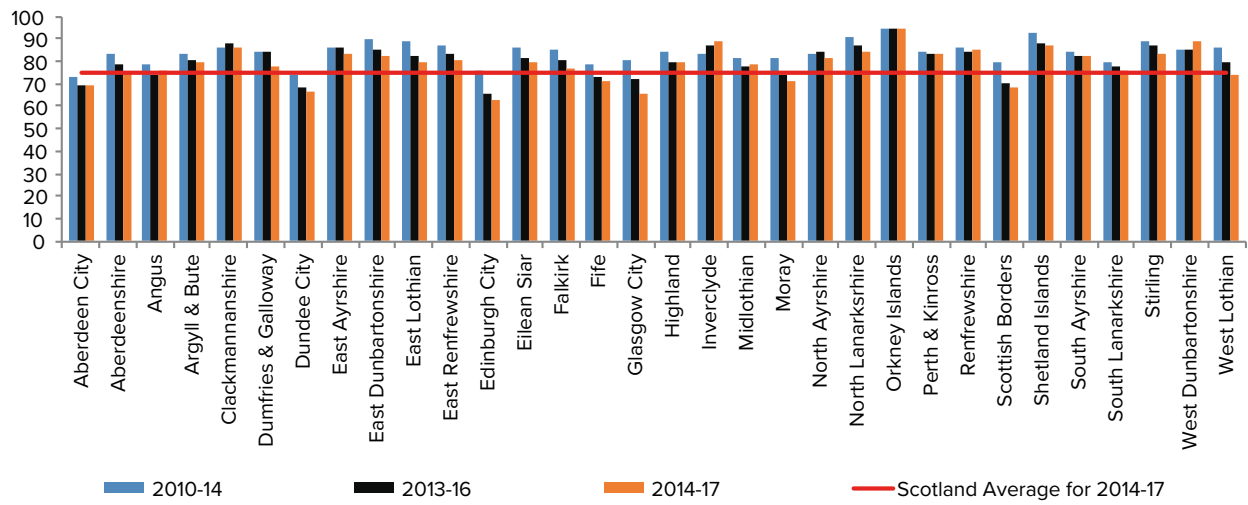
Source: Scottish Household Survey

Adult Social Care

The provision of services to support vulnerable adults and older people is a major priority for councils and accounts for around a quarter of total council spend. Social care services are undergoing fundamental reform as council services integrate with services from the National Health Service to create new Health and Social Care Partnerships (HSCPs). The purpose of these major changes is to strengthen the partnership working across public services to help improve outcomes for those using health and care services and also reduce the inefficiencies associated with dis-jointed systems.

To reflect this major reform, we continue to work with Social Work Scotland, Chief Officers of the Integration Authorities, and the new Health and Social Care Improvement body to agree benchmarking measures which will usefully support Integration Joint Boards fulfil their new duties. This will draw upon the core suite of Health and Social Care integration measures, which is currently being reviewed and will consider measures which might usefully be included to provide a fuller picture of improvement towards the national health and wellbeing outcomes and user experience.

Social care is an area where councils and their partners face growing demands due to an ageing population and the increasing complexity of needs experienced by vulnerable adults. It is forecast that the percentage of the population aged 65 or over will rise from 18.1% to 21.1% by 2024.[23] In the face of these increasing demands, councils and their partners continue to modernise and transform social care provision to deliver better anticipatory and preventative care, provide a greater emphasis on community-based care and enable increased choice and control in the way that people receive services.

Home Care Services

Council spend on home care services has been standardised around home care costs per hour for each council. This includes expenditure across all providers. Since 2010/11 there has been a real terms increase of 1.7% in spending per hour on home care for people over 65 across Scotland. This reflects an overall 11.5% increase in gross expenditure and 9.6% increase in the number of hours delivered during this period, although movement between years has fluctuated.

Home Care Costs per Hour for People Aged 65 or Over

| % Change	Cash	Real
2010/11 - 2016/17	11.9	1.7
2010/11 - 2011/12	-1.8	-3.2
2011/12 - 2012/13	3.5	1.4
2012/13 - 2013/14	-1.0	-2.7
2013/14 - 2014/15	-0.1	-1.5
2014/15 - 2015/16	4.7	4.0
2015/16 - 2016/17	6.3	4.0

In the past 12 months, spending per hour has increased by 4.0% in real terms from £21.67 to £22.54. This reflects a 6.24% increase in expenditure and a 2.2% increase in hours delivered. The increase in expenditure will reflect in part the commitment from October 2016 to pay all social care workers the living wage.

There is significant variation across councils, with spend per hour ranging from £12.28 to £42.15.

23   Source: Population Projections, National Records of Scotland, http://www.nrscotland.gov.uk/statistics-and-data/ statistics/statistics-by-theme/population/population-projections/population-projections-scotland/2014-based

This variation has widened in the past two years. Rural councils have significantly higher costs, with average costs of £27.72 compared to £23.56 for urban councils, and £22.09 for semi-rural.

Home Care Costs per Hour for People Aged 65 or Over (£)
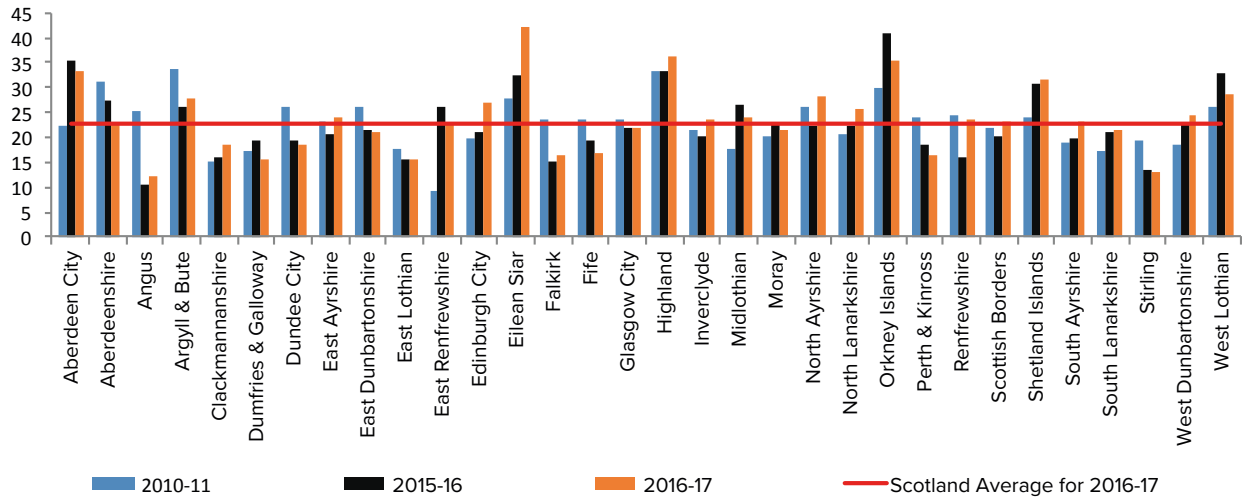
Source: Social Care Survey, Scottish Government; council supplied expenditure figure

Balance of Care

The second area of adult social care services covered in the framework is the percentage of adults over 65 with intensive care needs (who receive 10+ hours of support) who are cared for at home. This is an area of growing importance in an effort to care for more people in their own home rather than institutional setting such as hospitals. The effective design and delivery of home care services can help prevent those most at risk of unplanned hospital admissions from entering the hospital sector unnecessarily. For those who do enter hospital, it can also help prevent delayed discharges.

The balance of care has shifted in line with policy objectives across the period with a growth in home care hours provided (9.6%) and a relative decline in residential places (-1.2%). The percentage of people with intensive needs who are now receiving care at home has increased from 32.2% in 2010/11 to 35.3% in 2016/17. As importantly, the number of people receiving home care has decreased over time and the hours of care they receive on average has increased, i.e. in shifting the balance of care, a greater resource has become targeted on a smaller number of people with higher needs.

Percentage of People Aged 65 or Over With Intensive Needs Receiving Care at Home

Year	% of over 65's with Intensive Needs Receiving Care at Home
2010/11	32.2
2011/12	33.0
2012/13	34.1
2013/14	34.3
2014/15	35.3
2015/16	34.8
2016/17	35.3

There is significant although narrowing variation across councils in relation to the balance of care, ranging from 22.9% to 50.4% across Scotland. There is no systematic relationship in the balance of care provided and deprivation, rurality or size of council.

Percentage of Adults Aged 65+ With Intensive Needs Cared for at Home

Legend: 2010-11 | 2015-16 | 2016-17 | Scotland Average for 2016-17
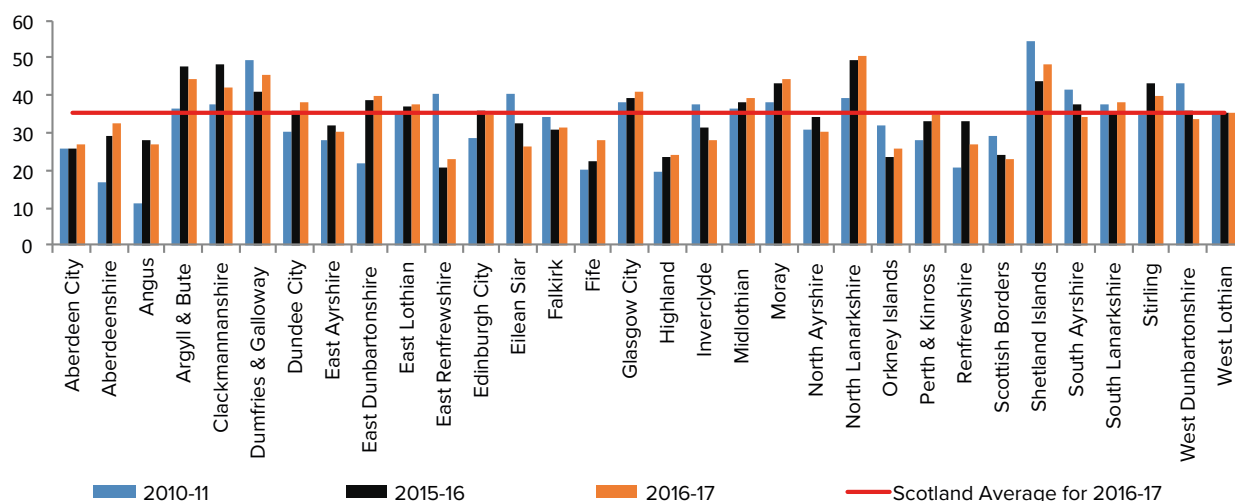
Source: Social Care Survey, Scottish Government

Direct Payments and Personalised Managed Budgets

From 1st April 2014, self-directed support introduced a new approach which gives people who require social care support more choice and control over how their support is delivered. Social work services continue to drive forward changes to ensure people's outcomes are being met, rather than a person fitting in to a service.

The Self-Directed Support Act 2013 puts a duty on local authorities to be transparent about the cost of support under each of the four options:

- Direct payment (a cash payment)

- Personalised Managed Budget (PMB) where the budget is allocated to a provider the person chooses (sometimes called an individual service fund, where the council holds the budget but the person is in charge of how it is spent)

- The local authority arranges the support

- A mix of the above.

The indicator here refers to the percentage of total social work spend allocated via Direct Payments or Personalised Managed Budgets.[24] The breakdown of spend available across the four options will become more sophisticated as the approach is fully implemented and this will be reflected in the development of this framework.

Since 2010/11, the proportion of total social work spend allocated via Direct Payments and Personalised Managed Budgets has grown from 1.6% to 6.5%. However most of this growth is in Glasgow where expenditure via these two options has grown from £4.8 million to £71.4 million. Excluding Glasgow, the spend on Direct Payments and PMB as a percentage of total social work spend increased from 1.6% to 4.7% across the same period, with Direct Payments accounting for approximately 73% of this spend.

In the last 12 months, the proportion of spend via Direct Payments and Personalised Managed Budgets reduced from 6.7% to 6.5%. Again, this has been driven by a significant reduction in Glasgow Direct

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24   The PMB breakdown was included in councils return to the Improvement service for 13/14 - 16/17, and includes only residual expenditure from the personalised budget where it is unknown what support was purchased, i.e. where the council used a third party to arrange services. It does not include where the budget has been used to purchase known services from either the authority or another provider. Analysis of the data however indicates some variation in relation to what is included currently.

Payment/PMB spend (28% reduction in the past 12 months). Excluding Glasgow from the analysis, the proportion across Scotland has grown from 3.7% to 4.7% over the past 12 months.

Spend on Direct Payment and Personalised Managed Budgets as a Percentage of Total Social Work Spend

Year	Direct Payment & PMB Spend as a % of Total Social work Spend
2010/11	1.6
2011/12	2.9
2012/13	6.0
2013/14	6.4
2014/15	6.9
2015/16	6.7
2016/17	6.5

In 2016/17 the range in spend across councils was 1.0% to 20.7% (1.0% to 8.3% excluding outliers). The variation has narrowed slightly in recent years. Rural and less deprived councils tend to have higher levels of uptake of Direct Payments and PMB (5.4% of spend in rural councils is allocated via Direct Payments and PMB compared to 3.7% in urban, and 5.7% of spend in the least deprived family group compared to 2.7% in the most deprived). This finding is supported by Scottish Government examination of the uptake of Direct Payments and SIMD which shows that while there is no clear relationship for the 18-64 adult population, older people living in less deprived areas are more likely to choose direct payments.[25]

Direct Payment and PMB Spend as a Percentage of Total Social Work Spend on Adults 18+
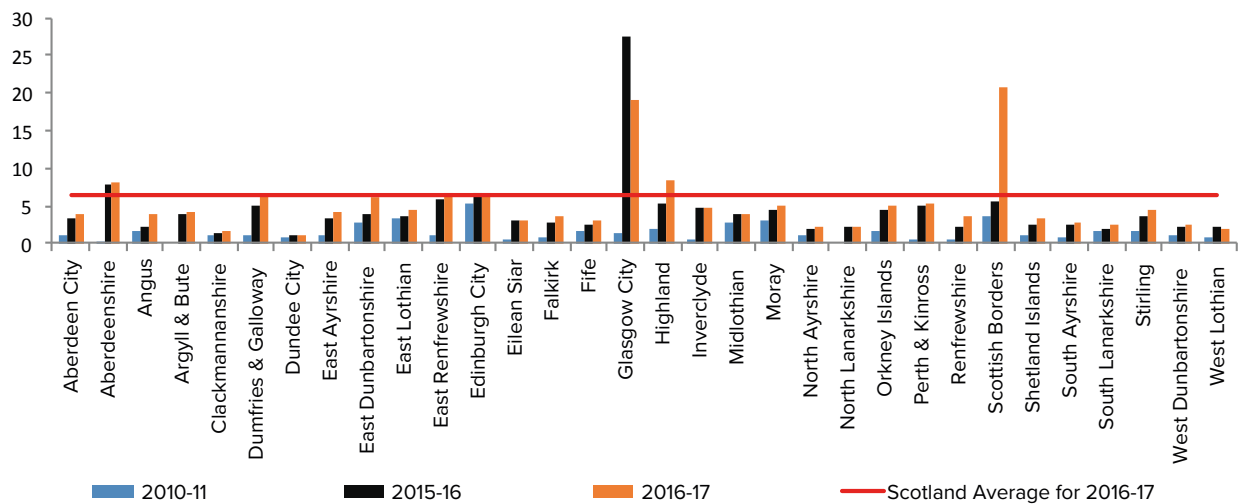
Source: Council supplied expenditure figures
Note: Missing values reflect no data returned for that year

Care Homes

The third area covered by the framework relating to adult social care is the net cost of care home services. The measure has been standardised using net costs per week per resident for people over the age of 65.

It is important to note that the figures for 2012/13 to 2016/17 have in agreement with the local

25 Source: Social Care Services, Scotland, 2014, Scottish Government, http://www.scotland.gov.uk/
    Publications/2014/11/1085/6

government Directors of Finance excluded a support cost component which was included in 2010/11 and 2011/12, and therefore a direct comparison with costs from earlier years is not possible.

Over the five years for which we have comparable data, there has been a 4.6% reduction in unit costs from £393 to £375. This has been driven by a -3.2% reduction in net expenditure while the number of adults supported in residential care homes during this period has increased by 1.5%.

Gross expenditure levels have remained steady over this period therefore the reduction in net expenditure indicates an increase in the income received by councils rather than a reduction in expenditure. The increase in the number of privately or self-funded clients as a proportion of all long stay residents over this period would support this trend (an increase of 3.3% between 2010/11 and 2015/16).[26]

In the last 12 months, the average cost per week per resident increased by 0.6% from £373 to £375. This reflects a small increase in net expenditure (0.1%) and a small reduction in the number of residents (-0.5%).

Care Home Costs per Week for People Over 65

% Change	Cash	Real
2012/13 - 2016/17	1.4	-4.6
2012/13 - 2013/14	-2.1	-3.7
2013/14 - 2014/15	2.5	1.0
2014/15 - 2015/16	-1.8	-2.5
2015/16 - 2016/17	2.9	0.6

There is a considerable level of variation across councils with island councils in particular reporting significantly higher costs. When island councils are excluded, costs range from £186 to £516. Variation has widened in the last 12 months, after narrowing over recent years.

Older Persons (Over 65s) Residential Care Costs per Week per Resident (£)
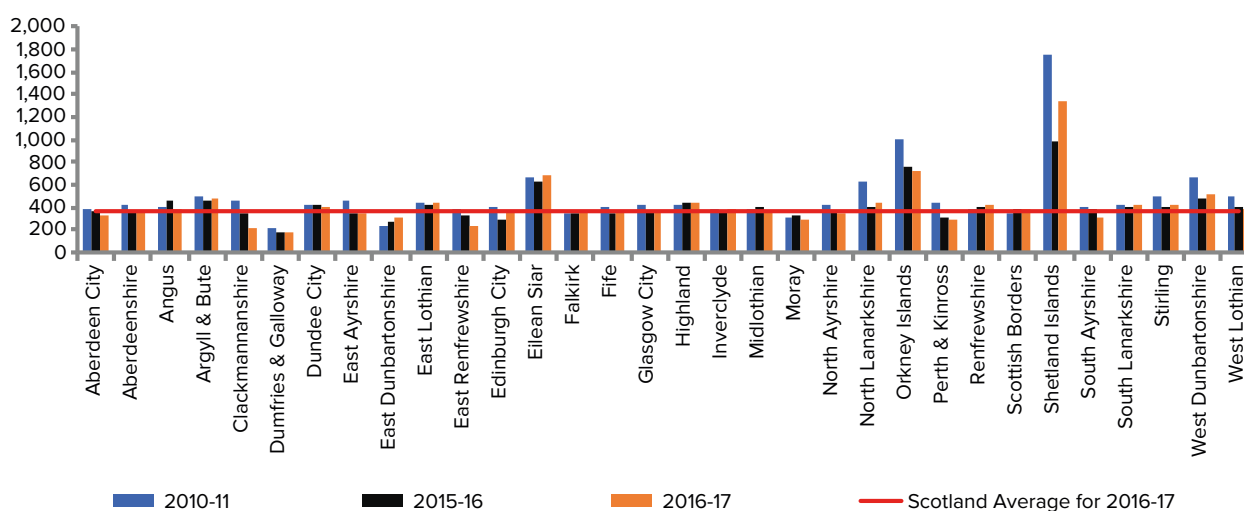
Source: Community Care Quarterly Key Monitoring Return, Scottish Government; council supplied expenditure figures

Up to and including 2016/17, the National Care Home Contract (NCHC) for residential care for older people will, to a large extent, have standardised costs. However, it is important to note that the net cost per resident will not equate to the NCHC rate. The NCHC rate only applies to LA-funded residents who

26   Care Home Census 2010-2014, ISD, http://www.isdscotland.org/Health-Topics/Health-and-Social-Community-Care/Care-Homes/

are in private and voluntary run care homes. Residential care costs however include net expenditure on:

- The net cost of any LA-funded residents (this will be based on the NCHC)

- The net cost for self-funders (There are around 10,000 self-funders receiving Free Personal Care payments (around two-thirds also receive the Free Nursing Care payment)

- The net cost of running any LA care homes (this will be gross cost less charges to residents). These will not equate to the NCHC rate and not all LAs run their own care homes so this may be something to explore further when examining differences across councils.

Therefore, if we compare net expenditure with all long-stay care home residents (private/voluntary and local authority) we would expect the average rate to be lower than the NCHC rate.

Based on the above, variation in net costs between councils will be largely influenced by the balance of LA-funded/self-funded residents within each area, and the scale of LA care home provision and associated running costs.

Percentage of Adults Satisfied with Adult Social Care Services

In 2015/16, two measures from the Health and Care Experience Survey were introduced to the benchmarking suite to reflect service user satisfaction with social care services. These measures align with the initial core suite of HSC Integration Measures, and provide a more locally robust sample than is available from the Scottish Household Survey in relation to social care. The survey takes place every two years, and only two years of data is currently available making trend analysis difficult. The next available data will be for the period 2017/18.

The percentage of adults receiving any care or support who rate it as Excellent or Good reduced from 84% in 2013/14 to 81% in 2015/16, a significant reduction at national level. Similarly, the % of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life reduced from 85% in 2013/14 to 84% in 2015/16. This reduction is not significant.

Percentage of Adults Satisfied With Social Care Services

Year	% Receiving Any Care or Support who Rate it as Excellent or Good	% Supported at Home who Agree that their Services and Support had an Impact in Improving or Maintaining their Quality of Life
2013/14	84	85
2015/16	81	84

Satisfaction rates vary from 73% to 88% for those rating the care/support as excellent or good, and from 77% to 92% for those who agree their support had an impact in improving or maintaining their quality of life. There are no systematic effects of deprivation, rurality or size of council on satisfaction rates.

Percentage of Adults Receiving any Care or Support who Rate it as Excellent or Good
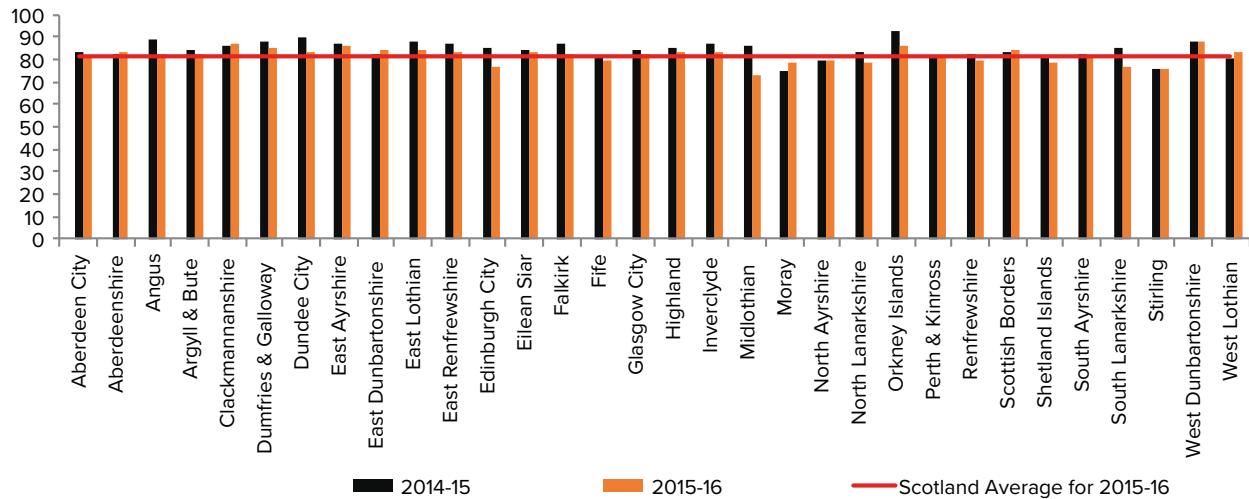
■ 2014-15　　■ 2015-16　　— Scotland Average for 2015-16

Percentage of Adults Supported at Home who Agree That Their Services and Support had an Impact in Improving or Maintaining Their Quality of Life

■ 2014-15　　■ 2015-16　　— Scotland Average for 2015-16
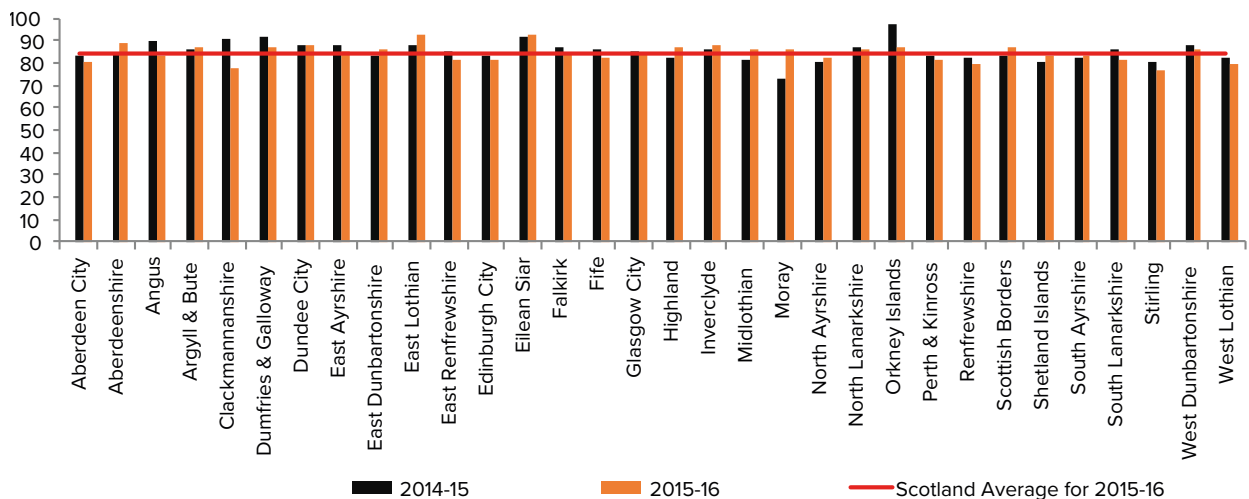
Source: Scottish Care and Experience Survey, Scottish Government

Work within Family Groups has identified the following factors as important in understanding the local variation between authorities in the provision of Adult Social Care Services

- *Rurality: there is a significant connection between rurality and the cost and balance of social care provision. Rural authorities have higher residential and home care costs and a lower proportion of people cared for at home. Rural areas also tend to have higher satisfaction rates in the quality of the service and in relation to its impact on their outcomes, although this is not statistically significant.*
- *Demographic variability: the number and proportion of over 75s within local populations will have a significant influence on the cost and balance of social care service provision locally.*
- *Proportion of self-funders locally and impact on residential care expenditure - variations in net expenditure between councils are systematically related to the percentage of self-funders within council areas[20]*
- *Local service design and workforce structure – local factors such as the service delivery balance between local authority provision and private/voluntary provision locally, along with variability in the resilience and capacity within local workforce and provider markets will influence both costs and balance of care*

27 Free Personal and Nursing Care, Scottish Government, http://www.gov.scot/Topics/Statistics/Browse/Health/Data/FPNC

Culture and Leisure

Culture and leisure services play an important role in the quality of life in local communities. In addition to the social and economic benefits delivered, the impact they have on promoting better health and wellbeing of the population and in reducing demand on other core services is well documented. Culture and leisure services also connect well with communities who more traditional and regulated services often struggle to reach. This unique relationship provides real potential to achieve impact for people in the greatest need. However, given there is little in the way of statutory protection for culture and leisure spending, culture and leisure services face a particularly challenging financial context across the coming period.

Despite a real reduction in spend of 17% since 2010/11, leisure and cultural services have sharply increased their use rates and reduced their costs per use. This provides evidence of positive service transformation and how widely valued council services are by communities across Scotland.

All culture and leisure cost measures are presented as net measures. This provides a better basis to compare like by like between councils, particularly in relation to different service delivery models, e.g., in-house/arm's length provision. It also recognises the increasing need for authorities to income generate across culture and leisure services, and ensures this activity is reflected accordingly.

Sports Facilities

The data presented below illustrates the net cost per attendance at sports and recreation facilities. Over the six-year period from 2010/11 to 2016/17 the average unit cost has reduced year-on-year from £3.91 to £2.90 in real terms. In percentage terms, this represents a 25.9% reduction.

Cost per Attendance at Sports Facilities

% Change	Cash	Real
2010/11 - 2016/17	-18.4	-25.9
2010/11 - 2011/12	-9.1	-10.4
2011/12 - 2012/13	-2.7	-4.7
2012/13 - 2013/14	1.6	-0.1
2013/14 - 2014/15	-7.1	-8.4
2014/15 - 2015/16	-1.5	-2.2
2015/16 - 2016/17	-0.8	-3.0

The cost per attendance figures on their own do not give a complete picture of what has been happening in sports services over the period. Significant increases in visitor numbers have been achieved against a backdrop of reductions in real net expenditure. However, the growth in service users has slowed slightly in recent years, growing only 2.0% in the past 12 months.

Sports Facilities: Change in Total Spend, Visitor Numbers and Cost per Visit 2010/11–2016/17
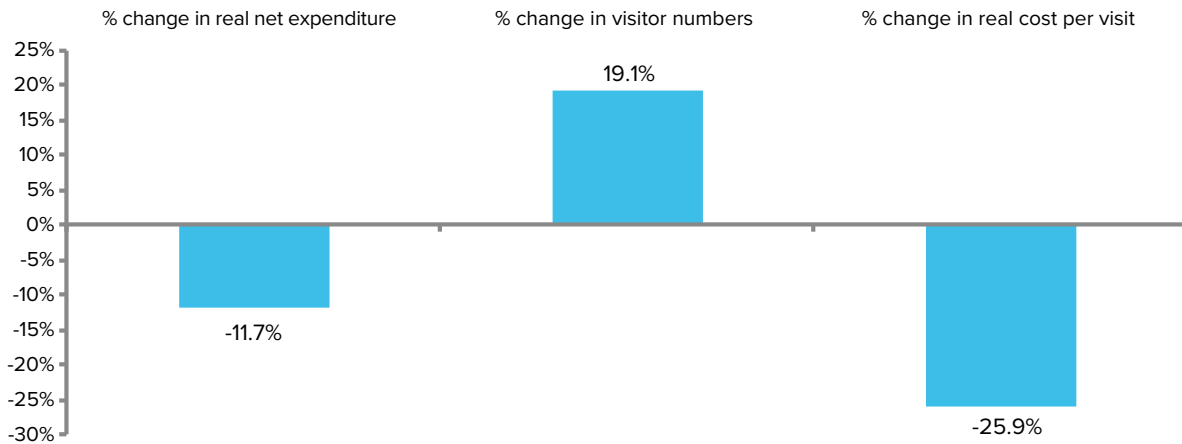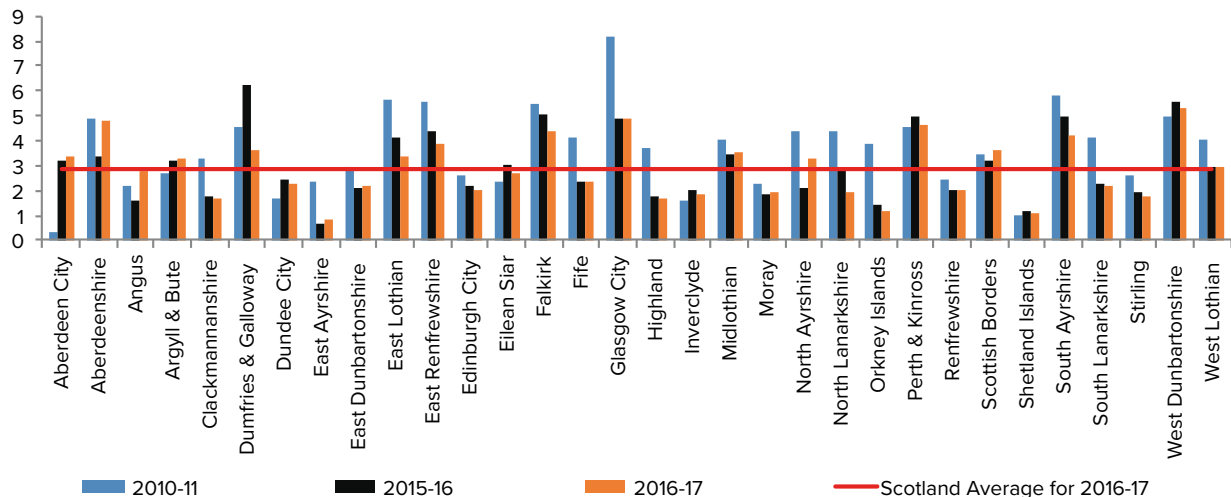

Council supplied expenditure and visitor figures

Over the seven-year period, the significant increase in user numbers while the unit cost of sports attendances has fallen indicates that leisure and recreation services have managed to attract more people into using their facilities while managing significant financial pressures. A key factor here may be the significant capital investment programme in sports facilities across Scotland 10 years ago now bearing fruit. However it may be that the additional capacity generated through this investment has now been reached, and thus the growth in user numbers is now tapering off.

However, the picture across councils with respect to the general trend is not universal. In 2016/17, costs per attendance at a sports facility ranged from £0.84 to £5.34. The variation in unit costs has narrowed in recent years mainly due to reductions at the higher cost end. There is no systematic relationship with deprivation, rurality or size of council.

Cost per Attendance at Sports Facilities (£)

Source: Council supplied expenditure and visitor figures

Library Services

Library costs are represented as the average cost per library visit (both physical and virtual). There has been a year on year reduction in unit costs since 2010/11. The average cost per library visit in 2016/17 was £1.98, while in 2010/11 the cost per visit was £3.75. In real terms, this represents a reduction of 47.1% over the period. This represents significant year on year reductions, including a 21% reduction in the past 12 months.

Cost Per Library Visit

% Change	Cash	Real
2010/11 - 2016/17	-41.9	-47.1
2010/11 - 2011/12	-4.4	-5.7
2011/12 - 2012/13	-3.3	-5.3
2012/13 - 2013/14	-18.3	-19.7
2013/14 - 2014/15	-4.6	-6.0
2014/15 - 2015/16	-0.3	-0.9
2015/16 - 2016/17	-19.0	-20.8

As with sports services unit cost figures on their own do not tell the full story of the last seven years for library services. Over the period covered by the LGBF net spending on library services across Scotland fell by 22.1%. At the same time, visitor numbers increased across the country by 47.4%. Across this period, there has been a year on year reduction in expenditure levels, and a year-on-year increase in visit numbers. In the past 12 months alone, net expenditure reduced by 10.1% and library visitor numbers grew by 13.5%

Libraries: Change in Total Spend, Visitor Numbers and Cost per Visit 2010/11–2016/17
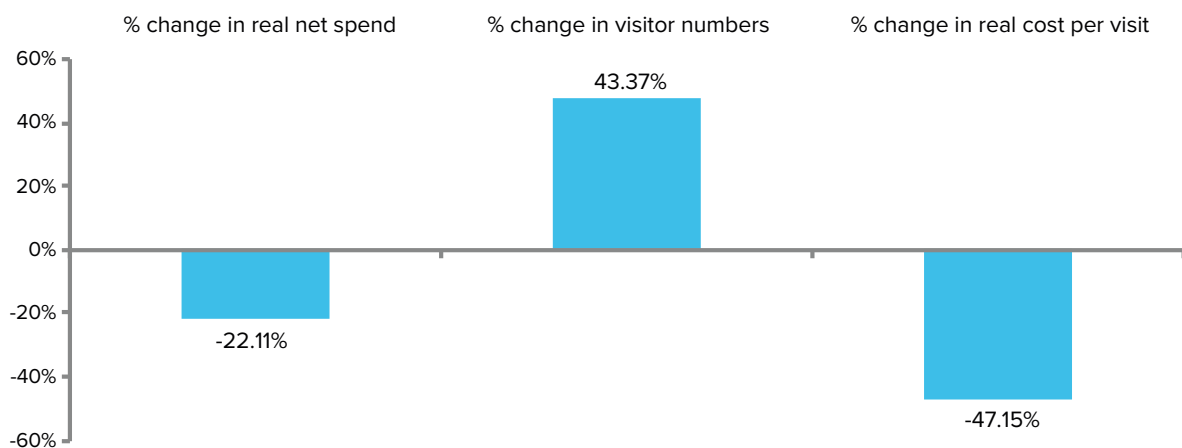
Council supplied expenditure and visitor figures

Again this indicates that against a difficult financial backdrop council services have achieved a growth in service user volume and as a consequence reduced the unit cost per visit to the council by a substantial margin. This shows decisions around the rationalisation of local services have been implemented intelligently and rather than reduce access, the sector has been successful in increasing visitor numbers over the period.

As with sports attendance the picture across councils with respect to the general trend is not universal. In 2016/17 the range across councils in cost per visit was £0.67 to £4.45. This range has narrowed significantly since the base year. There is no systematic relationship with deprivation, rurality or size of council.

Cost per Library Visit (£)

Legend: 2010-11 (blue) | 2015-16 (black) | 2016-17 (orange) | Scotland Average for 2016-17 (red line)
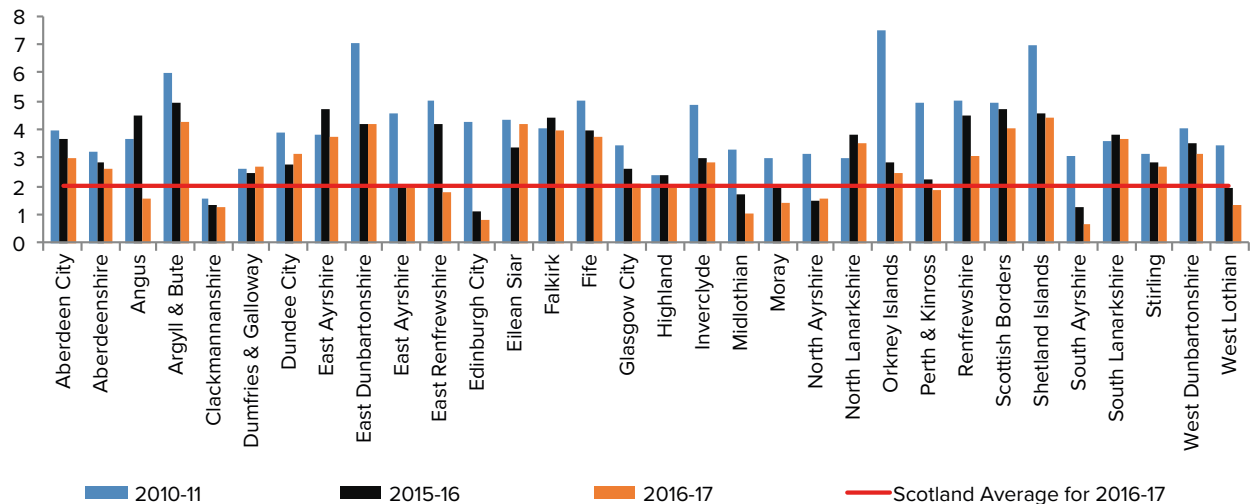
Source: Council supplied expenditure and visitor figures

Museum Services

With respect to museum services, the pattern is similar to library and sports services in relation to falling unit costs accompanied by increasing visitor numbers. Over the seven-year period there has been a real terms reduction of 31% in cost per visit, from £4.62 to £3.19.

Cost Per Museums Visit

% Change	Cash	Real
2010/11 - 2016/17	-24.1	-31.0
2010/11 - 2011/12	-17.4	-18.5
2011/12 - 2012/13	3.2	1.1
2012/13 - 2013/14	-6.7	-8.3
2013/14 - 2014/15	-0.4	-1.8
2014/15 - 2015/16	-8.6	-9.2
2015/16 - 2016/17	4.7	2.6

As with other leisure and recreation services the high-level data only tells part of the story of what has been changing in museum services over the seven-year period. Net spending on museum services across Scotland has fallen by -8.2% since 2010/11 but in the same period visitor numbers have increased by 33.1%. The combined effect of this increase in the productive use of the service has been to reduce significantly the unit cost as measured by the cost per visit indicator.

Museums: Change in Total Spend, Visitor Numbers and Cost per Visit 2010/11–2016/17

% change in real net spend | % change in visitor numbers | % change in real cost per visit
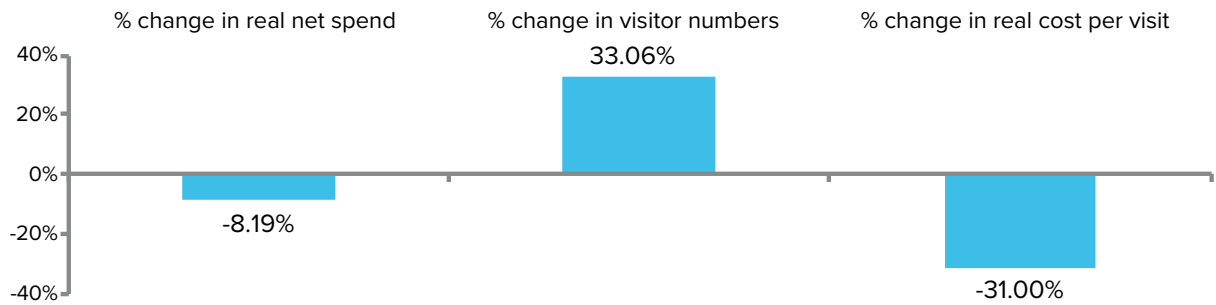
Source: Council supplied expenditure and visitor figures

Over the past 12 months however, for the first time, there has been a reduction in visitor numbers of -2.6%. During the same period, the reduction in spend has slowed to 0.3%. This has resulted in an increase in cost per visit of 2.6% over the last 12 months.

There is a significant range between councils' museums costs, which has widened in the past 12 months. In 2016/17 the range in cost per visit was £0.28 to £48.91 (£0.28 to £11.31 excluding Renfrewshire as an outlier). There is no systematic relationship with deprivation, rurality or size of council.

Cost of Museums per Visit (£)
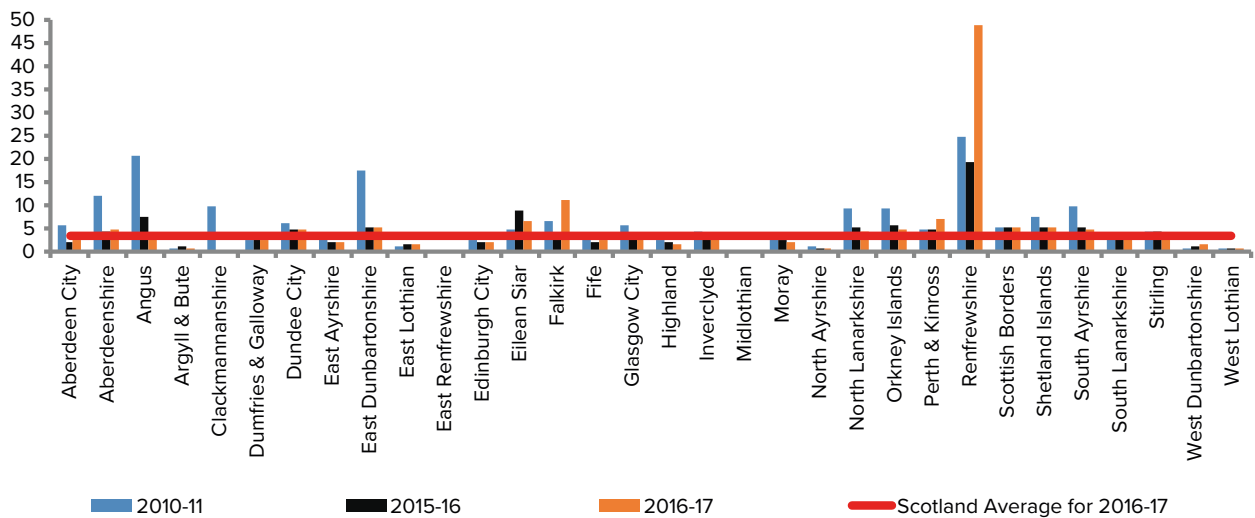
Source: Council supplied expenditure and visitor figures
Note: Missing values for Clackmannanshire, East Renfrewshire and Midlothian reflect no council provided museum service

Parks and Open Spaces

Spend on parks and open spaces is reflected as spend per 1,000 population. Over the seven-year period from 2010/11 to 2016/17 this has reduced in real terms by 24.3%, from £28,520 to £21,581. There has been a year on year reduction across the period.

Cost of Parks and Open Spaces per 1,000 Population

% Change	Cash	Real
2010/11 - 2016/17	-16.8	-24.3
2010/11 - 2011/12	-6.4	-7.7
2011/12 - 2012/13	-2.5	-4.5
2012/13 - 2013/14	-1.5	-3.2
2013/14 - 2014/15	0.5	-1.0
2014/15 - 2015/16	-6.9	-7.5
2015/16 - 2016/17	-1.0	-3.2

In 2016/17 the average cost of parks and open spaces was £21,581, with costs ranging from £2,230 - £38,692. The range across councils has narrowed since the base year due to a reduction in costs at the higher end. Costs of parks and open spaces vary systematically with the level of deprivation in councils, with those councils with higher levels of deprivation spending significantly more on parks and green spaces. The average for councils with the lowest deprivation by SIMD is £17,125 compared to £27,948 for areas with highest levels of deprivation by SIMD.

Cost of Parks and Open Spaces per 1,000 Population (£)
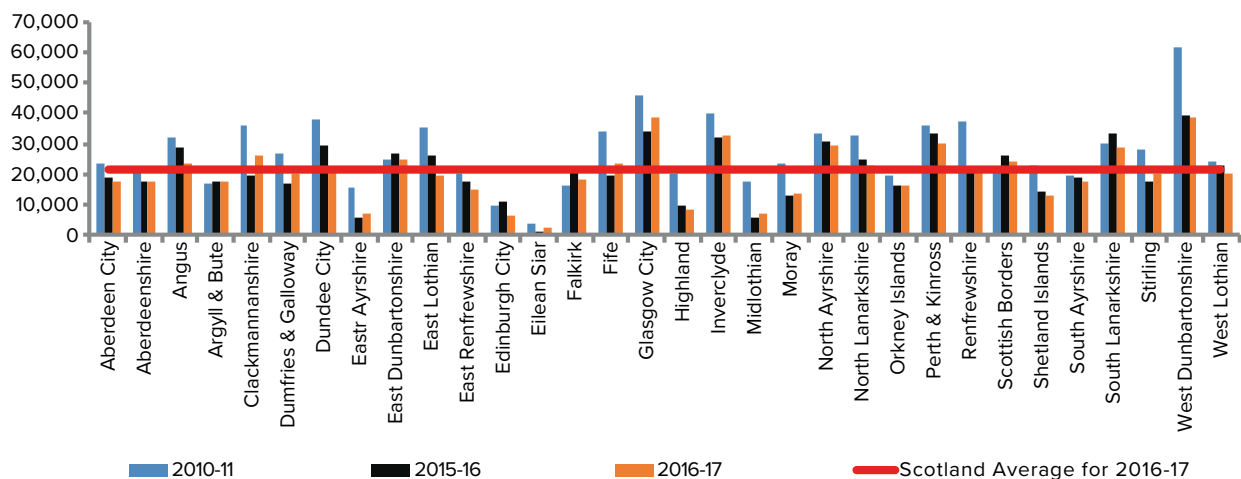
Source: Mid-year population estimates, National Records Scotland (NRO); Council supplied expenditure figures

<div style="border:2px solid #e8562a; padding:1em">

Work within Family Groups has identified the following factors as important in understanding the variation between authorities in Culture & Leisure services

- *Local political and strategic priority given to the role of Culture and Leisure in supporting improvement in wider outcomes e.g. health and wellbeing, tackling inequality, economic development, community empowerment*
- *Scale of provision and level of service*
- *Digital channel shift*
- *Service delivery model and balance between in house and arms-length/trust delivery*
- *Service structure and integration with other services*
- *Staffing composition, level and roles*
- *Level of volunteering, community involvement and asset transfer*
- *Income generation capacity*
- *Asset management and co-location/multi-use venues*

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Satisfaction with Culture and Leisure Services

Satisfaction levels for all areas of culture and leisure remain high at above 70%. However, all areas except parks and green spaces have seen a decrease in satisfaction since 2010/11. Libraries and museums have seen a further reduction in the past 12 months.
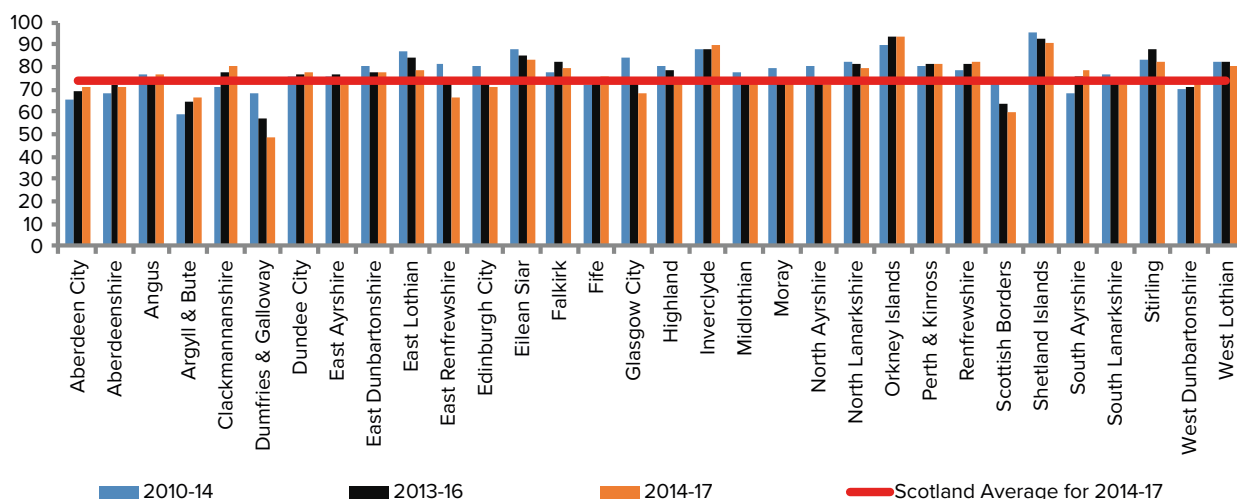
Percentage of Adults Satisfied with Culture and Leisure Services

Year	Leisure % satisfied	Libraries % satisfied	Museums % satisfied	Parks % satisfied
2010/11	74.6	83.5	75.5	83.1
2012/13	80.0	83.0	78.0	86.0
2013/14	78.0	81.0	76.0	86.0
2014/15	76.0	77.0	75.0	86.0
2015/16	73.0	74.0	71.0	85.0
2016/17	73.0	73.0	70.0	87.0

As with satisfaction with local schools, to boost sample sizes three-year rolled averages have been used to ensure the required level of precision at local levels. The data used represents satisfaction for the public at large rather than for service users. It should be noted that satisfaction rates for service users are consistently higher than those reported by the general population, but the smaller sample sizes available for service users mean it is not possible to present this data with any level of confidence.

For all culture and leisure services, satisfaction levels vary considerably across councils. In leisure, satisfaction rates range from 49% - 93%; in libraries, it is 55% - 94%; for museums, 46% - 93%; and finally, for parks the range is 75% - 93%. Variation between councils has widened in the most recent year for all services except parks. There are no systematic effects of deprivation, sparsity or council size on satisfaction levels in relation to culture and leisure services.

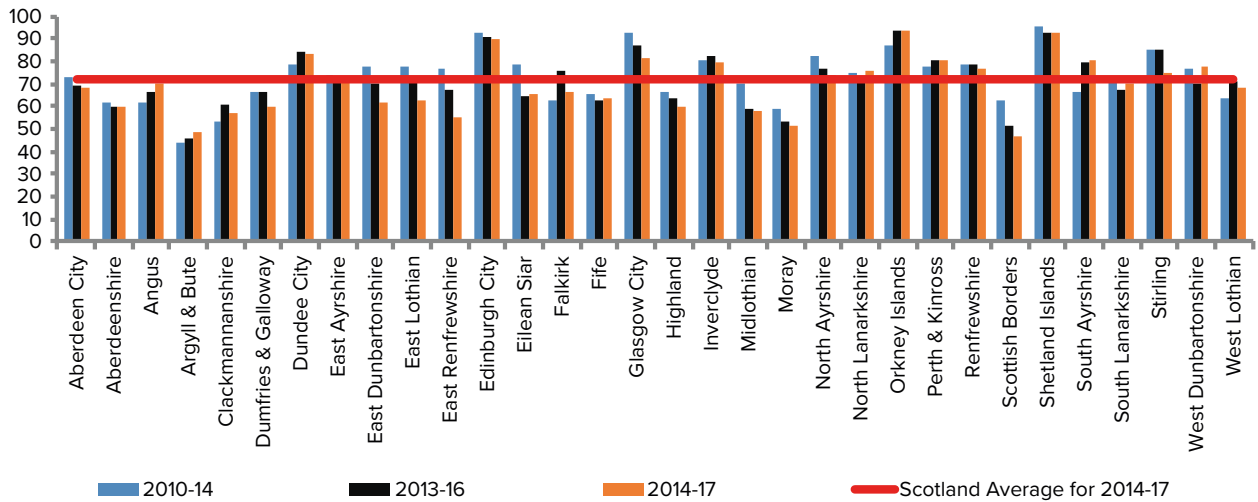**Percentage of Adults Satisfied with Leisure Facilities**

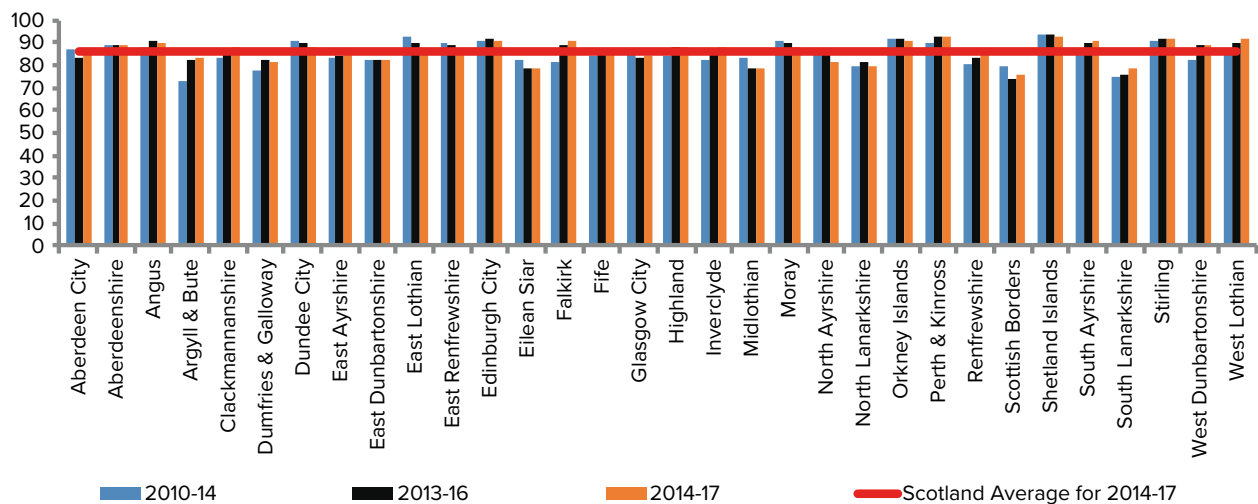

Source: Scottish Household Survey, Scottish Government

Percentage of Adults Satisfied with Libraries
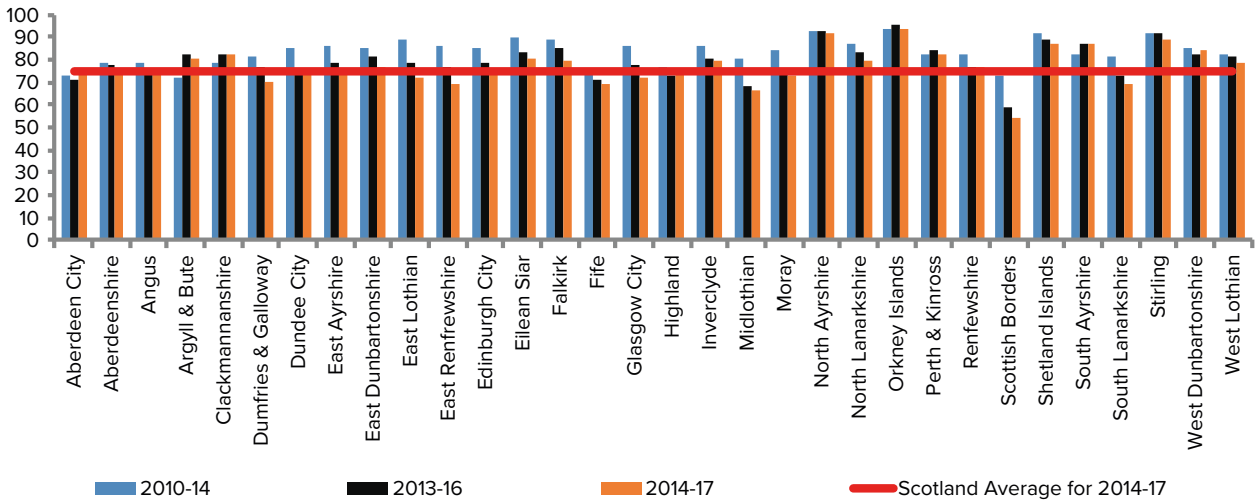
Legend: 2010-14, 2013-16, 2014-17, Scotland Average for 2014-17

Percentage of Adults Satisfied with Museums and Galleries

Legend: 2010-14, 2013-16, 2014-17, Scotland Average for 2014-17

Percentage of Adults Satisfied with Parks and Open Spaces

Legend: 2010-14, 2013-16, 2014-17, Scotland Average for 2014-17

Environmental Services

Environmental services are an area of significant spend for local authorities, and include waste management, street cleansing, roads services, and trading standards and environmental health. These areas have seen some of the largest budget reductions in recent years, with overall gross spend reducing by 8.6% since 2010/11. Against this reduction in expenditure, councils are facing challenges in maintaining or improving performance levels in relation to recycling, street cleanliness, roads condition and satisfaction.

Waste Management

In examining the cost of waste management services across councils we use a measure on the net cost of waste collection and disposal per premise. This move to a net measure was in recognition of the increased efforts of councils to recycle waste which generates additional costs to the service but also an additional revenue stream as recycled waste is sold by councils into recycling markets. We moved to this new measure in 2012/13, and therefore only 5 years of data is presented here.

In 2016/17, the combined net cost of waste disposal and collection per premise is £160.30, a 1.5% increase from 2012/13. After remaining constant during the first three years, the combined cost increased in 2015/16 by 2.9% due to a significant increase in disposal costs, before falling again in 2016/17 by 1.2%. The range across Scotland in 2016/17 was £117 to £232.

Net Cost of Waste Collection and Disposal per Premise (in real terms)

Year	Collection	Disposal	Total
2012/13	62.80	98.03	160.83
2013/14	64.04	96.26	160.30
2014/15	66.74	93.89	160.64
2015/16	65.69	99.63	165.32
2016/17	64.46	98.84	163.30
% Change	2.6%	0.8%	1.5%

Net Cost of Waste Collection and Disposal per Premise
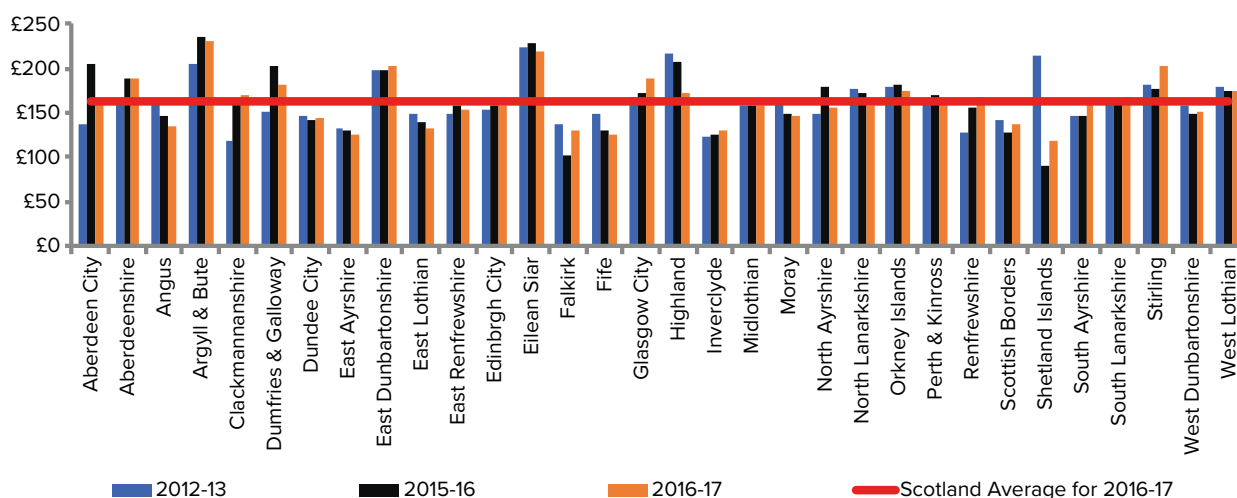
Source: Council supplied expenditure and visitor figures

Waste Collection

Over the five-year period from 2012/13 to 2016/17 the Scottish average cost per premise for waste collection increased from £62.80 to £64.46 representing a real terms percentage increase of 2.6%. While the number of premises increased by 3.4% during this period, the total spend increased by 5.2%.

However, there has been a reduction of 1.9% in waste collection costs in the past 12 months. This reflects a reduction of 1.3% in net expenditure and an increase of 0.6% in premises served.

Net Cost of Waste Collection

% Change	Cash	Real
2012/13 - 2016/17	9.0	2.6
2012/13 - 2013/14	3.7	2.0
2013/14 - 2014/15	5.7	4.2
2014/15 - 2015/16	-0.9	-1.6
2015/16 - 2016/17	0.3	-1.9

There is considerable variation between councils in waste collection, with costs in 2016/17 ranging from £34.91 to £120.97. After narrowing year-on-year since 2012/13, variation across councils has widened in the past 12 months reflecting an increase in costs at the higher cost end. Analysis indicates that costs vary systematically with deprivation levels, with significantly lower average costs for areas with lower deprivation (£55.25) compared to areas with the highest levels of deprivation (£60.12).

Net Cost of Waste Collection per Premise (£)
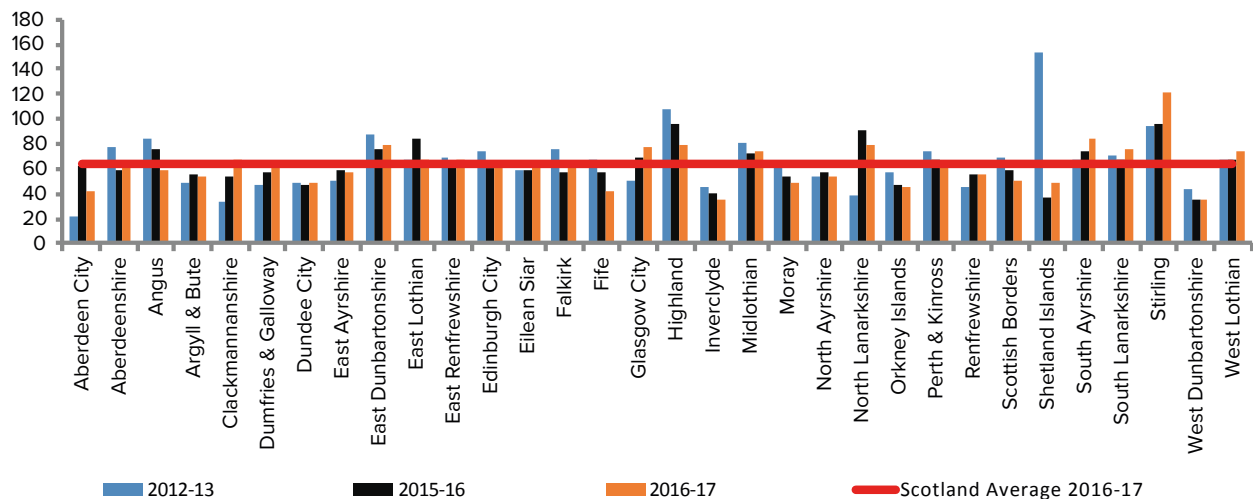
Source: Council supplied expenditure and visitor figures

Waste Disposal

Over the five-year period from 2012/13 to 2016/17 the Scottish average net cost of waste disposal has increased by 0.8%, from £98.03 to £98.84. Across this period, there has been a 3.4% increase in the number of premises served accompanied by a similar 3.4% increase in net expenditure.

In the last 12 months, disposal costs per premise reduced by 0.8%. This reflects a 0.2% reduction in net expenditure and 0.6% increase in the number of premises. In 2016/17, the range in disposal costs across councils was £65.27 to £177.44. This reflects a narrowing in the variation between councils due to increases at the lower cost end. Variation in disposal costs is not systematically related to deprivation, rurality or size of council.

Net Cost of Waste Disposal

% Change	Cash	Real
2012/13 - 2016/17	7.1	0.8
2012/13 - 2013/14	-0.1	-1.8
2013/14 - 2014/15	-1.0	-2.5
2014/15 - 2015/16	6.8	6.1
2015/16 - 2016/17	1.4	-0.8

Net Cost of Waste Disposal per Premise (£)

Legend: 2012-13, 2015-16, 2016-17, Scotland Average for 2016-17
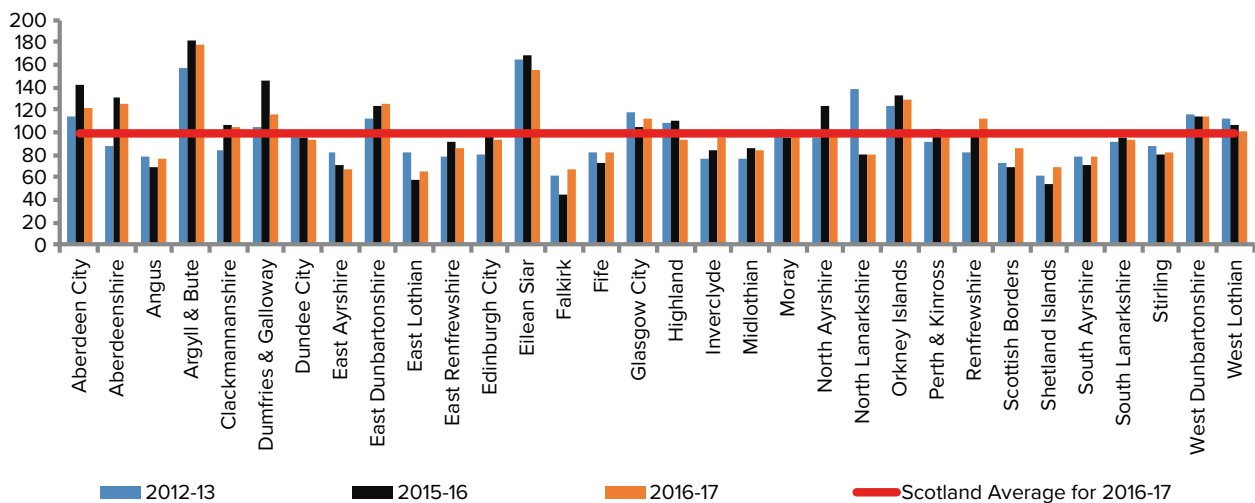
Source: Council supplied expenditure and visitor figures

Recycling

Over recent years councils have put greater emphasis on the recycling of waste in compliance with the National Zero Waste Plan.[28] Recycling rates continue to improve across Scotland from 41% in 2011/12 to 45.2% in 2016/17 as efforts are made to achieve Scotland's Zero Waste 60% household waste recycling target by 2020. From 2014/15, the recycling rate used a new calculation from that used in previous years and so is not directly comparable. It might also be useful to note that for individual authorities, the new SEPA recycling definition may result in a slightly lower recycling rate than the previous definition. Prior to 2014, household waste composted that did not reach the quality standards set by PAS 100/110 was included in the recycling figures. If such waste was included, as in the previous method, the overall recycling rate in 2016 would have been 45.5%, an increase of 5.4 percentage points from the 40.1% achieved in 2011.

Percentage of Total Household Waste that is Recycled

Year	Percentage of waste recycled
2011/12	40.1*
2012/13	41.1*
2013/14	42.2*
2014/15	42.8
2015/16	44.2
2016/17	45.2

* Note: Figures until 2013/14 are based on the old recycling definition; figures from 2014/15 to 2016/17 are calculated using the new definition

28   Source: Scotland's Zero Waste Plan, Scottish Government, http://www.scotland.gov.uk/
     Publications/2010/06/08092645/0

There is significant and widening variation across Scotland in recycling rates, from 25.0% to 60.8% in 2016/17 (excluding Shetland as an outlier). Variation is not systematically related to deprivation, rurality or size of council.

The Percentage of Household Waste Arising that is Recycled

Legend: 2010-11 | 2015-16 | 2016-17 | Scotland Average for 2016-17
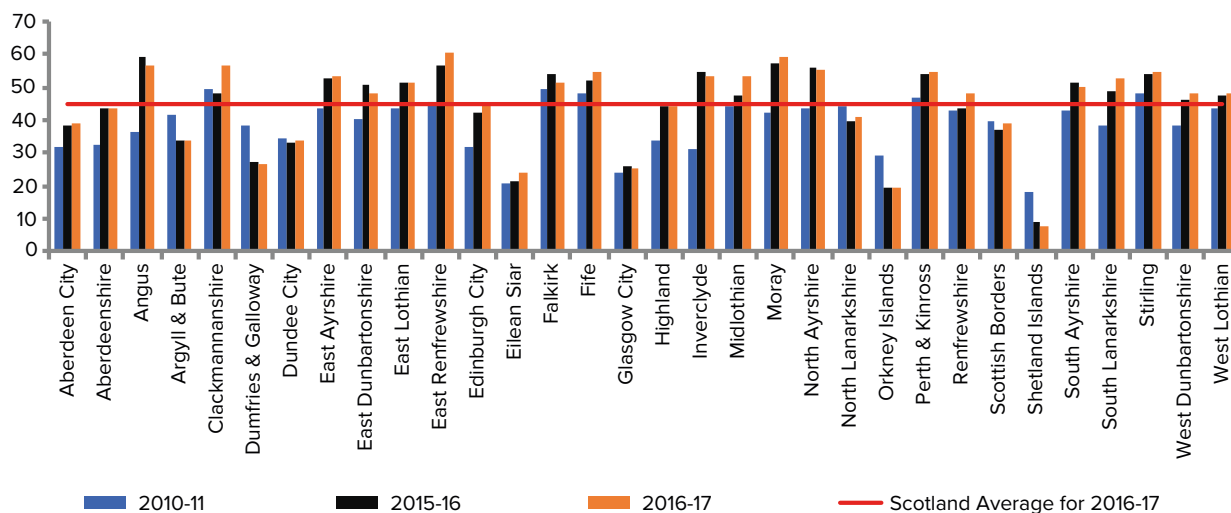
Source: WasteDataFlow, Scottish Environment Protection Agency (SEPA)

Percentage of Adults Satisfied with Waste Collection

Satisfaction levels for waste collection remain high, although as with other services, there has been a reduction in the past 12 months. This reduction means that satisfaction has dipped below the levels reported in the base year for the first time, reducing from 81% in 2010/11 to 79% in 2016/17. There is widening variation across councils, with rates ranging from 66% to 93% across Scotland. Variation is not systematically related to deprivation, rurality or size of council.

Year	Waste Collection % satisfied
2010/11	81
2012/13	83
2013/14	83
2014/15	84
2015/16	82
2016/17	79

As noted previously, the satisfaction data is drawn from the Scottish Household Survey (SHS) and while proportionate at Scotland level, there are limitations at local authority level in relation to the very small sample sizes and low confidence levels. To boost sample sizes three-year rolled averages have been used to ensure the required level of precision at local levels.

Percentage of Adults Satisfied with Refuse Collection

Legend: 2010-14 | 2013-16 | 2014-17 | Scotland Average for 2014-17
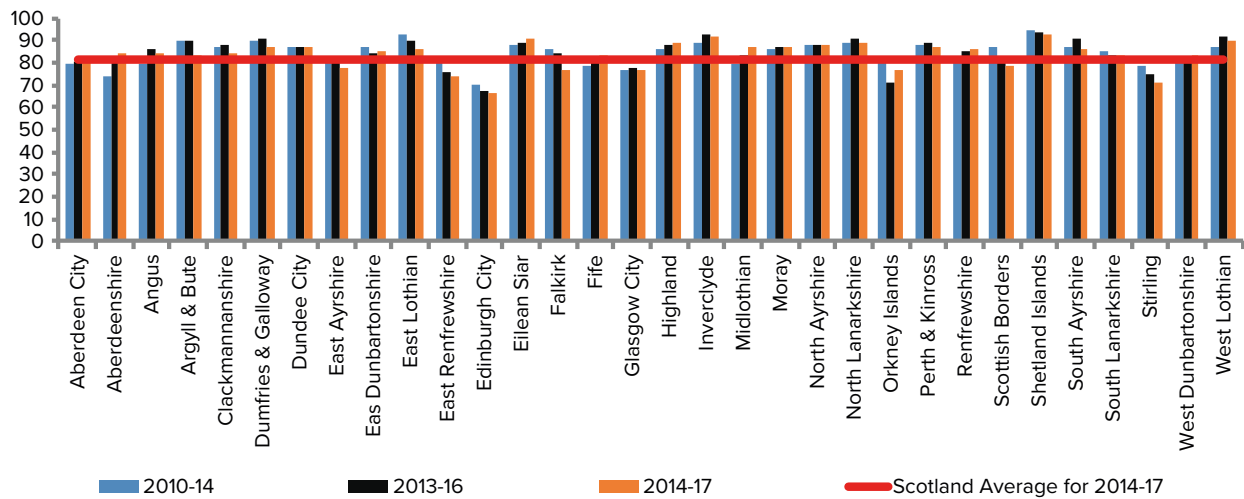
Street Cleaning

The cleanliness of Scotland's streets remains a priority for councils both in terms of improving the appearance of our streetscapes but also in terms of environmental improvements in the quality of people's lives.

Street cleanliness is presented using the Street Cleanliness Score, which is produced by Keep Scotland Beautiful.[29] This measures the percentage of areas assessed as 'clean' rather than completely litter free sites (considered impractical in areas of high footfall) and allows authorities to tackle litter problem areas to achieve better results.

The Scottish average for the Cleanliness Score has remained above 90% since the base year, although there has been a reduction in scores in last three years (from 96.1% in 2013/14 to 93.9% in 2016/17).

Percentage of Clean Streets

Year	% Clean streets
2010/11	95.4
2011/12	96.1
2012/13	95.8
2013/14	96.1
2014/15	93.9
2015/16	93.4
2016/17	93.9

Following several years of widening variation, the past 12 months has seen this variation narrow due to increasing scores at the lower end. In 2016/17, cleanliness scores ranged from 88.0% to 99.4%, with rural and smaller authorities reporting higher scores.

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29   Source: Keep Scotland Beautiful, http://www.keepscotlandbeautiful.org/

Street Cleanliness Score (% Acceptable)
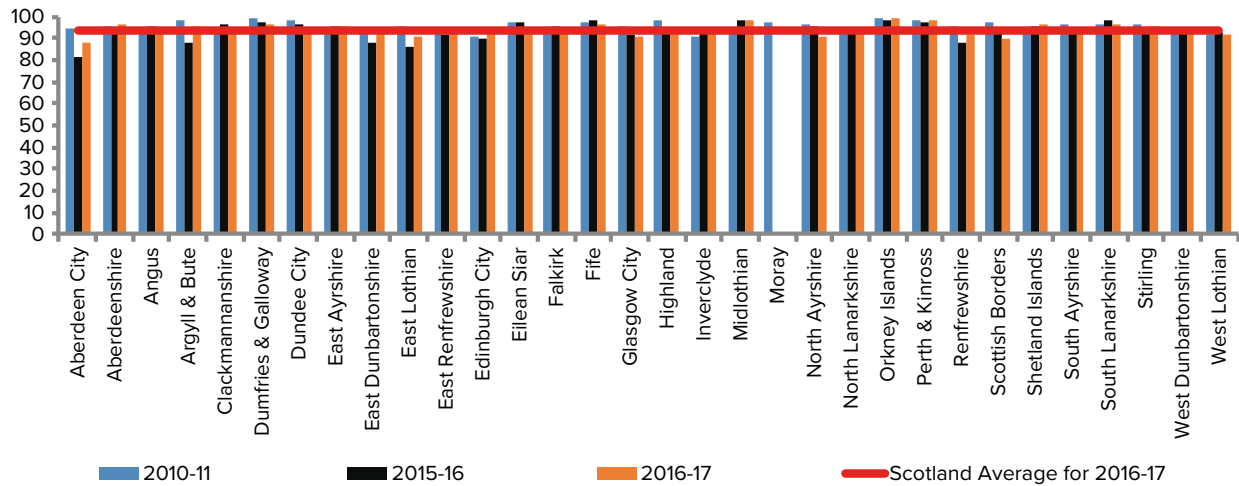
*Source: Local Environmental Audit and Management System (LEAMS), Keep Scotland Beautiful*
Note: Missing values reflect no data returned for that year

Over the same seven-year period the Scottish average for net cost of street cleaning per 1,000 population has reduced by 32.6%, from £21,835 in 2010/11 to £14,726 in 2016/17. This rate of reduction reflects a year-on-year reduction in costs.

Net Cost of Street Cleaning per 1,000 Population

% Change	Cash	Real
2010/11 - 2016/17	-25.8	-32.6
2010/11 - 2011/12	-2.4	-3.8
2011/12 - 2012/13	-9.5	-11.4
2012/13 - 2013/14	-7.4	-8.9
2013/14 - 2014/15	-2.6	-4.0
2014/15 - 2015/16	-2.4	-3.0
2015/16 - 2016/17	-4.6	-6.7

Net Cost of Street Cleaning per 1,000 Population (£)
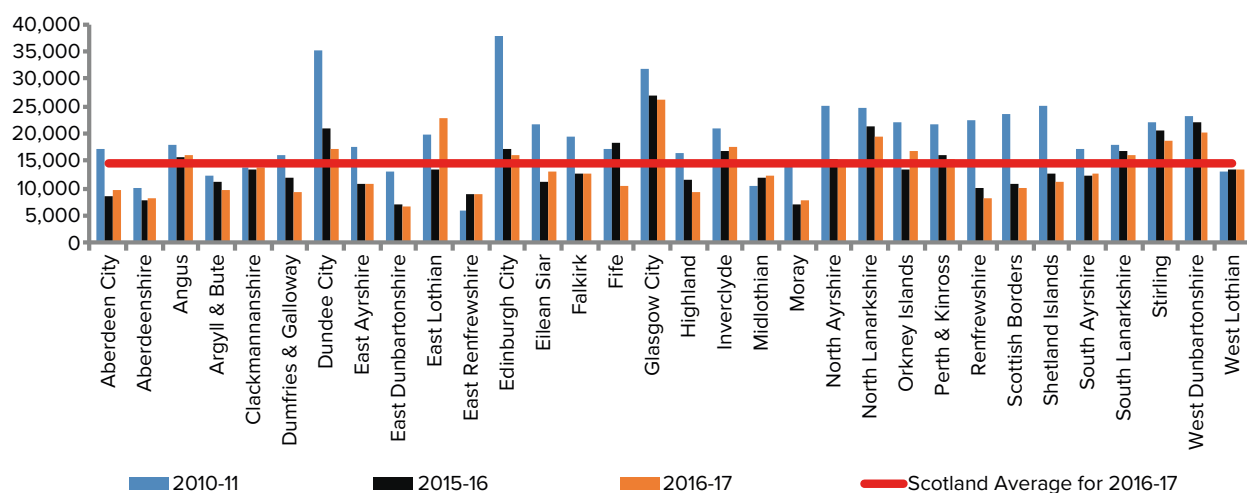
Source: Mid-year population estimates, National Records Scotland (NRO); council supplied figures

The range across councils varies significantly, from £6,788 to £26,321, although this has narrowed over this period due to reductions at the higher cost end. Street cleaning costs vary systematically with deprivation and rurality, with higher costs in urban authorities and authorities with higher levels of deprivation (£15,967 in urban authorities compared to £10,163 in rural authorities, and £17,385 for areas with the highest level of deprivation compared to £12,130 for councils with the lowest levels).

Percentage of Adults Satisfied with Street Cleaning

Satisfaction levels for street cleaning remain high at above 70%, however rates have reduced since 2012/13 from 75% to 70%. The last 12 months have seen the largest reduction so far, with satisfaction rates reducing from 73% to 70% during this period. Until this point it appeared that the substantial efficiencies that have been introduced in delivering this service did not appear to have had a significantly detrimental impact on public satisfaction, indicating the care taken to protect key areas of public concern. The recent reduction in satisfaction however indicates a possible shift in public perceptions in the context of continuing significant reductions in budgets.

Percentage of Adults Satisfied with Street Cleaning

Year	Street Cleaning % satisfied
2010/11	73
2012/13	75
2013/14	74
2014/15	74
2015/16	73
2016/17	70

As noted previously, the satisfaction data is drawn from the Scottish Household Survey (SHS) and while proportionate at Scotland level, there are limitations at local authority level in relation to the small sample sizes and low confidence levels. To boost sample sizes, three-year rolled averages have been used to ensure the required level of precision at local levels.

There is significant and widening variation in satisfaction levels across Scotland, ranging from 59.7% to 84.7%. Variation is not systematically related to deprivation, rurality or size of council.

Percentage of Adults Satisfied with Street Cleaning

Legend: 2010-14, 2013-16, 2014-17, Scotland Average for 2014-17
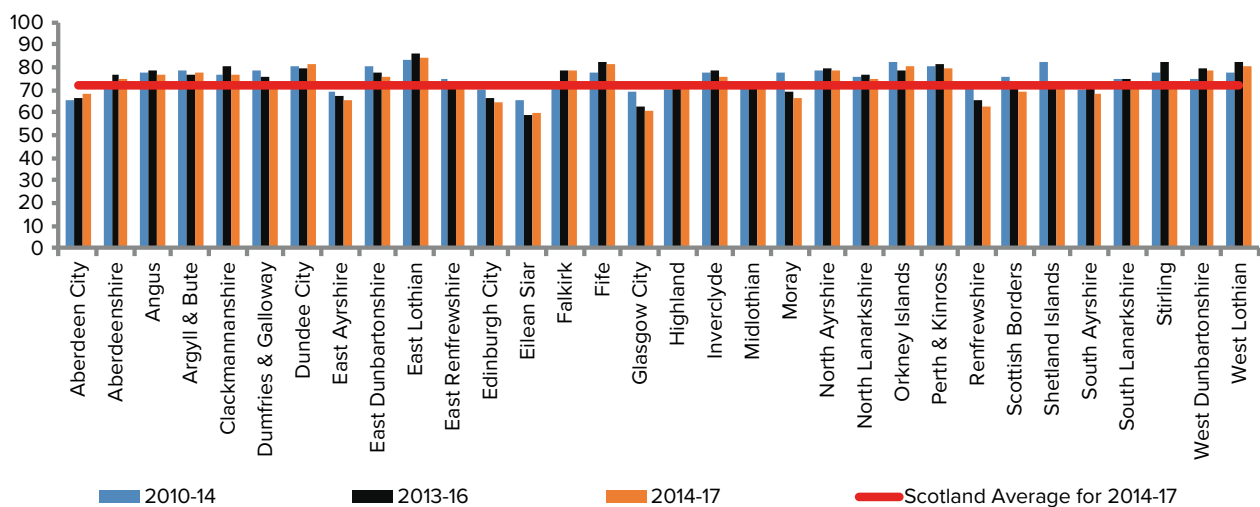
Roads Maintenance

Roads maintenance costs are represented in this framework using a cost of roads maintenance per kilometre measure. This measure includes both revenue and capital expenditure. The condition of the roads network is represented by the percentage of roads in various classes which require maintenance treatment.

For the seven years for which we have data, the Scottish average cost per kilometre has reduced by 21.2% in real terms from £13,239 to £10,456. After reducing rapidly until 2014/15, costs have increased over the past two years, by 1.6% and 1.4%.

Cost of Maintenance per Kilometre of Road

% Change	Cash	Real
2010/11 - 2016/17	-13.3	-21.2
2010/11 - 2011/12	-9.2	-10.5
2011/12 - 2012/13	-4.4	-6.4
2012/13 - 2013/14	-3.2	-4.8
2013/14 - 2014/15	-2.7	-4.1
2014/15 - 2015/16	2.2	1.6
2015/16 - 2016/17	3.7	1.4

As the graph below shows, while revenue expenditure on roads maintenance has continued to reduce (-41% since the base year, and -7.6% in the last 12 months alone), the growth in capital expenditure has offset this trend to some extent. Capital expenditure has increased by 12% since the base year, and 9.8% in the last 12 months.

Roads Expenditure - Revenue and Capital

Revenue Roads Expenditure
Expenditure to be met from Capital Resources
Total Roads Expenditure (Revenue and Capital)
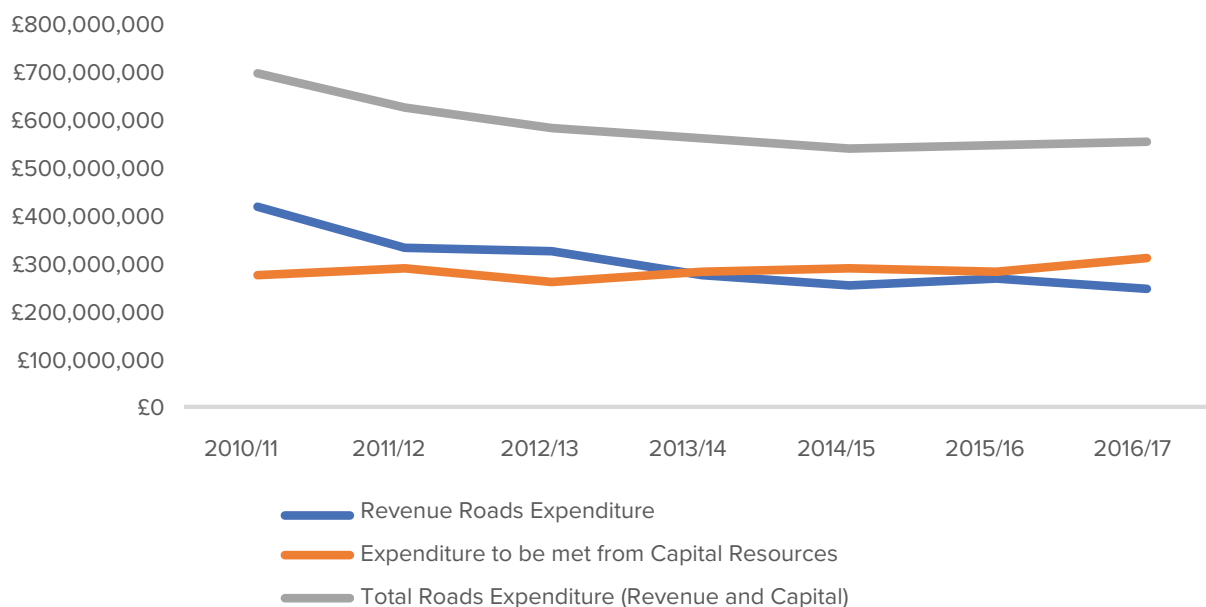
Over the past 12 months, the cost of roads maintenance increased by 1.4% from £10,310 to £10,456. There exists significant variation in the range of maintenance costs across councils, although this has narrowed since the base year. In 2016/17 costs ranged from £4,105 to £24,988 across councils (excluding Aberdeen which is an outlier at £43,869). Variation across councils is systematically related to rurality, with significantly higher costs in urban areas (e.g. £17,458 in urban areas, compared to £6,110 in rural areas, and £11,217 in semi-rural areas).

Cost of Maintenance per Kilometre of Road (£)

Legend: 2010-11 | 2015-16 | 2016-17 | Scotland Average for 2016-17
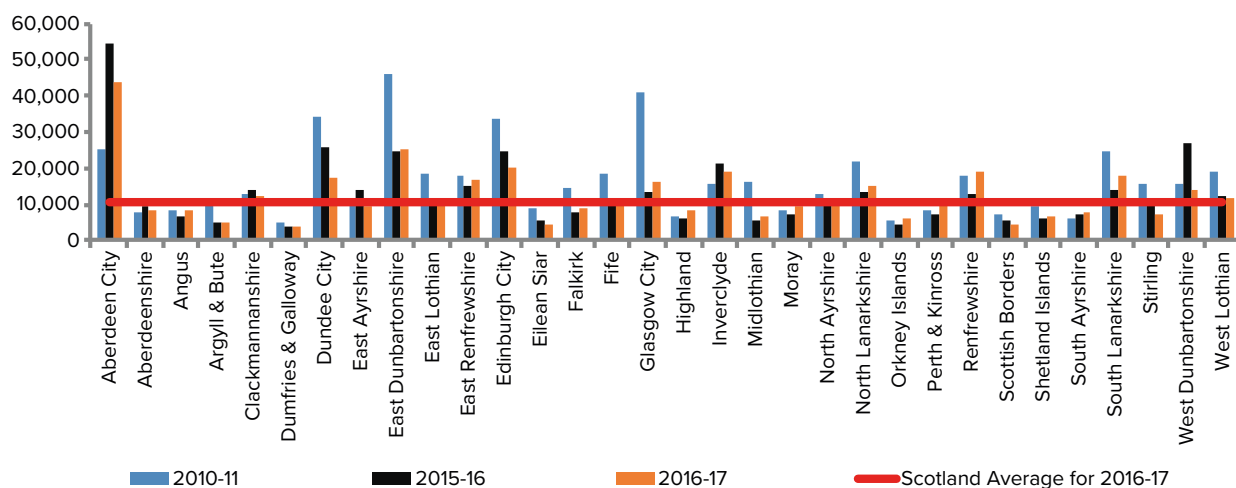
Source: Society of Chief Officers of Transportation in Scotland (SCOTS) / Association for Public Service Excellence (APSE) returns; council supplied expenditure figures

In terms of the condition of the road network, the seven-year period covered by this report has seen a slight improvement in the overall condition of all class of roads. Despite the significant reductions on spending therefore, the condition of key parts of the roads networks has improved.

Over the past 12 months, this picture becomes more mixed. While C class and unclassified roads have improved, B class roads have remained constant, and A class roads have shown a slight deterioration.

Percentage of A, B, C class and Unclassified roads that should be considered for maintenance

Year	% A class roads to be maintained	% B class roads to be maintained	% C class roads to be maintained	% unclassified class roads to be maintained
2009/11	30.3	35.8	35.0	41.9
2010/12	30.5	36.3	36.0	38.3
2011/13	29.4	35.0	34.8	40.1
2012/14	28.7	35.2	36.6	39.4
2013/15	29.0	36.1	37.3	39.3
2014/16	29.0	34.8	34.7	40.1
2015/17	29.5	34.8	34.6	39.5

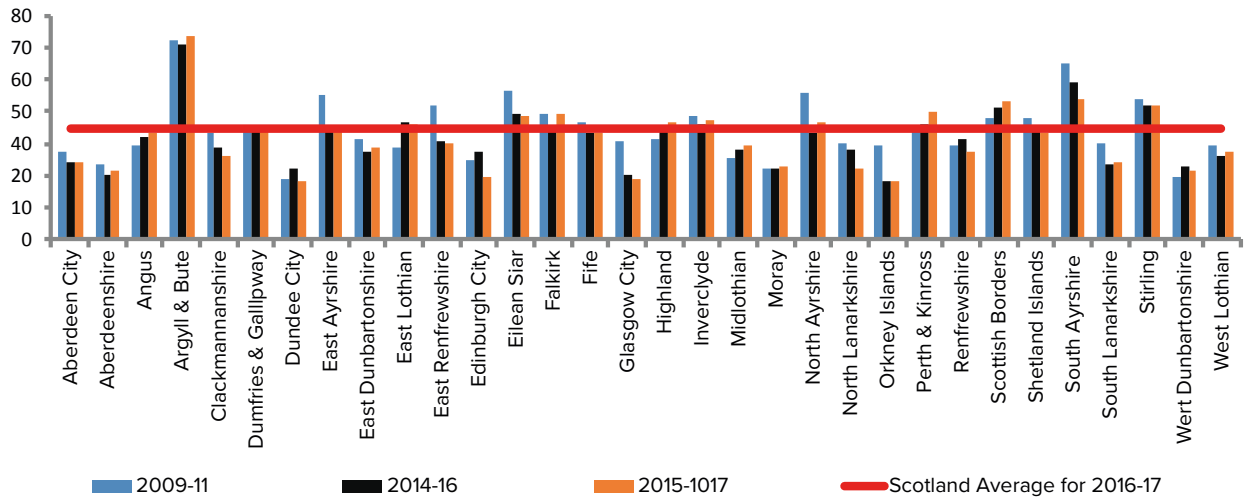**Percentage of A, B, C class and Unclassified roads that should be considered for maintenance**

Percentage of A class roads that should be considered for maintenance treatment

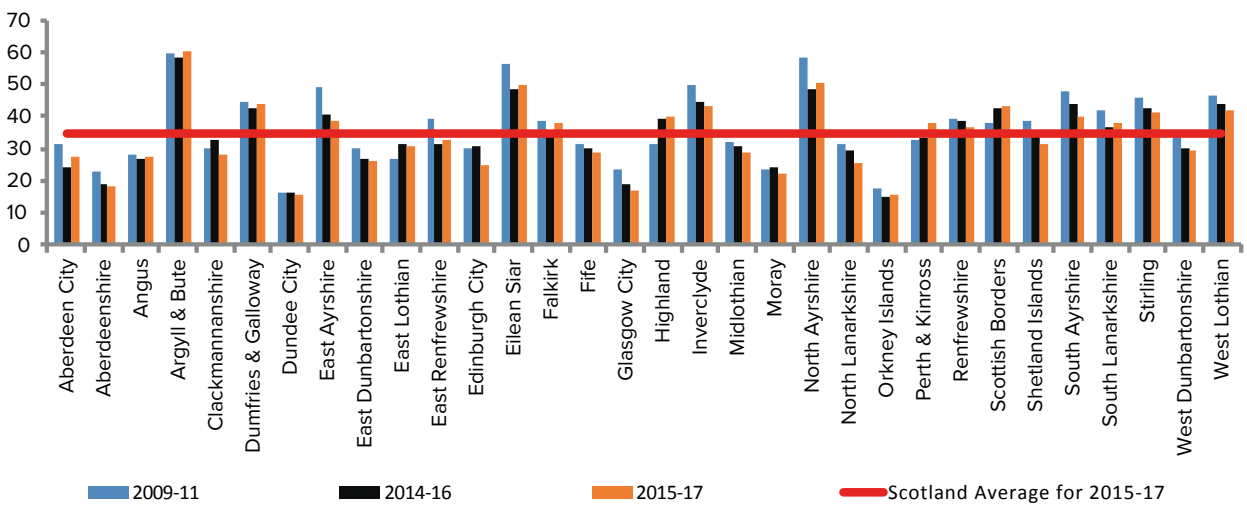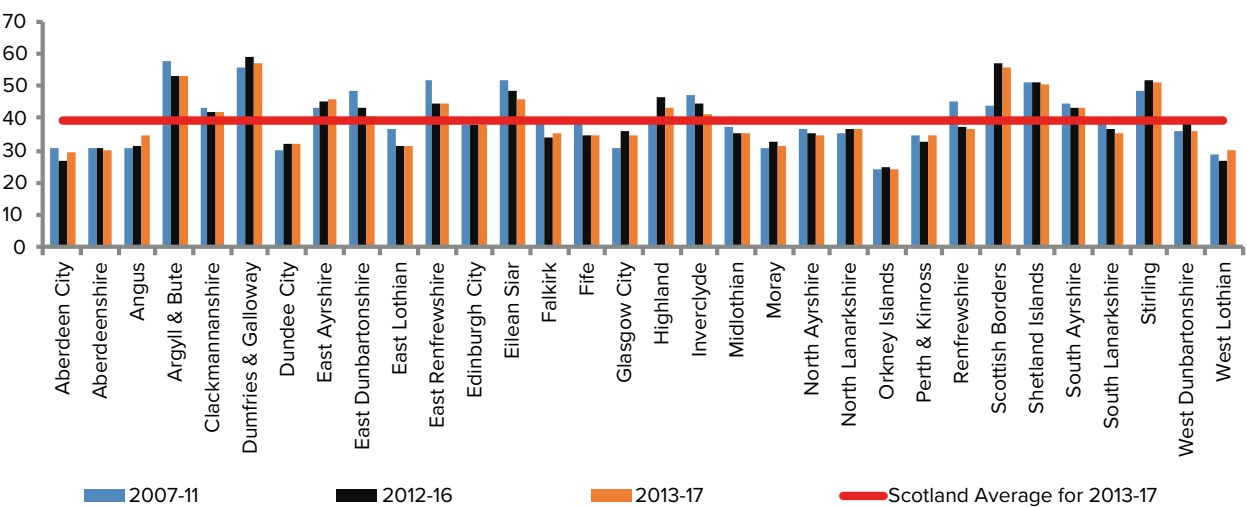Percentage of unclassified roads that should be considered for maintenance treatment

Percentage of B class roads that should be considered for maintenance treatment

Percentage of C class roads that should be considered for maintenance treatment
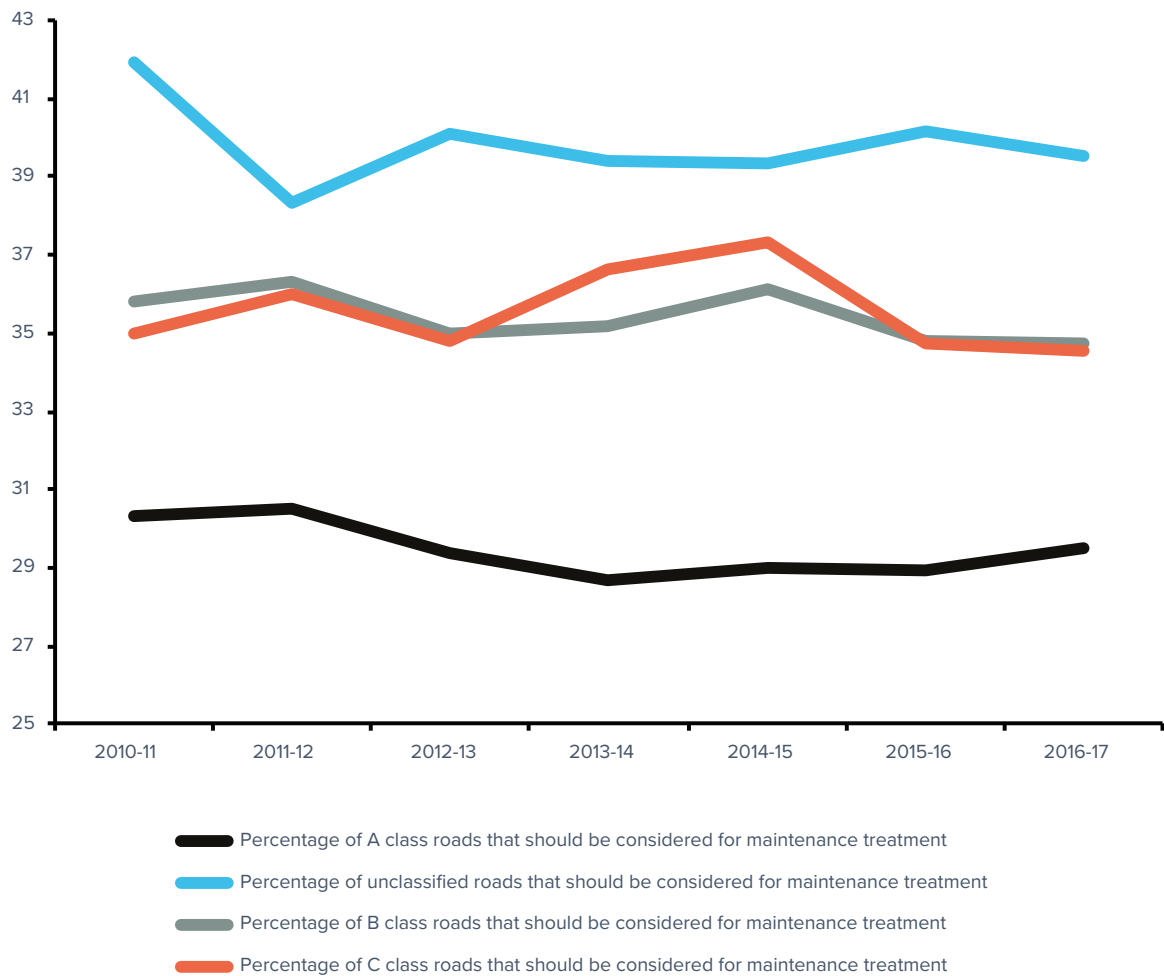
Source: Roads Asset Management Database, Society of Chief Officers of Transportation in Scotland (SCOTS)

The variation in condition varies significantly across Scotland for all classes of road, however this has narrowed since the base year. In 2016/17, the range for A class roads is 16% to 45%; B class roads is 18% to 63%; C class roads is 15% to 60%; and for unclassified roads the range is 24% to 57%.

Percentage of A Class Roads That Should be Considered for Maintenance Treatment

2009-11   2014-16   2015-17   Scotland Average for 2015-17

Percentage of B Class Roads That Should be Considered for Maintenance Treatment

Legend: 2009-11 | 2014-16 | 2015-1017 | Scotland Average for 2016-17

Percentage of C Class Roads That Should be Considered for Maintenance Treatment

Legend: 2009-11 | 2014-16 | 2015-17 | Scotland Average for 2015-17

Percentage of Unclassified Roads That Should be Considered for Maintenance Treatment

Legend: 2007-11 | 2012-16 | 2013-17 | Scotland Average for 2013-17

Source: Roads Asset Management Database, Society of Chief Officers of Transportation in Scotland (SCOTS)

Environmental Health and Trading Standards

Since 2010/11, environmental health and trading standards costs have reduced by 19.5% from £26,766 to £21,555, with most of this reduction taking place between 2010/11 and 2011/12. In 2012/13, the framework split these measures to enable a better understanding of the trends in each of these services.

Trading Standards costs have been standardised within the framework to include expenditure on trading standards, money advice and citizen's advice per 1000 population. Since 2012/13, the cost of trading standards, money advice and citizen's advice services has fluctuated, with costs in 2016/17 now at the same level they were in 2012/13 (£5,438). In the last 12 months, costs have reduced by 7.3%. At the same time, Trading Standards services are seeing increasing demands for service in terms of reactive complaints and business support (e.g. export certificates). This workload is likely to increase, in part as a result of Brexit, and this is likely to create further pressures on existing regulatory arrangements.

In 2016/17, costs ranged from £1,466 to £15,819 with variation systematically related to levels of deprivation within a council area. Trading standards costs are higher in councils with lower levels of deprivation (£7,151, compared £3,471 for councils with the highest level of deprivation).

Across this same period, there was a 6.6% reduction in the cost of environmental health services per 1,000 population, from £17,248 in 2012/13 to £16,117 in 2016/17. In the past 12 months, costs have fallen by 5.1% from £16,980 to £16,117. There is significant variation across councils, with costs ranging from £6,377 to £30,776. Rurality has a systematic impact on the cost of environmental health, with rural councils reporting significantly higher costs than urban or semi-rural authorities (£19,428 compared to £15,309 and £12,788 respectively). Rural authorities also tend to have higher trading standards costs (£6484) compared to £5,607 in urban authorities, although this difference is not statistically significant.
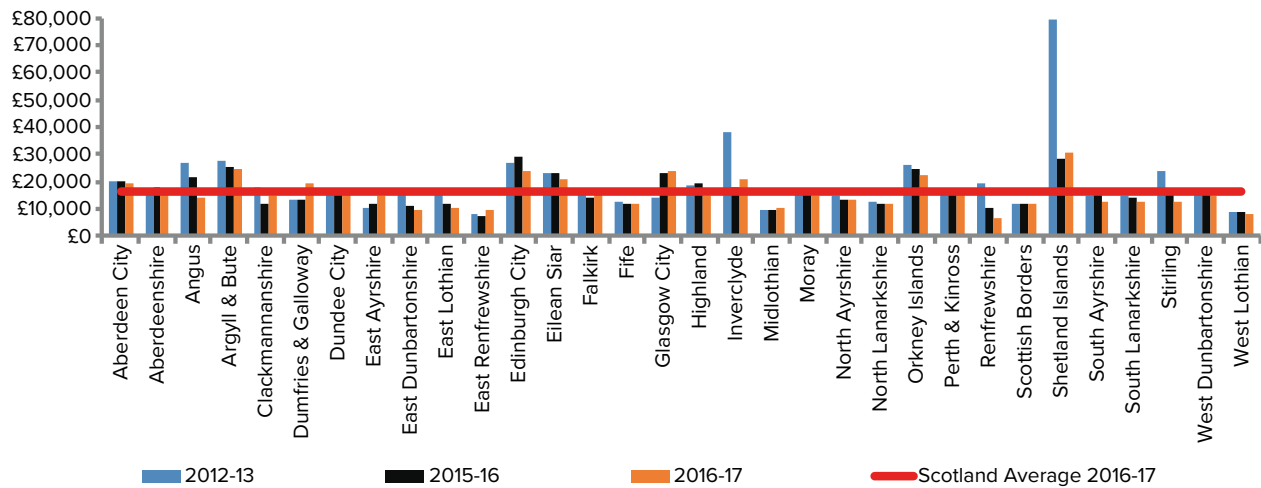
Cost of Trading Standards and Environmental Health per 1,000 Population

% Change	Trading Standards, Money Advice & Citizen's Advice		Environmental Health	
	Cash	Real	Cash	Real
2012/13 - 2015/16	6.2	0.0	-0.7	-6.6
2012/13 - 2013/14	9.5	7.6	6.4	4.6
2013/14 - 2014/15	-0.2	-1.6	-3.5	-4.9
2014/15 - 2015/16	2.5	1.9	-0.4	-1.1
2015/16 – 2016/17	-5.2	-7.3	-2.9	-5.1

Cost of Trading Standards, Money Advice and Citizen's Advice per 1,000 Population (£)

Cost of Environmental Health per 1,000 Population (£)

Legend: 2012-13, 2015-16, 2016-17, Scotland Average 2016-17

Authorities (x-axis): Aberdeen City, Aberdeenshire, Angus, Argyll & Bute, Clackmannanshire, Dumfries & Galloway, Dundee City, East Ayrshire, East Dunbartonshire, East Lothian, East Renfrewshire, Edinburgh City, Eilean Siar, Falkirk, Fife, Glasgow City, Highland, Inverclyde, Midlothian, Moray, North Ayrshire, North Lanarkshire, Orkney Islands, Perth & Kinross, Renfrewshire, Scottish Borders, Shetland Islands, South Ayrshire, South Lanarkshire, Stirling, West Dunbartonshire, West Lothian

Work within Family Groups has identified the following factors as important in understanding the variation between authorities in Environmental Services

- *Local political/strategic priority given to the role of environmental services in supporting improvements in wider outcomes and tackling inequalities*
- *Workforce composition and demographic profile*
- *Working practices, e.g. shift patterns*
- *Service integration (e.g. Waste Management, Roads, Street Cleaning, Parks Services)*
- *Collection programmes, frequencies and model of service*
- *Asset management approaches – e.g super depots and leased vehicles*
- *Stage in Investment cycle*
- *Whether councils have landfills in their authority area which will require investment up to and beyond their closure dates over the next five years.*
- *Contract and procurement costs*
- *Access to external funding streams*

Corporate Services

Support Services

Corporate support services within councils cover a wide range of functions including finance, human resources, corporate management, payroll legal services and a number of other corporate functions.

For standardisation purposes, support services are represented as a percentage of total gross revenue expenditure in the benchmarking framework. The figure has remained around 5% across the seven-year period. In 2016/17 the Scottish average was 4.92% compared to 4.89% in 2010/11, although there have been fluctuation across the period.

Although spend on support services and total revenue budget have reduced by similar proportions since 2010/11 (-13.9% and -14.4% respectively), year-on-year changes have not always been in parallel as the graph below shows. A significant element of the reduction in total general fund expenditure across the period was the removal of Police/Fire Services from local government in 2013/14. In terms of the reduction in the cost of support services, significant digital investment and increasing centralisation of support services may be important factors contributing to this trend. However, it is also possible an element of this increase is due to improved reporting following refined guidance from the Scottish Government in their financial return.

Support Services Expenditure and Total Gross Expenditure
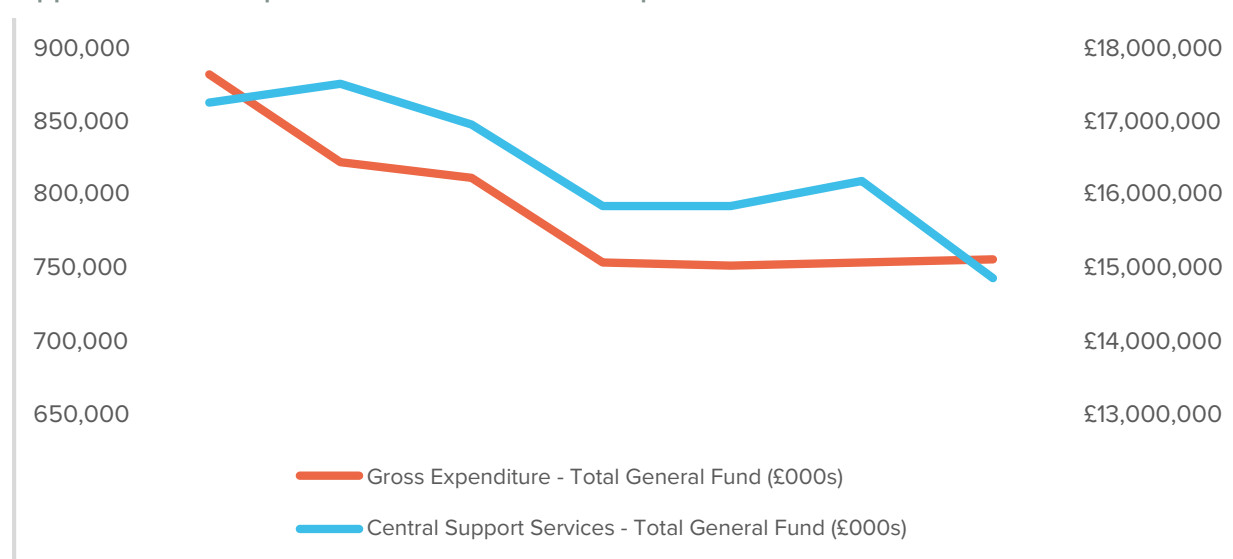
Source: Council supplied expenditure figures

In 2016/17, the range across councils in support services is from 2.3% to 9.4% of total general fund, with clear differences between urban, rural and semi-rural councils. In general terms, support services represent a higher percentage of the total gross expenditure in rural authorities than urban and semi-rural councils; the rates were 5.6% on average for rural councils and 4.3% and 4.1% for urban and semi-rural councils respectively.

Work within Family Groups has identified the following factors as important in understanding the variation between authorities in Support Services

- *Workforce composition and structure – workforce exit; staff terms & conditions; role redefinition*
- *Asset Management and rationalisation*
- *Service redesign – service integration; centralisation; self-service*
- *Digital Strategy*

Support Services as a Percentage of Total Gross Expenditure
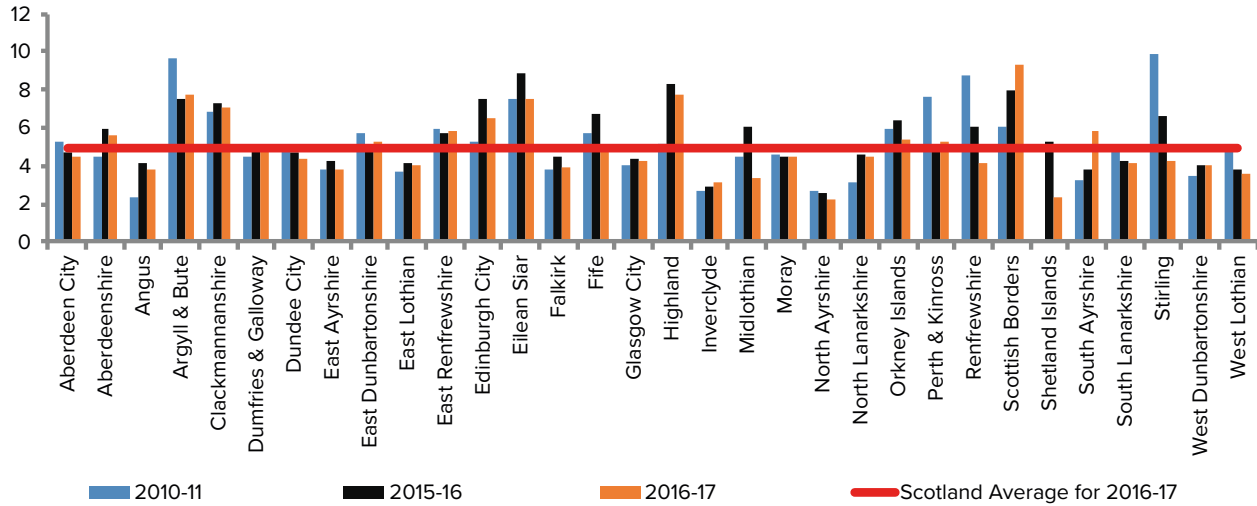
Legend: 2010-11 | 2015-16 | 2016-17 | Scotland Average for 2016-17

Source: Council supplied expenditure figures
*Note: Missing values reflect no data returned for that year*

Gender Equality

The percentage of women in the top 5% of earners in councils is a significant measure of the attempts by councils to ensure equal opportunity between genders. From 2010/11 to 2016/17 this has increased from 46.3% to 52.0%. The range across councils is from 25% to 62%.

While this is an important measure reflecting the progress which has been made in relation to gender equality in senior positions, there is a need to capture the progress being made across the wider workforce. As such, we have introduced a measure on the Gender Pay Gap which represents the difference between men's and women's earnings and is a key measure under the Public Sector Equality Duty. This measure takes the average (mean) hourly rate of pay (excluding overtime) for female employees and divides this by average (mean) hourly rate for male employees. Both part-time and full-time employees are included. This is only the second year of publication, and this measure will be subject to review and on-going development across the coming period.

In 2016/17 the Gender Pay Gap was 4.14%, ranging from -7.0% to 13.7%. Those staff employed via arms-length organisations are not included within the calculation which will influence the variability observed and may be important in understanding the figures observed for Glasgow.

The Gender Pay Gap (%)

Legend: 2015-16 | 2016-17 | Scotland Average for 2016-17
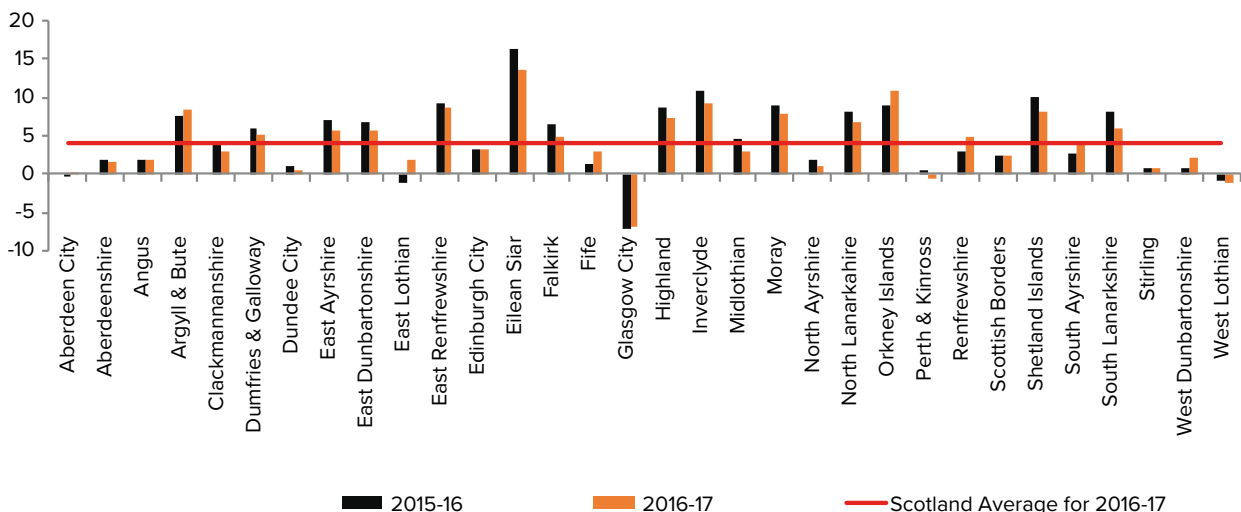
Source: Council supplied figures

Council Tax

The cost of collecting council tax is measured on a per property basis to standardise the measure across councils. Over the seven-year period from 2010/11 to 2016/17 this has reduced by 40.9%, from £15.19 to £8.98. There has been a year-on-year reduction in costs, which has accelerated in recent years, reducing by 15.1% in the past 12 months alone.

The range however varies significantly from £2.64 to £25.05, with smaller sized and island councils tending to report higher costs. A key factor driving the reduction in costs is the continued digital transformation and shift to embrace new technology and automation.

Cost per Dwelling of Collecting Council Tax (£)
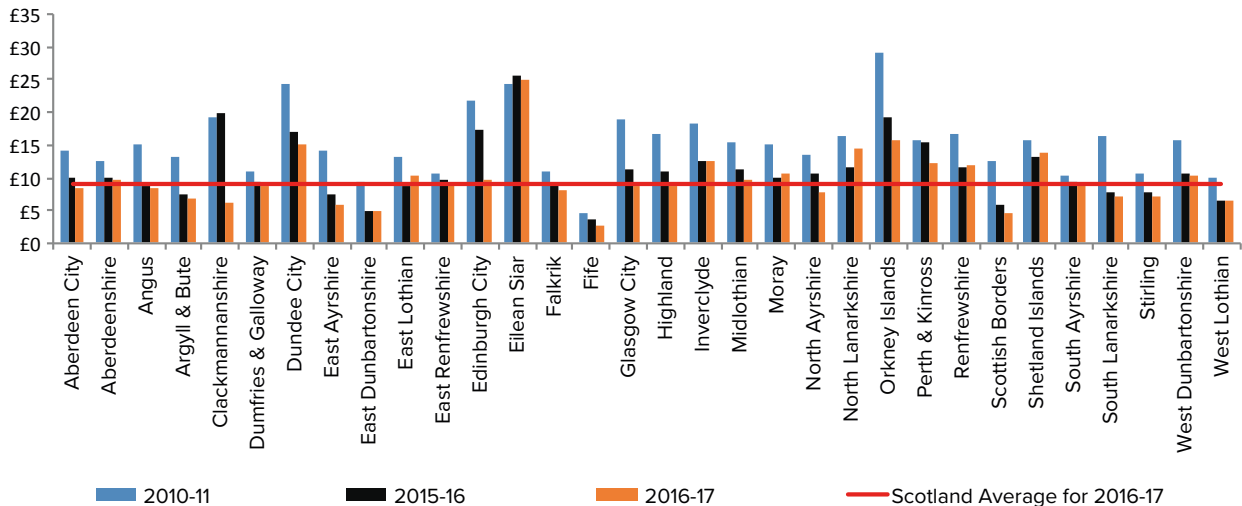
Source: Council supplied figures

At the same time as the reduction in unit costs, the overall rate of in-year collection for council tax has remained high and shown steady improvement from 94.7% in 2010/11 to 95.8% in 2016/17. This has been achieved despite the challenges created by a difficult economic climate and significant welfare reform.

The variation across councils is narrowing over time, with rates in 2016/17 ranging from 93.4% to 97.9%. Council tax collection rate shows a significant pattern in relation to rurality and level of deprivation. The roll-out of Universal Credit is likely to further exacerbate this over the coming period.

Percentage of Income Due from Council Tax Received by the End of the Year
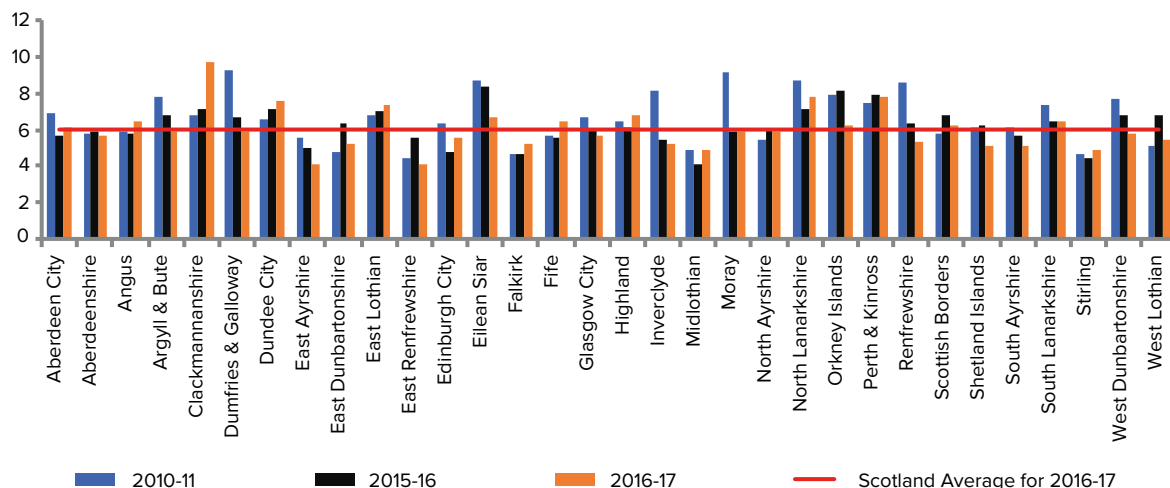

Source: Council supplied figures

Sickness Absence Rates

The management of sickness absence is a major priority for councils in their efforts to manage their costs. Although there have been fluctuations, sickness absence days for teaching staff have reduced from 6.60 days to 6.06 days since 2010/11 (-8.2%) and from 6.09 days to 6.06 in the past 12 months (-0.5%).
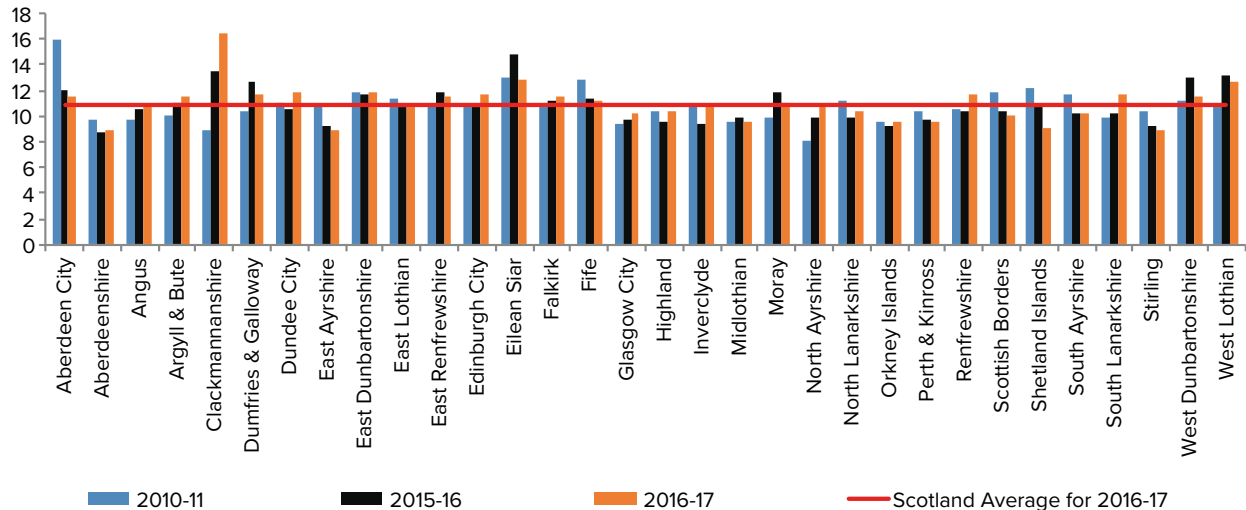
Sickness absence days for non-teaching staff are higher than those for teachers, and have increased slightly since 2010/11, from 10.8 days to 10.9 days (1.1%). Although there have again been fluctuations during this period, there has been an increase from 10.6 days to 10.9 days in the past 12 months (2.7%).

For teaching staff, the number of absence days ranges from 4.10 to 9.77, with rural authorities tending to report slightly higher levels (6.2 compared to 5.8). For non-teaching staff, the number of days range from 8.84 to 16.50 with analysis suggesting that the variation is systematically related to deprivation. Councils with higher levels of deprivation report higher absence rates (11.24 compared to 10.79 for areas with lowest deprivation).

Number of Sickness Absence Days per Teacher

Legend: 2010-11, 2015-16, 2016-17, Scotland Average for 2016-17

Number of Sickness Absence Days per Employee (Non-Teacher)

Legend: 2010-11 | 2015-16 | 2016-17 | Scotland Average for 2016-17

*Source: Council supplied figures*

> **Work within Family Groups has identified the following factors as important in understanding the variation between authorities in sickness absence levels**
>
> • *Workforce composition and age profile*
> • *Priority given to performance management and business intelligence to support early intervention*
> • *Strategic priority given to Health and Wellbeing initiatives*
> • *Level of staff engagement and involvement*
> • *Differences in Absence Management policy and procedures, including the point at which disciplinary intervention is triggered*
> • *Level of flexible working practices*
> • *Level and type of occupational health and counselling*
> • *Level of resource dedicated to maximising attendance and managing absence*

Invoices paid

Councils are major purchasers of goods and services both within their local economies and across the Scottish economy as a whole. The percentage of invoices paid within 30 days has steadily increased from 89.5% to 93.1% over the seven-year period, however the variation between councils has widened. In 2016/17 the range across councils was 71.0% to 97.2%.

Percentage of Invoices Sampled that were Paid Within 30 Days

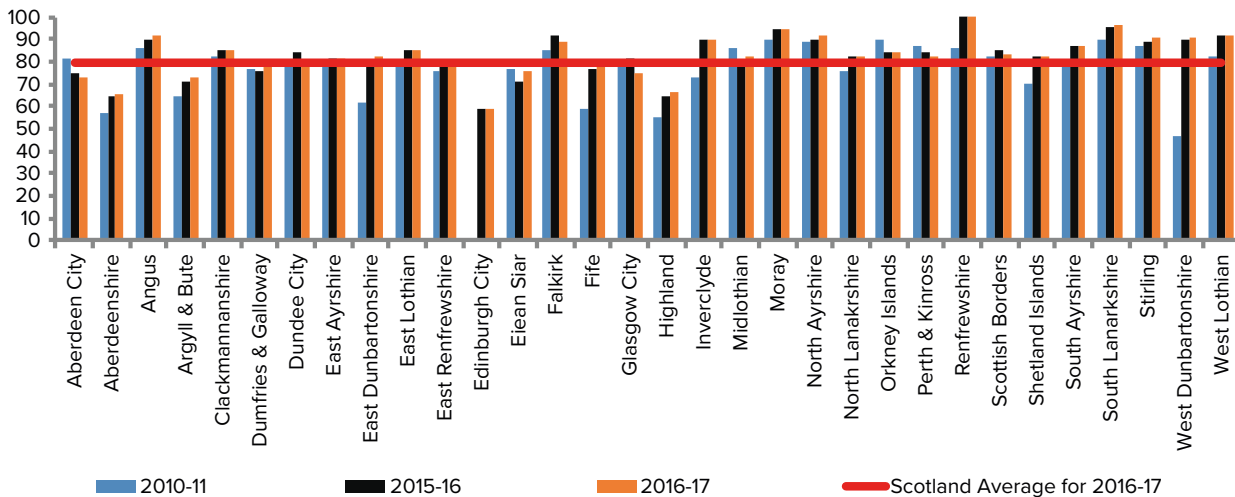Legend: 2010-11 | 2015-16 | 2016-17 | Scotland Average for 2016-17
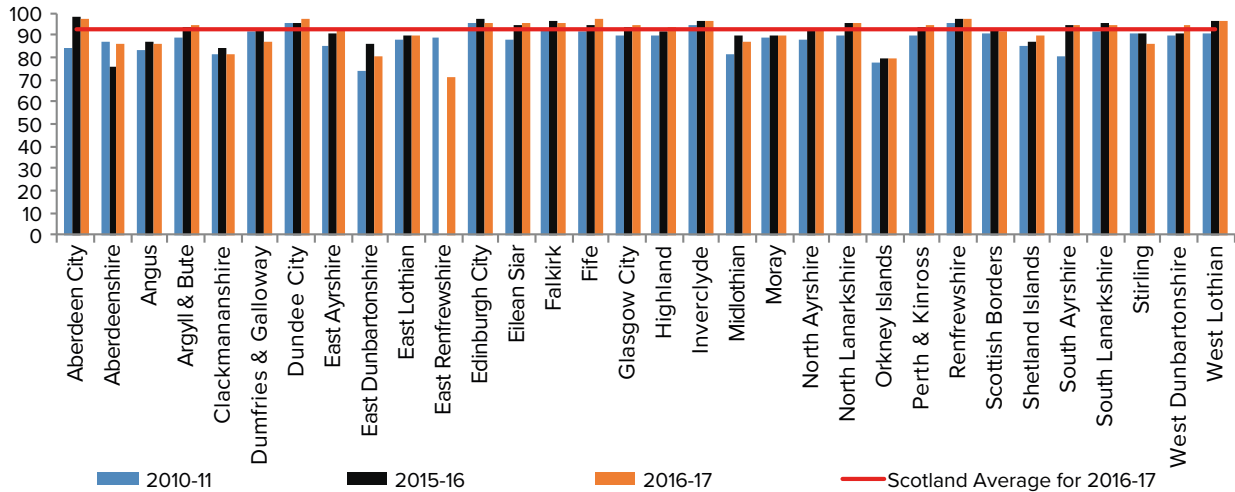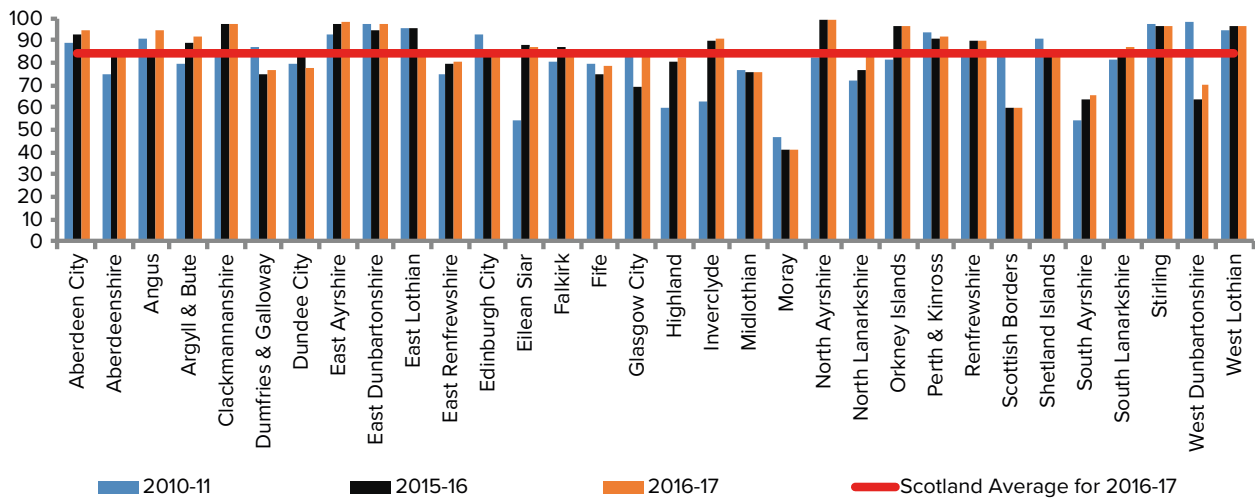
Corporate Assets

There has been improvement in the condition of councils' corporate assets over the period. The percentage of operational buildings that are suitable for their current use has improved from 73.7% to 79.8% and the proportion of internal floor area of operational buildings in satisfactory condition has improved from 81.3% to 84.5%.

There is significant variation across councils in both measures, ranging from 59% to 100% for buildings suitable for use, and 41% to 99% for condition of floor area. Rural councils have significantly lower levels of buildings suitable for their current use, although there is no similar relationship in terms of the condition of internal floor area.

Proportion of Operational Buildings that are Suitable for their Current Use (%)

Legend: 2010-11 | 2015-16 | 2016-17 | Scotland Average for 2016-17

Proportion of Internal Floor Area of Operational Buildings in Satisfactory Condition (%)

Legend: 2010-11 | 2015-16 | 2016-17 | Scotland Average for 2016-17

Source: Council supplied data

Work within Family Groups has identified the following factors as important in understanding the variation between authorities in relation to corporate assets

- *Review programme for school estate*
- *Investment in improvement works*
- *Lifecycle – key elements at end/past their useful economic life e.g. roofs/heating systems*
- *Capital programmes – investment in schools/energy efficiency programmes*
- *Asset transfer and the Community Empowerment agenda*

Housing

The housing information within the benchmarking framework covers housing management, housing conditions and energy efficiency. Only those councils who have responsibility for the provision of housing services are included here.

Rent Arrears and Voids

The average Scottish tenants' arrears as a percentage of rent due has increased year-on-year from 5.6% in 2013/14 to 6.5% in 2016/17. In 2013/14, the definition and methodology for this measure changed, therefore it is not possible to provide a direct comparison with previous years. In 2016/17, the percentage of arrears range from 2.5% to 10.1% across councils which indicates a widening variation since 2013/14. However, analysis indicates variation is not systematically related to levels of deprivation, rurality or size of authority area.

Gross Rent Arrears at a Proportion of Rent Due (%)
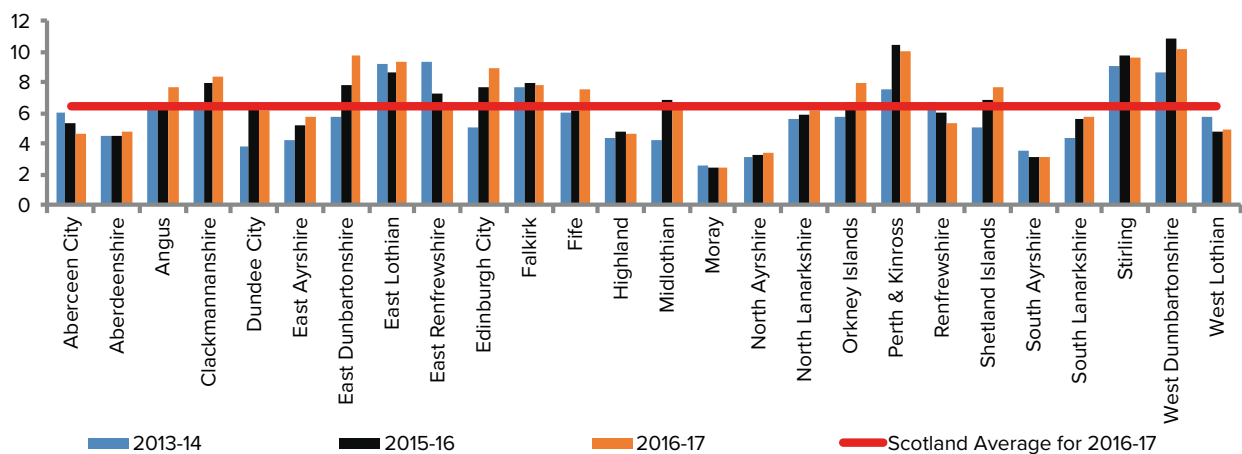
Source: Annual Return on the Charter (ARC), Scottish Housing Regulator (SHR)
Note: Missing values represent the six councils who do not provide housing services (RSL transfer)

Meanwhile, the rent lost due to voids has reduced from 1.3% in 2010/11 to 0.9% in 2016/17. Again, figures vary across authorities, from 0.3% to 2.9%, however the level of variation has reduced since the base year. Neither the urban/rural nature of the council nor the size have a systematic impact here.

Percentage of Rent Due in the Year that was Lost Due to Voids
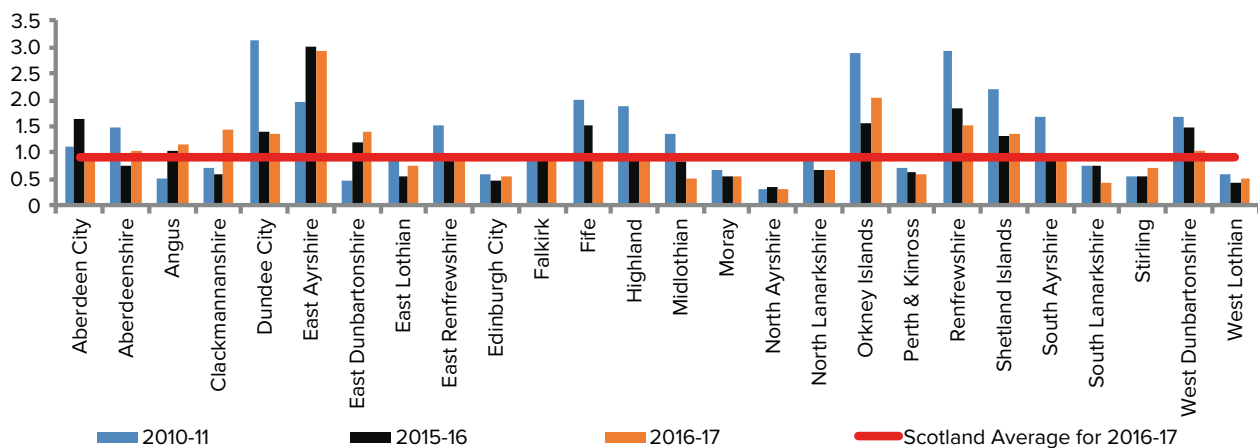
Source: Annual Return on the Charter (ARC), Scottish Housing Regulator (SHR)

The average length of time taken to complete non-emergency repairs has reduced by 14.2% over the period, from 10.2 days in 2013/14 to 8.7 days in 2016/17. As with rent arrears, the definition and methodology for this measure changed in 2013/14, therefore it is not possible to provide a direct comparison with previous years.

There is significant variation across councils although this has narrowed slightly since the base year. In 2016/17, length of time ranged from 5.4 days to 17.5 days, with rural councils reporting longer times (11.7) compared to urban councils (8.3).

Overall, these figures suggest the councils continue to manage their stock well in the face of mounting pressures.

Average Time Taken to Complete Non-Emergency Repairs (days)
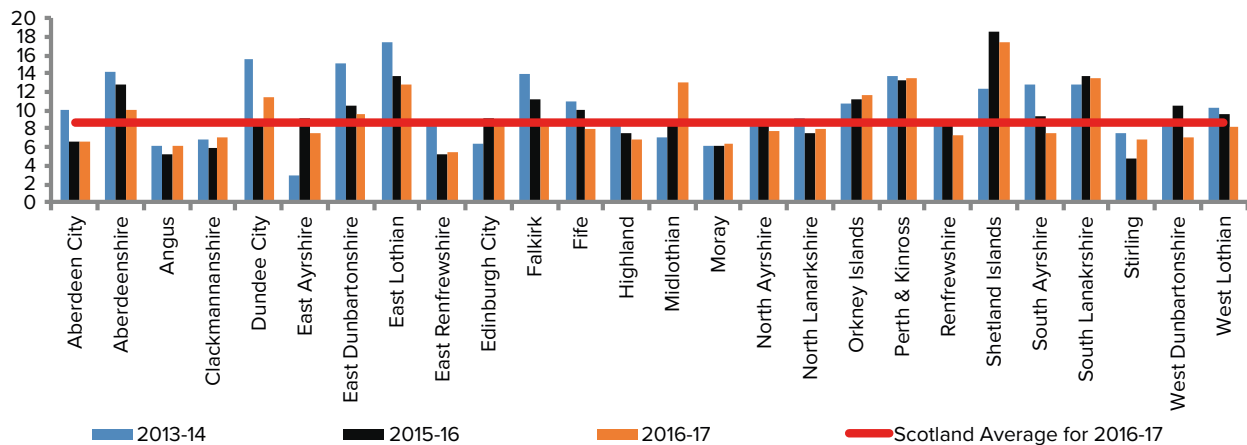
Source: Annual Return on the Charter (ARC), Scottish Housing Regulator (SHR)

Housing Quality

In terms of housing quality, there have been significant improvements over the past seven years in terms of dwellings meeting Scottish Housing Quality Standards (SHQS) and energy efficiency standards.[30] In 2016/17, 93.6% of council dwellings met the SHQS, an increase of 40 percentage points from 2010/11. The range across councils varies significantly from 75.7% to 99.9%, although this range has narrowed since 2010/11.

In 2016/17, 96.6% of council dwellings were energy efficient, an increase from 74.9% in 2010/11. Councils range from 82.8% to 100% with rural councils on average reporting lower levels of energy efficiency.

Year	% council dwellings meeting SHQS	Percentage of council dwellings that are energy efficient
2010/11	53.6	74.9
2011/12	66.1	81.2
2012/13	76.6	88.8
2013/14	83.7	94.0
2014/15	90.4	96.5
2015/16	92.5	96.2
2016/17	93.6	96.6

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30   Percentage of properties at or above the appropriate NHER (National Home Energy Rating) or SAP (Standard Assessment Procedure) ratings

Properties Meeting SHQS (%)

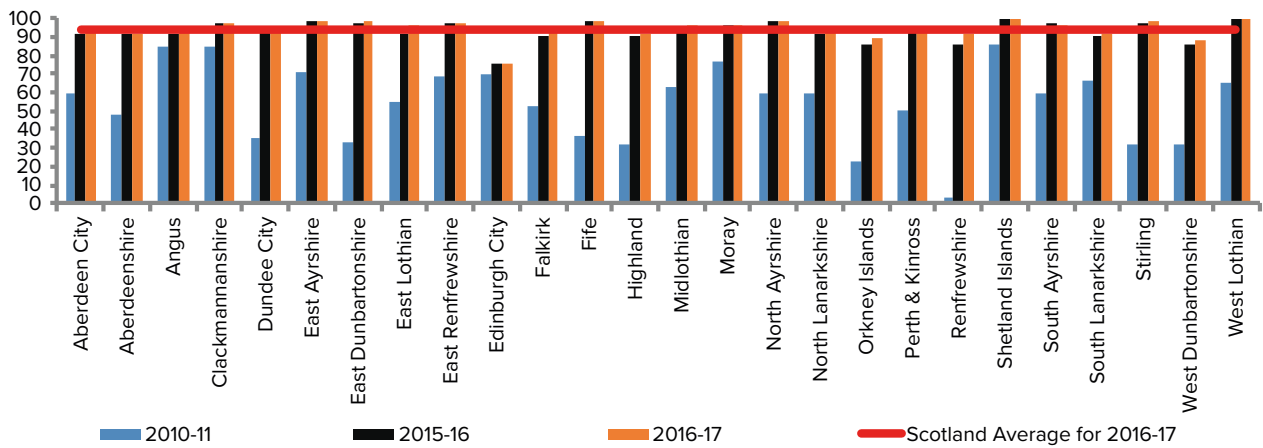Legend: 2010-11 | 2015-16 | 2016-17 | Scotland Average for 2016-17

Source: Annual Return on the Charter (ARC), Scottish Housing Regulator (SHR)
Note: Missing values represent the six councils who do not provide housing services

Percentage of Council Dwellings that are Energy Efficient

Legend: 2010-11 | 2015-16 | 2016-17 | Scotland Average for 2016-17
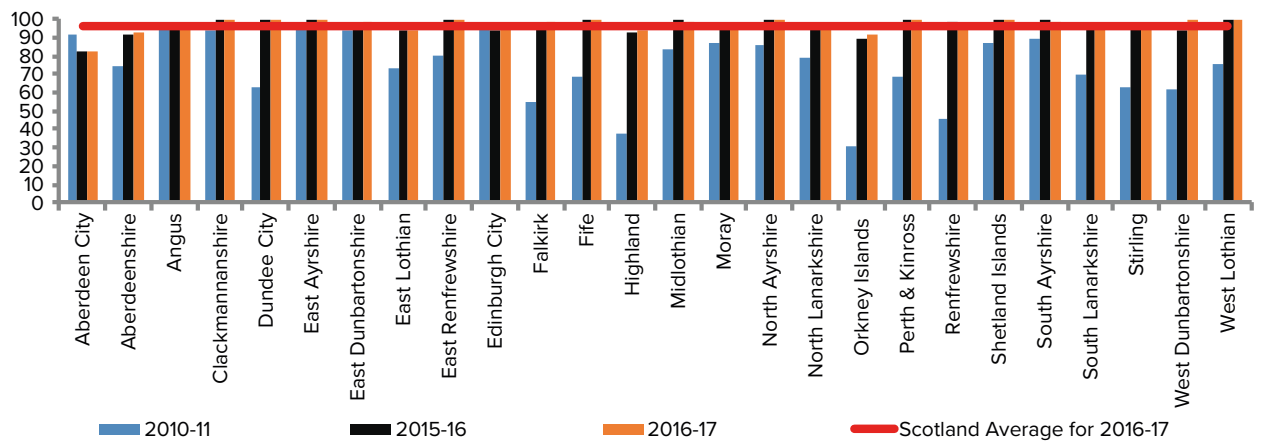
It is important to note that the sources used within this publication are not based on the Scottish Government data sources (Housing Revenue Account statistics and Scottish Housing Condition Survey) rather they are based on data collected by the Scottish Housing Regulator. There will be differences between the two sets of data. For example, the data published here reports only on council provision rather than provision by all registered social landlords. Additionally, there are differences in the SHQS methodology between SHR and SHCS.

Economic Development and Planning

Investing in economic development and employment opportunities results not just in a positive economic outcome, but can typically also lead to improvements across a wider range of social outcomes and reductions in demand for public services. The LGBF framework includes a suite of measures to reflect council performance across this strategically important area.

Employment

The first measure is the 'percentage of total unemployed people in an area assisted into work from council funded/operated employability programmes'. Most councils participate in employment-related support— either via direct provision and/or via funding delivery by third parties. Employability support is often delivered in partnership and this measure seeks to capture data on employability services where the council has either directly delivered and/or funded the intervention. The measure is an indication of the proportion of unemployed people in a council area that are participating in employability responses led or supported by the council, and in this sense assesses the reach and penetration of the intervention. Currently this measure utilises part of the data submitted by councils as part of their annual Scottish Local Authorities Economic Development group (SLAED) return.

In 2016/17, the Scotland average for the percentage of unemployed people assisted into work from council funded/operated employability programmes was 14.0% of total unemployed. This reflects an increase from 9.1% in 2012/13, however a very small reduction over the past 12 months.

This recent trend may reflect a number of factors, including: the continuing focus on getting more long term workless people into work and the welfare changes that require these cohorts to undertake job search activities; the reduction in national funding for wage subsidy schemes; and improvements in the labour market that have removed some of the easier to assist persons from worklessness and left a residual group of harder to assist clients facing multiple barriers to employment who take longer to progress into work.

There is a considerable range across councils, from 0.9% to 27.1%, with lower rates for the least deprived councils (6.31%, compared to 16.1% in the most deprived), and for rural authorities (6.00%, compared to 14.95% in urban authorities).

Percentage of Unemployed People Assisted into Work from Council Operated/Funded Employability Programmes

Year	% Unemployed People Assisted into work from Council operated/funded Employability Programmes
2012/13	9.1
2013/14	12.5
2014/15	14.1
2015/16	14.2
2016/17	14.0

Percentage of Unemployed People Assisted into Work from Council Operated/Funded Employability Programmes

Legend: 2012-13 | 2015-16 | 2016-17 | Scotland Average for 2016-17
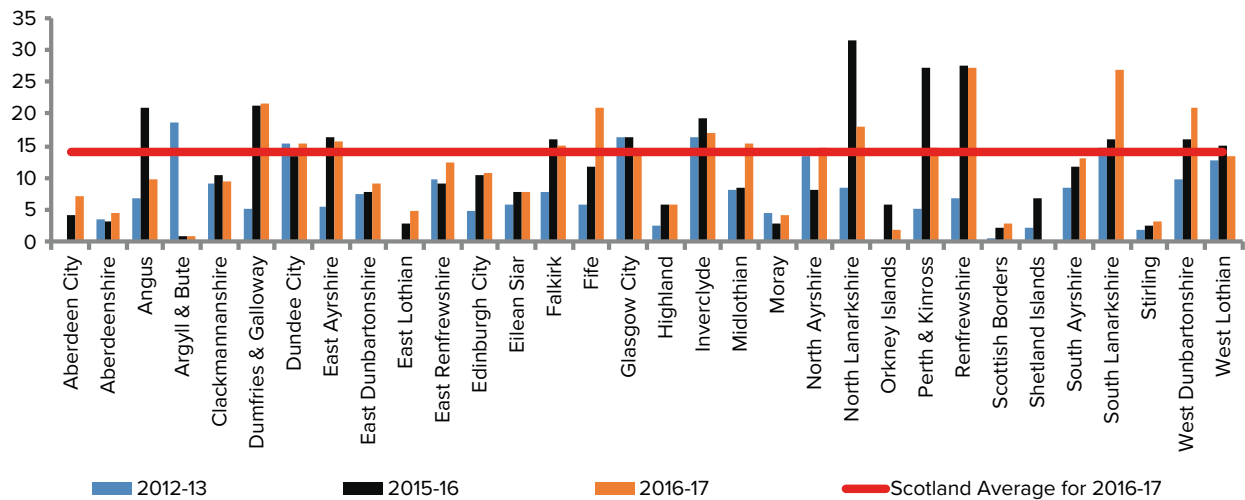
Source: Model based estimates for unemployment, Office for National Statistics (ONS); SLAED Indicators Framework returns
Note: Missing values reflect no SLAED return for that year

Business Support

To capture wider economic development and reflect the significant investment in business development and support (e.g. Business Gateway), the benchmarking framework includes the number of Business Gateway start-ups per 10,000 population. The start-up rate has reduced since 2013/14 from 19 to 16.6 in 2016/17. This may reflect a longer term strategic decision by some Business Gateway areas to focus a higher proportion of resources on supporting the growth and development of existing businesses as opposed to business start-ups. In areas where start-up numbers are good this may have greater job creating potential.

The graph below shows the significant variation which exists across councils, ranging from 6.62 to 25.75. There is no systematic relationship with start-up rates and rurality, deprivation or size of council.

Number of Business Gateway Start-ups per 10,000 Population

Legend: 2013-14 | 2015-16 | 2016-17 | Scotland Average for 2016-17
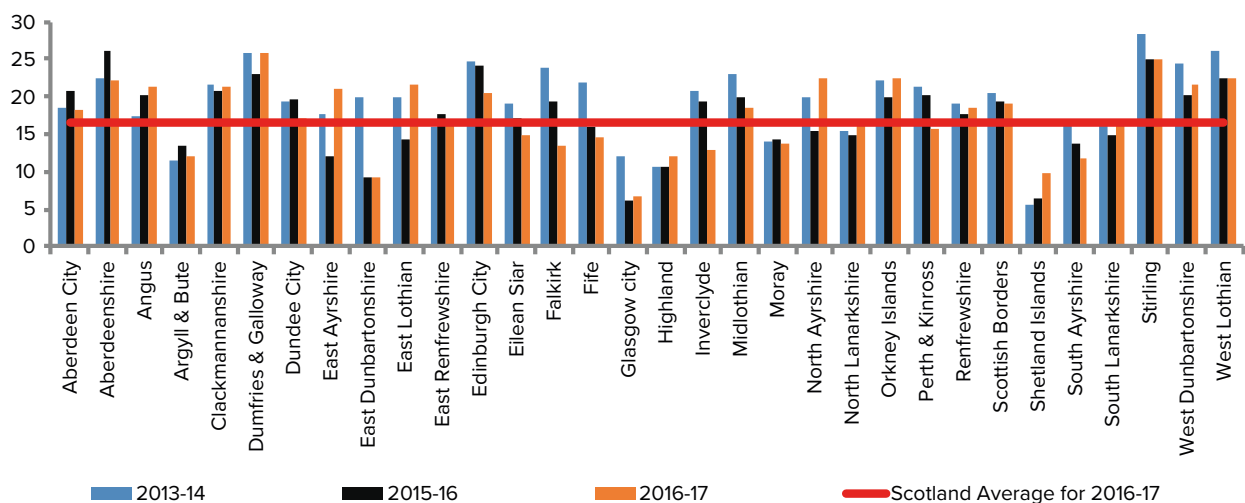
Procurement

Procurement spend in local government accounts for a significant proportion of total spend. This measure focussing on the proportion of this spend which is targeted at small and medium enterprises (SME's) is an important indicator of the progress councils are making in delivering on their standing commitment to invest in their local economies and create employment.

In 2016/17, the percentage of procurement spend on local small/medium enterprises was 20.3%, only a very slight reduction from 21.2% in the base year, and reflecting a slight growth in the past two years. Given the pressures on council budgets this is a positive outcome as it suggests that the drive to reduce costs has not resulted in local SMEs being displaced by larger national suppliers of goods and services.

There is significant variation across councils in relation to procurement spend, ranging from 6.8% to 40.6%. The Islands and rural authorities report higher procurement spend on local SME's than other authorities. Rural authorities spend on average 30.1% compared to 19.3% in urban authorities.

Percentage of Procurement Spent on Local Small/Medium Enterprises

Legend: 2010-11 | 2015-16 | 2016-17 | Scotland Average for 2016-17
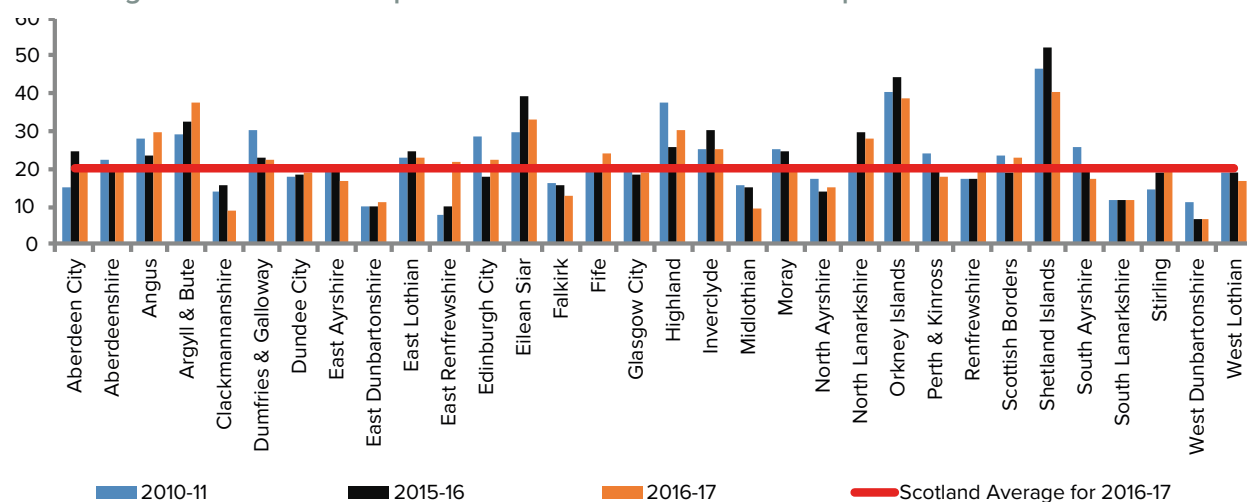
Planning

Although spend on planning accounts for a relatively small amount of overall spend, this is a strategically important area in terms of the future development and use of land in our towns, cities and countryside. An efficient and well-functioning planning service plays an important role in facilitating sustainable economic growth and delivering high quality development in the right places.

Two indicators are included here. A measure of the total cost involved per planning application and the average time taken to process commercial planning applications (Business and Industry applications).

Cost of planning per application

The cost of planning per application has fallen from £5,376 in 2010/11 to £4,635 in 2016/17. This reflects a real terms reduction of 13.8%. Although there have been fluctuations across the period, the trend represents a 33.4% reduction in gross expenditure and a 22.7% reduction in planning applications since 2010/11.

In the past 12 months, costs have reduced by 5.5%, reflecting an 11.5% reduction in gross expenditure and a 6.3% reduction in planning applications. There is substantial but narrowing variation in planning costs across Scotland, ranging from £2,880 to £8,688 in 2016/17. Costs vary systematically with rurality, with urban authorities spending more than rural and semi-rural authorities (£4,843 compared to £3,684 and £4,018 respectively).

Cost per Planning Application

% Change	Cash	Real
2010/11 - 2016/17	-5.2	-13.8
2010/11 - 2011/12	-2.1	-3.5
2011/12 - 2012/13	29.4	26.7
2012/13 - 2013/14	-28.3	-29.5
2013/14 - 2014/15	-4.2	-5.6
2014/15 - 2015/16	12.9	12.1
2015/16 - 2016/17	-3.4	-5.5

Cost per Planning Application
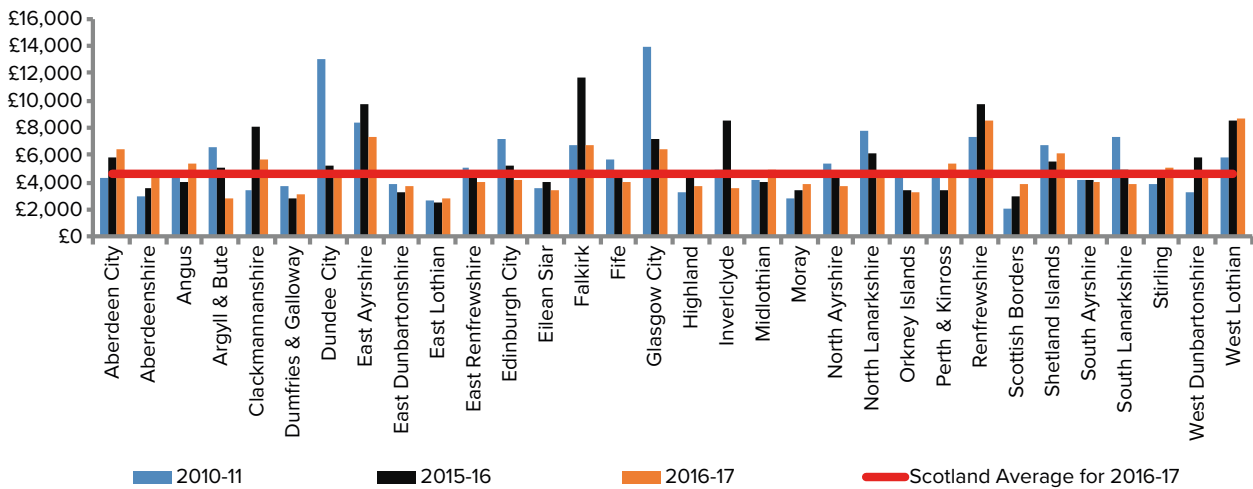
Source: Planning Authority Performance Statistics, Scottish Govt; Council supplied expenditure figures

There has been a reduction in the average time per business and industry planning application since 2012/13. In 2016/17 the average time taken was 9.3 weeks, compared to 13 weeks in 2012/13, a 28% reduction. During this time, there has been a 32% reduction in the number of business and industry applications (from 2,542 down to 1,717).

In the last 12 months, the average time has fallen by 16.8% from 11.2 weeks to 9.3 weeks. There is significant variation between authorities however, although this is narrowing over recent years. In 2016/17, the time taken ranged from 6.48 weeks to 17 weeks, with no statistically significant relationships with deprivation, rurality or size of council.

Average Time per Business and Industry Planning Application
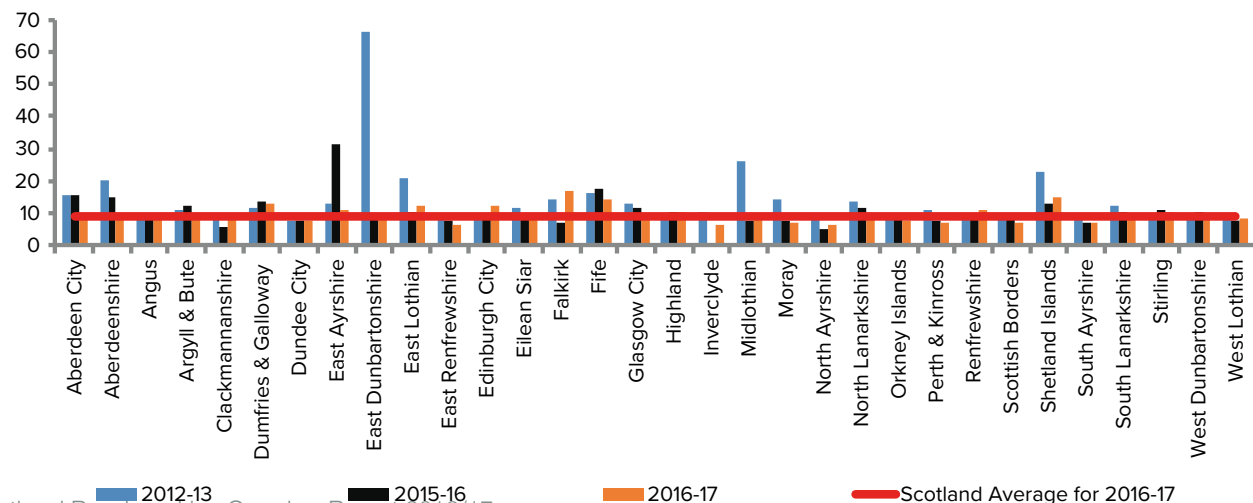
Conclusions and Next Steps

The core purpose of the LGBF is to support councils to target their resources to areas of greatest impact and to ask important questions of key council services. The framework provides councils with insight into their own performance and provides a strengthened evidence base to help drive improvement, promote collaboration and learning, and strengthen public accountability.

This last year has seen councils across Scotland improve the quality and performance of key services while continuing to manage pressures to reduce costs. This report highlights, however, the significant variation in both cost and performance which exists between councils. It is these variations which provide the opportunities for learning. They provide 'can openers' which support collaboration and sharing between councils to better understand the differences and the approaches which may deliver improvements.

The Local Government Benchmarking board recently endorsed a 3-year Strategic Plan to support the continuous improvement and evolution of the LGBF. This plan, which has been welcomed by the Accounts Commission, sets out the following priorities to strengthen the LGBF across the next period:

1. To ensure the framework has relevance, credibility and timeousness
Engagement with professional associations and data owners will be prioritised to encourage more timely availability of data, and to strengthen measures around children and young people, health and social care, and economic development. This will require the participation and contribution of our relevant partners, e.g. integration joint boards. Continuing to ensure that the LGBF is relevant and robust will support councils to demonstrate the rationale behind strategic decisions to reshape and improve services, and report the performance of these services to the public.

2. To better align the LGBF and outcomes
This approach aims to:
- support more strategic use and public reporting of LGBF in line with a focus on outcomes

- strengthen narrative around the contribution different council services play in improving outcomes and reducing inequality of outcomes

- provide a useful relevance test for current framework measures

- support the development and implementation of LOIPs/Locality plans

- offer a route for partners to help align performance information to wider partnership outcomes

A new online interactive tool[31] links the LGBF with outcomes data presented in the Community Planning Outcomes Profile[32] (a resource which provides trend data on outcomes, both at a local authority level, and at a locality level).   This will help to strengthen the narrative around the contribution council services play in improving outcomes, and support more strategic use of the LGBF in decision making and greater visibility within Public Performance Reporting.

The introduction of thematic reporting in 2018/19 will provide a 'drill down' into key policy areas to re-emphasise the 'can opener' nature of the LGBF information and strengthen the link between performance information and outcomes. This will encourage a more diagnostic use of the data, particularly within family groups. These developments will link with the Outcomes, Evidence and Performance Board (OEPB)[33] and support their work to improve the availability of performance evidence that can illuminate improvement in outcomes.

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31   www.is-scratchpad.org.uk/cpop-lgbf.html
32   http://www.improvementservice.org.uk/community-planning-outcomes-profile.html
33   www.improvementservice.org.uk/oepb

3. To demonstrate how the framework is being used to inform decision making, drive improvement, and strengthen public accountability.

The aim is to re-emphasise the 'can opener' nature of the information within the framework, and encourage and support councils to be more thorough in using the data diagnostically, particularly within family groups. Greater visibility of the LGBF in Public Performance Reporting is also needed, with the developments above supporting improvements in this area.

The collective efforts of all 32 councils in Scotland have been important in taking this benchmarking project to its current stage of development and their on-going support will be critical to its further success.

Appendix 1 Full List of Indicators and Service Categories

	Data	Indicator Description
Children's Services	CHN1	Cost per primary school pupil
	CHN2	Cost per secondary school pupil
	CHN3	Cost per pre-school education place
	CHN4	Percentage of pupils gaining 5+ awards at level 5
	CHN5	Percentage of pupils gaining 5+ awards at level 6
	CHN6	Percentage of pupils living in the 20% most deprived areas gaining 5+ awards at level 5
	CHN7	Percentage of of pupils living in the 20% most deprived areas gaining 5+ awards at level 6
	CHN8a	The gross cost of "children looked after" in residential based services per child per week
	CHN8b	The gross cost of "children looked after" in a community setting per child per week
	CHN9	Balance of care for 'looked after children': % of children being looked after in the community
	CHN10	Percentage of adults satisfied with local schools
	CHN11	Percentage of pupils entering positive destinations
	CHN12a	Overall average total tariff
	CHN12b	Average total tariff SIMD quintile 1
	CHN12c	Average total tariff SIMD quintile 2
	CHN12d	Average total tariff SIMD quintile 3
	CHN12e	Average total tariff SIMD quintile 4
	CHN12f	Average total tariff SIMD quintile 5
	CHN17	Percentage of children meeting developmental milestones
	CHN18	Percentage of funded early years provision which is graded good/better
	CHN19a	School attendance rates
	CHN19b	School attendance rates
	CHN20a	School exclusion rates (per 1,000 pupils)
	CHN20b	School exclusion rates (per 1,000 'looked after children')
	CHN21	Participation rate for 16-19 year olds (per 100)
	CHN22	Percentage of child protection re-registrations within 18 months
	CHN23	Percentage LAC with more than 1 placement in the last year (Aug-July)
Corporate Services	CORP 1	Support services as a % of total gross expenditure
	CORP 3b	Percentage of the highest paid 5% employees who are women
	CORP 3c	The gender pay gap (%)
	CORP 4	The cost per dwelling of collecting council tax
	CORP 6a	Sickness absence days per teacher
	CORP 6b	Sickness absence days per employee (non-teacher)
	CORP 7	Percentage of income due from council tax received by the end of the year
	CORP 8	Percentage of invoices sampled that were paid within 30 days

	Data	Indicator Description
Adult Social Care	SW1	Home care costs per hour for people aged 65 or over
	SW2	SDS spend on adults 18+ as a % of total social work spend on adults 18+
	SW3	Percentage of people aged 65 or over with intensive needs receiving care at home
	SW4a	Percentage of adults receiving any care or support who rate it as excellent or good.
	SW4b	Percentage of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life
	SW5	Residential costs per week per resident for people aged 65 or over
Culture & Leisure Services	C&L1	Cost per attendance at sports facilities
	C&L2	Cost per library visit
	C&L3	Cost of museums per visit
	C&L4	Cost of parks & open spaces per 1,000 population
	C&L5a	Percentage of adults satisfied with libraries
	C&L5b	Percentage of adults satisfied with parks and open spaces
	C&L5c	Percentage of adults satisfied with museums and galleries
	C&L5d	Percentage of adults satisfied with leisure facilities
Environmental Services	ENV1a	Net cost of waste collection per premise
	ENV2a	Net cost of waste disposal per premise
	ENV3a	Net cost of street cleaning per 1,000 population
	ENV3c	Street Cleanliness Score
	ENV4a	Cost of maintenance per kilometre of roads
	ENV4b	Percentage of A Class roads that should be considered for maintenance treatment
	ENV4c	Percentage of B Class roads that should be considered for maintenance treatment
	ENV4d	Percentage of C Class roads that should be considered for maintenance treatment
	ENV4e	Percentage of U Class roads that should be considered for maintenance treatment
	ENV5a	Cost of Trading Standards, Money Advice & Citizen Advice per 1000
	ENV5b	Cost of environmental health per 1,000 population
	ENV6	Percentage of total household waste arising that is recycled
	ENV7a	Percentage of adults satisfied with refuse collection
	ENV7b	Percentage of adults satisfied with street cleaning
Housing Services	HSN1b	Gross rent arrears (all tenants) as at 31 March each year as a percentage of rent due for the reporting year
	HSN2	Percentage of rent due in the year that was lost due to voids
	HSN3	Percentage of council dwellings meeting Scottish Housing Standards
	HSN4b	Average number of days taken to complete non-emergency repairs
	HSN5	Percentage of council dwellings that are energy efficient
Corporate Asset	CORP-ASSET1	Proportion of operational buildings that are suitable for their current use
	CORP-ASSET2	Proportion of internal floor area of operational buildings in satisfactory condition

|	Data	Indicator Description
Economic Development	ECON1	Percentage of unemployed people assisted into work from council operated / funded employability programmes
	ECON2	Cost per planning application
	ECON3	Average time per business and industry planning application (weeks)
	ECON4	Percentage of procurement spent on local small/medium enterprises
	ECON5	No of business gateway start-ups per 10,000 population

Appendix 2 List of Family Groups

To understand why variations in cost and performance are occurring, councils work together to 'drill-down' into the benchmarking data across service areas. This process has been organised around 'family groups' of councils so that we are comparing councils that are similar in terms of the type of population that they serve (e.g. relative deprivation and affluence) and the type of area in which they serve them (e.g. urban, semi-rural, rural). The point of comparing like with like is that this is more likely to lead to useful learning and improvement.

People Services	Children, Social Work & Housing indicators			
	Family Group 1	Family Group 2	Family Group 3	Family Group 4
	East Renfrewshire	Moray	Falkirk	Eilean Siar
	East Dunbartonshire	Stirling	Dumfries & Galloway	Dundee City
	Aberdeenshire	East Lothian	Fife	East Ayrshire
	Edinburgh, City of	Angus	South Ayrshire	North Ayrshire
	Perth & Kinross	Scottish Borders	West Lothian	North Lanarkshire
	Aberdeen City	Highland	South Lanarkshire	Inverclyde
	Shetland Islands	Argyll & Bute	Renfrewshire	West Dunbartonshire
	Orkney Islands	Midlothian	Clackmannanshire	Glasgow City

Least deprived ←——————————————————→ Most deprived

Other Services	Environmental, Culture & Leisure, Economic Development, Corporate & Property indicators			
	Family Group 1	Family Group 2	Family Group 3	Family Group 4
	Eilean Siar	Perth & Kinross	Angus	North Lanarkshire
	Argyll & Bute	Stirling	Clackmannanshire	Falkirk
	Shetland Islands	Moray	Midlothian	East Dunbartonshire
	Highland	South Ayrshire	South Lanarkshire	Aberdeen City
	Orkney Islands	East Ayrshire	Inverclyde	Edinburgh, City of
	Scottish Borders	East Lothian	Renfrewshire	West Dunbartonshire
	Dumfries & Galloway	North Ayrshire	West Lothian	Dundee City
	Aberdeenshire	Fife	East Renfrewshire	Glasgow City

Rural ←——————————————————→ Urban
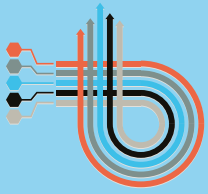
Local Government Benchmarking Framework

improvement service

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www.improvementservice.org.uk

www.improvementservice.org.uk/benchmarking

MEETING: 8 MARCH 2018

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

BRIEFING: THE CHANGING SOCIAL SECURITY LANDSCAPE

Purpose

1. This paper provides a briefing on structural changes to social security with implications for Scottish local authorities.

Background

2. On 7 December 2017 the Commission approved a draft work programme incorporating detailed proposals for 2018/19 and 2019/20 as a basis for consultation with stakeholders. This included a briefing paper for the Accounts Commission highlighting the potential impact on local authorities of benefit changes arising from implementation of Scotland's devolved social security powers.

3. The outcomes from stakeholder consultation on the work programme are subject to a separate report to the Commission. One response highlighted that it may be useful to include an overview of the impact of Welfare Reform in the work programme.

Outline

4. A briefing paper is provided in the attached report. This takes stock of the current social security system, and the role and responsibilities of Scottish local authorities and the Commission in this area. It outlines the structural changes that are happening in the system including the UK Government's welfare reform programme and the devolution of some aspects of social security - describing the implications for councils. It then suggests the strategic issues this raises in considering future audit work programmes.

5. Development work will continue to establish organisational arrangements and provide options and suggestions for future audit work programmes. As this work continues, we would welcome in due course any initial views the Commission has on the approach it might wish to adopt in relation to the future audit of social security in local government.

Recommendation

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

Mark Taylor
Assistant Director
1 March 2018

The changing social security landscape

AUDIT SCOTLAND

Contents

Overview of the system

Introduction

1. This report takes stock of the current social security system, and the role and responsibilities of Scottish local authorities and the Accounts Commission in this area. It outlines the structural changes that are happening in the system including the UK Government's welfare reform programme and the devolution of some aspects of social security - describing the implications for Scottish councils. It then suggests the strategic issues this raises in considering future audit work programmes.

2. Increasing devolution will mean that the Scottish Parliament will fund around £3 billion of social security spending each year from the Scottish budget. The majority of this will be administered directly by the Scottish Government, through a newly established executive agency. This is subject to the Auditor General's responsibilities, and regular audits of the Scottish Government's progress in implementing new powers contained in the Scotland Act 2016 are included in the current work programme. The most recent update is due for publication at the end of March 2018, and will focus on social security implementation.

3. One component of this, Discretionary Housing Payments, was devolved from 1 April 2017 and is administered by Scottish local authorities. The Scottish Government has allocated around £60 million to this area in the draft 2018/19 budget. Scottish councils also administer some reserved benefits on behalf of the Department of Work and Pensions, most significantly around £1.7 billion of Housing Benefit each year. This is subject to the Accounts Commission's responsibilities.

Social security system

4. The social security system currently in place in Scotland is distributed across a number of recipient groups, as shown in Exhibit 1. Most of the benefits in place are reserved to the UK Government, with the exception of the Scottish Welfare Fund (devolved from April 2013) and Discretionary Housing Payments (devolved from April 2017). In addition, the Scottish Council Tax Reduction Scheme introduced in 2013, while not a benefit, also provides assistance to people on low incomes.

5. The UK benefit system is administered largely by the Department for Work and Pensions (DWP), the UK's largest public service department. The DWP's role is to develop policy and deliver essential services on work, welfare, pensions and child maintenance. Its vision is to create a welfare system that provides security, extends opportunity and promotes personal responsibility to help people transform their lives.

Exhibit 1:

Benefits by claimant group

Claimant group	Benefit
Benefits for people out of work	Income Support
	In Work Credit & Return to Work Credit
	Jobseekers Allowance
Benefits for elderly people	Financial Assistance Scheme
	Pension Credit
	State Pension
	State Pension Transfers
	TV Licences
	Winter Fuel Payments
Benefits for people who are ill or disabled	Attendance Allowance
	Carer's Allowance
	Disability Living Allowance
	Employment & Support Allowance
	Incapacity Benefit
	Industrial Injuries Disablement Benefit
	Personal Independence Payment
	Severe Disablement Allowance
	Specialised Vehicles fund
	Statutory Sick Pay
	Vaccine Damage Payments
Benefits for families with children	Child Benefit
	Child Tax Credit
	Guardians Allowance
	Maternity Allowance
	Statutory Maternity Pay
Benefits for people on low incomes	Discretionary Housing Payments
	New Deal & Employment Programme Allowances
	New Enterprise Allowance
	Scottish Welfare Fund
	Social Fund (regulated)
	Working Tax Credit
	Housing Benefit

Claimant group	Benefit
Other	Bereavement benefits
	Christmas bonus
	Universal Credit
	Other small benefits such as child trust fund etc.

Source: The Scottish Government

6. Housing Benefit is a means tested benefit administered by Scottish councils on behalf of the DWP. It provides individuals with support to pay rent if their income and savings are below a certain level. Scottish councils paid out £1.74 billion of Housing Benefit in 2016/17, to approximately 18 per cent of Scottish households. Funding of £25.2 million was received from the DWP to contribute to the costs of administering Housing Benefit in 2016/17.

Devolving some aspects of social security

7. The Smith Commission made recommendations on potential financial, welfare and taxation powers that could be devolved to Scotland, following the independence referendum. Its recommendations were published in November 2014. These included an agreement that the Scottish Parliament be given:

- complete autonomy to determine the structure and value of a range of powers over disability, and devolution of the components of the regulated social fund

- power to make administrative changes to Universal Credit and to vary the housing cost element

- powers to create new benefits in areas of devolved responsibility, and top-up reserved ones.

8. These recommendations are being implemented under provisions in the Scotland Act 2016. The Scottish and UK Governments have agreed to take a phased approach to transferring operational responsibility for delivering the devolved benefits. This is a complex and wide-ranging five-year programme of work, which will continue until at least the end of the current Parliamentary term in 2021.

9. In 2016/17 the UK Government spent £212 billion on benefits in Great Britain[1], of which £18.2 billion (8.6%) was spent supporting individuals and families in Scotland. Once the provisions of the Scotland Act 2016 have been fully implemented, around £2.9 billion of expenditure will be devolved to the Scottish Parliament. This will mean 15.6% of social security spending in Scotland will be devolved.

10. The Scottish Council Tax Reduction Scheme was introduced in April 2013 to replace Council Tax Benefit which was abolished as part of the UK Government's welfare reform programme. Scotland's national council tax reduction scheme is administered by councils. This differs from

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[1] The Northern Ireland benefits system is fully devolved, but largely analogous to the UK system.

arrangements in England and Wales where there is no national scheme and each local authority designed its own replacement scheme for Council Tax Benefit.

11. In order to fund the new arrangements, the UK Government added the total amount of previous Council Tax Benefit payments in Scotland, less 10%, to the Scottish budget. The Scottish Government and local authorities jointly fund the 10% reduction in funding to help ensure those who were previously in receipt of Council Tax Benefit can be protected. It is estimated that £322 million was spent on the Council Tax Reduction Scheme in 2016/17 with 491,760 recipients in March 2017.

12. The Scottish Welfare Fund is a national scheme administered by Scottish councils based on guidance from the Scottish Government. It aims to provide a safety net to individuals in a disaster or emergency through Crisis Grants. It also aims to enable independent living, preventing the need for institutional care through Community Care Grants. The Scottish Government's draft budget for 2018/19 included planned spending of £33 million on these grants, and £5 million for administration costs.

13. Councils have discretion over how the scheme is provided in their local area. Local authorities manage their budget from the Scottish Government by giving each application a certain priority; high, medium or low, and then deciding which priority of application they can afford to pay. For example, a local authority may decide that in some months, it can only afford to pay high priority applications.

14. Discretionary Housing Payments (DHP) is a short term assistance programme for those people who face real hardship as a result of not being able to meet their housing costs. It is available to assist council tenants and those renting from registered social landlords or the private sector that are in receipt of Housing Benefit or the Universal Credit housing support element. It is administered by councils with awards paid at the discretion of the claimant's local authority. Councils amend their policy and assessment criteria in response to the funding available.

15. The Scottish Government's draft budget for 2018/19 included planned spending of £50.1 million on DHP to mitigate limits on Housing Benefit for working-age council or housing association tenants if they are considered to be under-occupying their homes (widely known as the bedroom tax). It also included £10.9 million of other DHP spending and £1.2 million to support administration.

Implications for Scottish local government

16. Scottish councils have an important role in the administration of aspects of the social security system in reserved and devolved areas as set out above. The total value of benefits and awards they administer each year is in excess of £2.1 billion. They are largely funded for this by either the DWP or Scottish Government. Individual councils manage their administration spending within the funding provided by the DWP or Scottish Government topped up with funding from their own budgets. Councils have reported additional pressures on council budgets due to cuts in administration funding in recent years.

17. In a limited number of areas, most notably Discretionary Housing Payments, councils are able to top up national benefit funding from their own resources. They also bear the risk of administration error in relation to housing benefits. Any increase in Council Tax Reductions or other council tax reliefs above those predicted and budgeted also have an impact on council finances. Taken together this means that councils may need to accommodate some additional direct spending within their overall budgets.

18. Councils with housing stock will have a number of tenants on low incomes, many of whom may rely on Housing Benefits, Discretionary Housing Payments or other forms of social security assistance to meet their housing costs. This means that any reductions in benefit without offsetting increases in individuals' incomes, problems with administration or delays in receipt of benefits due will have knock on effects on Housing Revenue Account receipts and housing debt levels.

19. Given the complexity of the social security system, councils provide advice and advocacy services to people in their area. These help individuals to navigate the benefits system, understand what they are entitled to and to submit claims. This may also extend to advice to individuals facing wider financial difficulties, and that may be leading to growing debts to the council itself.

20. Given the nature of social security support and council's role in administering aspects of it, the delivery of services in this area is generally an important component of councils' wider policies and priorities. For example, the administration of housing benefit is likely to be a critical component of a council's wider housing policy. It will also play an important part in wider strategic aims in areas such as social justice, supporting communities and health & social care.

Audit responsibilities

21. Scottish councils' social security activities are subject to the Commission's responsibilities in the same way as other areas of local government. This means that relevant financial transactions and balances are covered by financial auditing, and there is scope to include these service delivery areas as part of the Commission's performance audit programme. Specific audit work will fall to be considered as part of the risk assessment and planning processes. There are also specific requirements for housing benefit administration.

Housing benefit performance auditing

22. In April 2008, the Accounts Commission agreed to a request from the UK Secretary of State to take over the Benefit Fraud Inspectorate's responsibility for inspecting housing and council tax benefit services in Scotland from the DWP's Benefit Fraud Inspectorate.

23. Section 105A of the Local Government (Scotland) Act 1973 covers the Commission's responsibility in respect of benefit performance audit activity stating that "*The Secretary of State may request the Commission to conduct or assist the Secretary of State in conducting studies designed to improve economy, efficiency, effectiveness and quality of performance in*

the discharge by local authorities of functions relating to the administration of housing benefit and council tax benefit."

24. This 'benefits performance audit' work was been incorporated into the annual audit of local government. Since that time, Audit Scotland has carried out the risk assessment of all 32 benefits services in Scotland to identify risks to continuous improvement. The work is subject to a memorandum of understanding between Audit Scotland and the DWP. From 2013/14, with the introduction of the Scottish Council Tax Reduction Scheme in April 2013, the benefit performance audit has only covered housing benefit services.

25. When the benefit performance audit work transferred to the Accounts Commission, a sum of money was transferred within the Scottish block grant to pay for this work. The block grant funding has then been distributed to councils in Scotland as part of the formula for the annual revenue support grant. Audit Scotland then recovers its costs from councils through audit fees.

26. Feedback from councils over the past years has been vey positive in respect of the Housing Benefit performance audit and its impact on local authorities.

Certification of housing benefit claims

27. Local authorities administer housing benefit on behalf of the DWP. Local authorities submit subsidy claim forms to the DWP at the end of each financial year in order to reclaim most of the Housing Benefit paid to claimants.

Exhibit 2:

Housing benefit awarded by local authorities and subsidy recovered from DWP
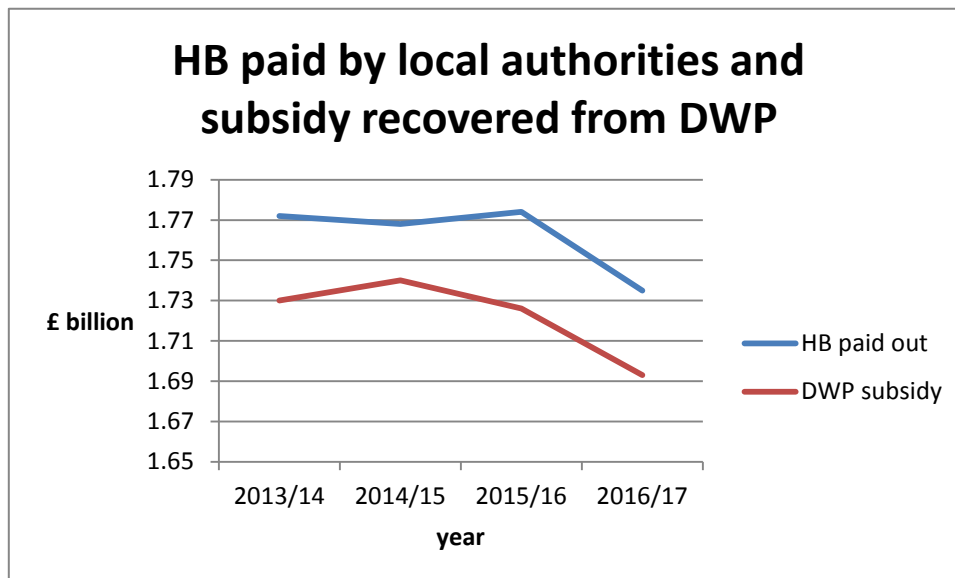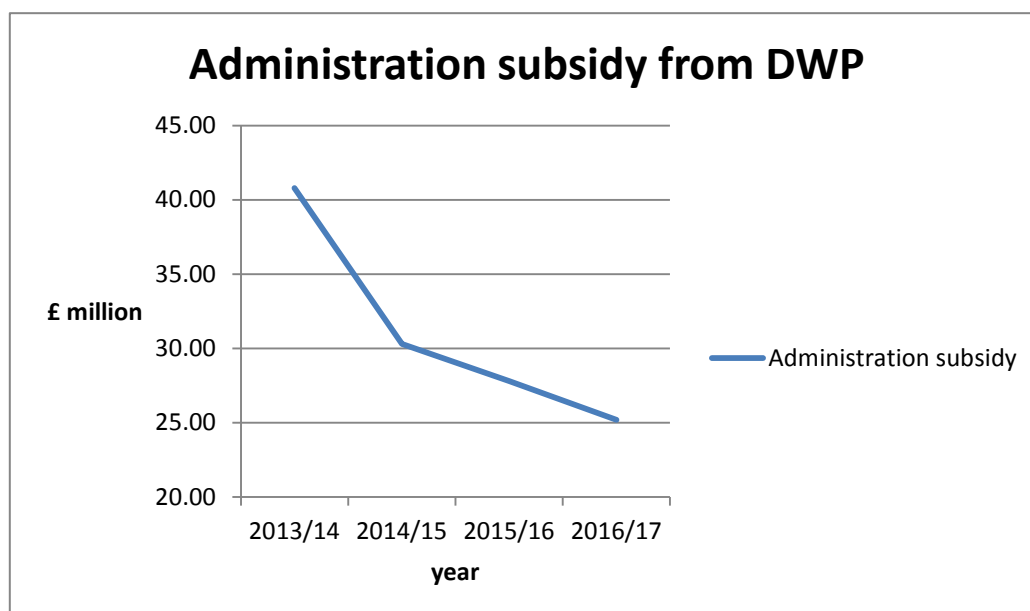

Source: Audit Scotland

28. Auditors carry out some work on Housing Benefit administration systems, transactions and balances as part of their audit of the financial statements. In addition, as required by Part II, article 6, of The Income-related Benefits (Subsidy to Authorities) Order 1998 a local authority's

appointed external auditor concludes whether the annual subsidy claim is fairly stated and certifies it accordingly. Any errors identified are reported to the DWP in a covering letter that accompanies the final claim.

29. During 2016/17, Scottish local authorities paid out £1.74 billion in Housing Benefit. The DWP contributed £1.70 billion to this expenditure through subsidy payments. Exhibit 2 shows amounts paid out over the last four years by local authorities along with the DWP subsidy.

30. Reasons for the fall in housing benefit expenditure may be due to several reasons including:

   - claimants moving onto Universal Credit

   - people working longer before retiring

   - falling unemployment levels in some areas

   - claimants moving into work, possibly due to the claimant commitment changes in Jobseeker's Allowance, and the reducing numbers of people qualifying for Employment Support Allowance, Incapacity Benefit and Personal Independence Payments.

31. The DWP also provided £25.2 million towards the costs of administering the Housing Benefit scheme. Exhibit 3 shows the drop in administration funding from the DWP over the last 4 years.

Exhibit 3:

Administration funding from DWP

Source: Audit Scotland

32. Part of the reason for the fall in administration subsidy is assumed efficiency savings and falling claim numbers. Between March 2013 and March 2017 claim numbers have fallen in Scotland by 51,000 (10.5%) which is slightly lower than the 11% percentage reduction in claim numbers across Great Britain over the same period of time. As claimants continue to move to Universal Credit it is expected that working age claimant numbers will fall. It is expected that

claimants of pension age, and those in supported or temporary accommodation are likely to remain in housing benefit for some years to come.

33. Audit Scotland has reviewed the HB subsidy certification letters of all 32 Scottish local authorities for 2016/17. The review focused on errors identified by auditors during the certification process and areas where the DWP may reclaim subsidy from local authorities.

34. Auditors identified errors in eight local authorities' subsidy claims which may result in DWP adjusting subsidy claims downwards by a total of £331,220. In addition, errors which by their nature do not affect the amount of subsidy claimed (e.g. the misclassification of Housing Benefit cases between cells of the same subsidy value) and errors that would always result in underpaid benefit and therefore an under claim in subsidy, were identified as observations in 15 local authorities (three local authorities had both a qualification and observation). Auditors identified errors in 15 local authorities' subsidy claims for 2015/16.

Structural changes to the social security system

Welfare reform

35. The UK Government is carrying out a major programme of reform to the social security system. The Welfare Reform Act was passed by the UK Parliament in early 2012 and is changing the way in which welfare benefits, including Housing Benefit, are paid. This affects policy areas which are devolved to Scotland, such as health, social care and housing. They also have significant implications for Scottish councils in the areas outlined above.

36. Key changes include:

   - The roll-out across the UK of Universal Credit on a phased basis.

   - Changes to eligibility criteria and reductions in Housing Benefit awards, including for under occupying a property (bedroom tax) for working age tenants renting in the social housing sector.

   - The replacement of Disability Living Allowance with Personal Independence Payment including revised eligibility assessment criteria for claimants.

   - The replacement of Incapacity Benefit for ill health or disability, by Employment and Support Allowance including changes to eligibility assessment criteria. This is accompanied by the introduction of a Work Capability Assessment for people claiming Employment and Support Allowance to assess their capability for work.

   - The introduction of a Benefit Cap from 2013 (currently £384.62 per week for couples or claimants with children in Scotland, and £257.69 per week for single claimants in Scotland).

   - Tax Credit changes for families with three or more children.

   - Employment Support Allowance, Job Seekers Allowance, Universal Credit and Tax Credits (known as working age benefits) frozen for 5 years, from 2015.

   - The introduction of a new Claimant Commitment for claimants on Jobseeker's Allowance that outlines what job seeking actions a claimant must carry out and the sanctions for failure to carry out agreed actions. The Claimant Commitment brings Jobseeker's Allowance into line with claimants' responsibilities under Universal Credit.

Financial impact of welfare reform on Scotland

37. Research into the impact of welfare reform changes on the Scottish economy has been carried out by various academics. In 2016 Sheffield Hallam University estimated that, as shown in Exhibit 4, welfare reforms could result in £2.1 billion less being paid to benefit claimants, meaning that this amount would be lost from the Scottish economy annually.

Exhibit 4:

Welfare reforms: outturn financial loss to claimants in Scotland

Benefit area	Pre-2015 reforms: outturn financial loss to claimants in Scotland	Post-2015 reforms: financial loss to claimants in Scotland by 2020-21
	Outturn March 2016 £m p.a.	**Estimated £m p.a.**
Employment & Support Allowance	85	65
Tax credit	340	140
1 per cent uprating	230	
Child Benefit	240	
Personal Independence Payments	130	190
Housing Benefit: LHA	80	40
Housing Benefit: 'bedroom tax'	0	
Non-dependant deductions	20	
Benefit Cap	3	25
Benefit freeze		300
Universal Credit work allowances		250
Mortgage interest support		25
Housing Benefit: 18-21 year olds		4
Total	**1,128**	**1,014**

Source: Sheffield Hallam estimates based on official data

Universal credit

38. Universal Credit is currently being rolled out across the UK. It replaces six existing benefits and is based on a single monthly payment, paid in arrears, direct to the claimant. Benefits being replaced include Housing Benefit, Child Tax Credit, Income Support, Job Seeker's Allowance (income based), Employment & Support Allowance (income based) and Working Tax Credit.

39. Universal Credit aims to improve claimants' incentive to work, be easier to understand and access, and be more cost effective to operate. One of the big changes is that instead of being paid weekly, it is now paid monthly in arrears to emulate a working wage. Individuals will also now be responsible for paying rent directly to their landlord, whether a council tenant, in social housing or in private tenancy.

40. The roll out in Scotland started in the Inverness Jobcentre area where single claimants have claimed Universal Credit since November 2013. This was expanded to claims from couples in June 2014 and claims from families in January 2015. Highland Council has been providing personal budgeting support, digital access, housing cost knowledge, and advice and support to Universal Credit claimants since 2013.

41. The rollout of Universal Credit across the rest of Scotland began in February 2015 for single people who would otherwise have been eligible for income based Jobseeker's Allowance. By April 2016, all Scottish councils had some local residents claiming Universal Credit.

42. Universal Credit is being rolled out in stages. Initially Universal Credit was rolled out as "live service" where claimants managed their claim by phone. The more recent "digital service" also known as "full 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.

43. On 23 March 2016, Musselburgh Job Centre in East Lothian was the first Job Centre in Scotland to provide the full Universal Credit Digital Service. Further roll-out of the full service took place from May 2016. The UK Government expects the national roll-out to the digital service for new claimants to be completed by December 2018. The remaining working age people in receipt of legacy benefits including Housing Benefit will start to migrate to the full Universal Credit service in 2019 with the migration expected to be completed by 2022.

Impact of welfare reform on Scottish councils

44. Local authorities have individually entered into Universal Support Agreements with the DWP setting out the respective roles and responsibilities of DWP and the council. Under these agreements councils have agreed to provide the following services:

- support to claimants to allow them to make a claim on-line
- support to claimants who require personal budgeting support.

45. Local authorities also receive funding from DWP to help with the management of Universal Credit implementation in their local areas, for assistance with housing cost issues, for assistance with the natural migration of Housing Benefit claims to Universal Credit and for the migration of outstanding Housing Benefit overpayment debt to the DWP to be recovered from future Universal Credit awards.

46. The introduction of Universal Credit has proved to be challenging for local authorities in Scotland across a number of areas. Concerns identified by local authorities include:

- Councils and other landlords have reported an increase in tenant arrears and a difficulty in collecting rent arrears for those tenants on Universal Credit. Under Universal Credit, rent is paid directly to tenants unless they fall into rent arrears or report that they find it difficult to manage their money. Previously most social sector tenants had their Housing Benefit payments sent straight to their landlords. Private sector tenants could also previously elect for their Housing Benefit payments to be forwarded to their landlord.

- Landlords have reported that rent arrears have increased for tenants when waiting for their first Universal Credit payment. New claimants are not eligible for Universal Credit for the first seven days of their claim and it has then been taking an additional five weeks before a claimant receives their first payment.

- A related issue has arisen with the verification of rent payments. Where a claimant enters a different rent charge in their Universal Credit application from that which is subsequently advised by the landlord to the DWP, this has been found to be causing additional delays for Universal Credit payments to be made.

- Landlords have reported issues in collecting rent for temporary accommodation from claimants in receipt of Universal Credit. Many tenants in temporary accommodation are only in the property for a short period of time, and by the time claimants have waited six weeks for their Universal Credit to come through, they may have already left the accommodation making rent collection difficult for the landlord. Local authorities have reported that it is also possible that a claimant could have moved on from the temporary accommodation by the time of their monthly Universal Credit assessment date resulting in the claimant not being awarded any housing support for their time in the accommodation during that month.

- Local authorities have reported issues with council tax reduction in respect of Universal Credit claimants. Previously when a claimant submitted a claim for Housing Benefit, the local authority would ensure the relevant information was also collected to allow the claimant to be assessed for a Council Tax Reduction. Under Universal Credit the DWP shares information with the local authority advising that a local resident is claiming Universal Credit. Some councils use this notification from the DWP as an application for Council Tax Reduction. Other councils contact customers to confirm their details before awarding any reduction. Councils are advising this is resulting in reduced numbers of Council Tax Reduction awards.

- Due to the nature of Universal Credit, claimants' awards can change each month. Councils receive significant numbers of notifications from the DWP regarding changes to Universal Credit awards which may impact on Council Tax Reduction claims or Discretionary Housing Payment awards. These notifications are not automated and instead require to be manually processed.

- Where Universal Credit claimants have wages or other income which is variable, councils reassess Council Tax Reduction awards and issue revised bills to customers several times a year. Local authorities report that this can result in council tax recovery processes being held up due to multiple changes to customers' council tax reduction awards during

the year. Due to rebilling several times throughout the year the council tax payer may be unsure exactly how much they are due to pay.

- Universal Credit is reported to be impacting on Scottish Welfare Fund awards. East Lothian Council noted that in the first year of Universal Credit full service, the demand for Crisis Grants increased by 16% and Community Care Grants increased by 8% with the delay in receiving the first Universal Credit payment being cited as a significant factor. The council responded by adjusting the assessment priority levels. The council also reported that the local Food Bank recorded a 75% increase in referrals from the council during this same year.

47. COLSA has highlighted that many of the welfare reform changes have brought financial consequences for local government, which councils have had to absorb within their budgets. It has also highlighted the financial and social impact on individuals affected. This can be expected to have increased pressure on social and welfare services.

Recent changes and improvements

48. The UK Chancellor set out a number of changes in his budget speech in November 2017 to help address a number of issues currently being experienced with Universal Credit which will have an impact on local authorities. The main changes included in the budget are:

- In order for the DWP to make system changes for Universal Credit full service, the roll out schedule was amended and the Universal Credit live service stopped taking new claims from 1st January 2018. This results in claimants who would otherwise have claimed Universal Credit Live service being redirected to claim legacy benefits including Housing Benefit from local authorities. Councils will therefore be receiving additional Housing Benefit claims.

- Claimants requesting an advance payment of their notional Universal Credit award will be able to receive up to 100% of their notional award (previously up to 50%) with the repayment period extended from 6 months to 12 months. This was implemented in January 2018. This may assist claimants with budgeting and help them to keep rent payments up to date.

- From February 2018, the seven-day waiting period for new Universal Credit claimants will be removed reducing the length of time claimants wait to receive their first full payment (to five weeks). This again may assist claimants with budgeting and allow them to keep rent payments up to date.

- UK Ministers will legislate for claimants staying in temporary accommodation to be paid their housing support through Housing Benefit instead of Universal Credit. It is expected that the secondary legislation required to allow this change to be introduced will be in place from April 2018. This will result in claimants in temporary accommodation making new Housing Benefit claims to local authorities and it may also help claimants in temporary accommodation to pay their rent.

- The introduction of legislation to allow a "transition to Universal Credit housing payment" of two weeks for people transferring to Universal Credit from Housing Benefit. It is

expected again that the legislation will be in place to allow this to commence from April 2018. This may assist claimants with budgeting and help them to keep rent payments up to date.

49. Following successful pilots, the DWP is rolling out a 'Trusted Partner' scheme and a 'Landlord Portal' from December 2017 which aims to help claimants with rent payments. The Trusted Partner scheme allows social rented sector landlords to play a key role in engaging with their tenants who are Universal Credit claimants by helping those who can't manage their housing payments to access the support available. This enables social rented sector landlords to submit information directly to the Universal Credit online system eg rent charges, which supports timely and accurate payment of housing costs to Universal Credit claimants. Landlords who are given access to the Landlord Portal will also be given 'Trusted Partner status' which will enable them to make recommendations on whether arrangements for direct payment of the Universal Credit housing cost element to the landlord should be put in place for relevant claimants.

50. Under the powers provided by the Scotland Act 2016, the Scottish Government introduced Universal Credit Choices in October 2017. This allows claimants in full Universal Credit service to request that Universal Credit is paid twice a month and/or their Universal Credit housing element award is paid direct to their landlord. The intention of Universal Credit Choices is to assist claimants with budgeting and making rent payments. The Scottish Government analysis shows that between 11 November and 31 December 2017, 2,100 claimants requested to be paid twice monthly and 1,000 elected to have the housing element of Universal Credit paid directly to their landlords, and of those 520 requested both of the choices.

51. The DWP has been working with software suppliers in order to develop the automation of Universal Credit updates from the DWP to local authorities for Council Tax Reduction Scheme purposes. This will be implemented in 2018 and should reduce the administration burden on councils.

52. The Scottish Government is currently reviewing the Council Tax Reduction Scheme. Part of the review is looking at how the scheme could be amended to fit better with claimants receiving Universal Credit awards.

Scottish social security devolution

53. The Scotland Act 2016 devolves a range of social security powers to the Scottish Parliament. As shown in Exhibit 5, these cover 11 existing benefits totalling around £2.9 billion of spending. This is 15 per cent of the UK Government's social security spend in Scotland and includes benefits for carers, disabled people and those who are ill, parts of the regulated Social Fund and Discretionary Housing Payments. The Act also allows the Scottish Government to top up UK benefits and create new benefits in devolved policy areas. The DWP and HMRC will continue to deliver reserved benefits and tax credits.

Exhibit 5:

Benefits devolved to Scotland

Group	Benefit	2016/17 £	No of recipients
For carers, disabled people & those who are ill	Attendance allowance	£487m	126,534 (May 2017)
	Carer's Allowance	£234m	71,977 (May 2017)
	Disability Living Allowance	£1.2 m	237,431 (May 2017)
	Personal Independence Payment	£550m	162,535 (July 2017)
	Industrial Injuries Disablement Benefit	£84m	25,830 (Q1 2017)
	Severe Disablement Allowance	£22m	2,850 (May 2017)
Currently part of the Regulated Social Fund	Cold Weather Payment	£0.744m	
	Funeral expenses assistance	£3m	
	Best Start Grant	£2m	
	Winter Heating Assistance	£179m	1,042,830
Other	Discretionary Housing Payments*	£51.9m	113,000 (full year)
	Total	**£2.814bn**	

Discretionary Housing Payments were devolved from 2017

Source: Scottish Government

54. The Scottish and UK Governments have agreed to take a phased approach to transferring operational responsibility for delivering the devolved benefits. This is to support a safe and secure transition. In May 2017 the Scottish Government announced that the first wave of benefits to be delivered would be a Carer's Allowance supplement, Best Start Grant (replacing the Sure Start Grant), Funeral Expense Assistance, and Universal Credit Choices. Universal Credit Choices was delivered from October 2017 with Carer's Allowance supplement being delivered later in 2018. The Best Start Grant and Funeral Expense Assistance are expected to become operational by the end of 2019.

55. The costs of setting up the staff, processes and IT systems to deliver the devolved social security powers are significant. Under the terms of the Fiscal Framework, the UK Government contributes £200 million to the cost of implementing of all the devolved powers. The Financial Memorandum to the Social Security Bill sets out the Scottish Government's initial high-level estimated costs for implementing the devolved social security powers. Estimated costs of £308 million are expected over four years.

56. In March 2016 the Scottish Government announced plans to create a new social security agency for Scotland. Following a detailed options appraisal, the Scottish Government confirmed the agency will have a centralised function supported by local pre-claims advice and support services located with existing council or third sector services, such as voluntary organisations. In September 2017, the First Minister announced that the agency headquarters will be in Dundee with another administrative site in Glasgow. The agency will be established to deliver the Carer's Allowance Supplement from summer 2018.

Exhibit 6:

Scottish Government estimated costs of benefits being devolved including enhancements

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Forecast of existing benefits being devolved *(block grant adjustment)	2,870	2,966	3,080	3,171	3,275
Estimates of enhancements					
Enhancements to carers allowance	n/a	37	32	33	34
Enhancements to Best Start Grant	n/a	17	17	17	17
Enhancements to funeral expenses assistance	n/a	n/a	*<3	3	3
Total cost of benefits	**2,870**	**3,020**	**3,132**	**3,224**	**3,329**

Assumes no changes to eligibility and rates by UK government. For the Scottish Parliament commitments to enhancing the carers allowance increase, the same caseload volumes have been used as those used for modelling carers allowance. For the Best Start Grant enhancements, birth rates have been used for modelling purposes.

* Funeral expense assistance enhancement expenditure for 2019/20 will be confirmed by Scottish Government once transitional arrangements are finalised with DWP.

Source: Scottish Government, Financial Memorandum to the Social Security Bill and Funeral Expense Assistance Illustrative Regulations and Policy Narrative

57. Once fully operational, the agency will deliver ten out of the 11 devolved benefits. Councils will continue to deliver Discretionary Housing Payments. Scottish Government estimates social security payments will total £3.3 billion each year by 2021/22 (Exhibit 6). This includes estimates for commitments Scottish Ministers have made to enhance existing benefits, such as the Carer's Allowance Supplement.

58.   The block grant from the UK Government will be adjusted for each of the devolved benefits by an amount equal to the UK Government's spending on the benefits in Scotland in the year immediately prior to devolution (with the exception of the Cold Weather Payment which is more volatile). An indexation mechanism will be used to reflect changes to the level of social security spend in the rest of the UK in subsequent years. Any top ups to existing benefits or new benefits that the Scottish Government introduces will have to be funded from its own budget.

Implications for Scottish local government

59.   It is estimated that around 35 per cent of households in Scotland will receive both devolved and reserved benefits[2]. Some will therefore potentially receive payments from the DWP, the new Scottish social security agency and councils, in the reserved and devolved areas that they administer. Such overlaps may substantially increase the complexity of Scotland's new social security system, particularly where benefits are income contingent and depend on all sources of income. Close cooperation between all levels of government is likely to be necessary to support individuals and ensure efficient overall administration. There is also likely to be a knock-on impact on council's advice and advocacy services as they look to help people navigate between reserved, devolved and local services.

60.   The Scottish Government has announced that there will be a 'strong local presence across Scotland' of social security agency officers available to provide pre-claim advice and support. Scottish Government officials have engaged with local authorities, the DWP and third sector organisations in order to understand the particular needs of benefit recipients in each local authority area as well as the existing partnership arrangements in place. In December 2017 the Scottish Government agreed an Overarching Partnership Agreement with COSLA setting out the guiding principles to ensure social security services are delivered in a consistent way across Scotland[3].

61.   As claim numbers for some of the legacy benefits such as Housing Benefit reduce significantly at the same time Universal Credit and the new devolved benefits start to increase, there is scope for the Scottish Government and the new social security agency to investigate the possibility of:

- more joined up working across heath and social care, possibility in respect to the assessment for certain benefits
- learning from local authorities who have the expertise in delivery of front line benefits in Scotland, and
- engagement with third sector organisations for example those delivering advice regarding welfare rights.

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[2] - http://centreonconstitutionalchange.ac.uk/sites/default/files/papers/welfarepowers_davidbell.pdf
[3] - https://beta.gov.scot/publications/delivey-agreement-between-scottish-ministers-convention-scottish-local-authorities/ .

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62. There is also scope for holistic approaches to be taken in aspects of housing policy. This may include things such as looking at housing support for tenants linking into strategic housing plans, or reviewing financial assistance for people in supported accommodation. There may also be opportunities for a broader review of aspects of housing finance, such as considering the sources of income in housing revenue accounts.

63. COSLA has highlighted the significant knock on effect devolution of social security has for Communities and the services provided elsewhere by the public sector. As an outcomes focussed approach continues to be developed, the devolution of social security provides more policy options for the Scottish Government, and impact through its partnership working with local government. And in Councils there is an opportunity to reflect on how social security fits alongside a range of policy areas and priorities.

64. The introduction of a Scottish social security agency will create new opportunities and risks for managing public sector workforces. There will be increased demand for skilled and experienced social security staff, and increasing job and career development opportunities. This may mean scope to further develop professional roles, networks and the pool of talent in this area. But it may also mean increased competition for people and scarce skills, which could put pressure on some council's housing benefit staffing.

Strategic audit issues

Auditing devolved social security

65. As its new social security powers are fully devolved, the Scottish Parliament will fund around £3 billion of social security spending each year from the Scottish budget, alongside set-up and ongoing running costs. The majority of this will be administered directly by the Scottish Government, through the new Scottish social security agency. Financial and performance auditing work on behalf of the Auditor General supports scrutiny of this expenditure by the Scottish Parliament.

66. The work programme incorporates regular AGS performance audits looking at how the Scottish Government is managing the implementation of the financial and social security provisions in the Scotland Acts 2012 and 2016. Following reports published in December 2014, December 2015 and March 2017, the most recent report is due for publication at the end of March 2018. The main focus of this is the Scottish Government's progress in planning for the implementation of the social security powers. Further updates on managing new financial and social security powers are included in each year of the work programme.

67. The Auditor General will appoint the financial auditor of the Scottish social security agency once it is formally established.

Developing organisational arrangements

68. Audit Scotland is establishing a new multi-disciplinary team to provide a centre of expertise for our audits of social security. This brings together Housing Benefit performance audit work, the financial audit of the new social security agency and wider social security performance auditing. The team will work closely with local audit teams on work at individual councils, and ensure benefits auditing is appropriately integrated with local financial and best value auditing.

69. Establishing an integrated team enables knowledge sharing - for example, bringing our experience of working with councils on housing benefit issues to bear on our work in the new agency - and helps further build expertise. It also underpins opportunities for a strategic approach to auditing social security, reflecting the interdependencies between:

     • devolved and reserved benefits

     • administration activities at UK, Scottish and council levels

     • social security and other policy areas, such as housing, health and social care as part of an outcomes focussed approach.

70. This approach also provides greater scope to increase the profile of benefits/ social security auditing within local government.

71. Work is progressing to establish an initial team by spring 2018, incorporating specialist Housing Benefit performance audit staff, alongside other colleagues from across ASG and PABV. Initially the team will involve around five or six individuals, some of whom will also

continue to be involved in other work areas. As newly devolved social security powers come on stream over the remainder of the current Parliamentary term we anticipate the team will grow steadily over the next three to four years. We will keep resourcing plans under review as we build our understanding of devolved social security, and develop our audit work plans.

Looking ahead

72. Previously, social security audit work has been focussed largely around the administration of housing benefits, to support the Commission's responsibilities. This area will continue to be important and there are pre-existing arrangements in place with DWP. Historically Audit Scotland has undertaken around ten risk-based housing benefit performance audits each year, resulting in local reporting to the relevant councils. This activity also supports our wider financial and best value auditing on a council-by-council basis. In addition, thematic studies are undertaken in specific areas such as housing benefit fraud and error, certification issues and welfare reforms.

73. The further devolution of social security and the establishment of the social security agency later this year mean a significant increase in the amount of social security auditing we will do to support the Auditor General's responsibilities. Ultimately we anticipate that the audit the agency will be one of Audit Scotland's biggest audits. Increasing Scottish public expenditure, with over £3 billion of further spending being devolved, will also need to be considered within future performance audit work programmes and our ongoing performance development and wider cluster activity.

74. There is likely to be significant interaction between the administration activities of the Scottish social security agency and the DWP. The nature and extent of this will depend on the decisions of the Scottish Government and the agency as the new powers are implemented. The Scottish and UK Governments are currently developing an Audit and Accountability Framework which sets out audit arrangements, including the respective roles of the AGS and the Comptroller and Auditor General. The framework was considered by the Public Audit and Post Legislative Scrutiny Committee in February 2018, and the Committee has agreed to write to both Governments with its views before the framework is finalised.

75. The devolution of social security is part of a package of new powers that brings new opportunities and risks to the devolved public sector in Scotland. Alongside new tax raising and borrowing powers, these mean increased uncertainty, volatility and complexity for the Scottish budget. At the same time the Scottish Government is committed to an outcomes-based approach to its policies, underpinned by the National Performance Framework (NPF) and the Community Empowerment (Scotland) Act 2015 embeds the outcomes approach. An effective social security system will be a key aspect of this.

76. With the changes resulting from further devolution and the related increase in social security auditing, there is an opportunity to consider the overall strategic direction for future audit work in this area. This comes at the same time that councils are experiencing the effects of the UK Government's welfare reform programme. Examples of the areas of work that might feature in a strategic approach to social security auditing includes looking at:

   - the overall issues, opportunities and risks arising from social security facing Scottish councils. This could be from either a broad perspective or drill down into particular aspects such debt, administration, policy fit or financial management/ pressures.

   - overall client experience across reserved and devolved benefits (and potentially the tax system)

   - overall financial risk within the system, and what means for councils

   - links between social security and other policy areas as part of an outcome focussed approach.

77. In considering the extent to which work programmes might be developed in these or other areas, it will be important to reflect on how this fits with the Commission's existing responsibilities, particularly those relating to housing benefit. Audit work programmes will also need to continue to support Parliamentary scrutiny.

78. Development work will continue to establish organisational arrangements and provide options and suggestions for future audit work programmes. As this work continues, we would welcome in due course any initial views the Commission has on the approach it might wish to adopt in relation to the future audit of social security in local government.

ACCOUNTS COMMISSION ✓

MEETING: 8 MARCH 2018

REPORT BY: SECRETARY TO THE COMMISSION

STATUTORY REPORT: CITY OF EDINBURGH COUNCIL

Purpose

1. The purpose of this paper is to introduce for the Commission's consideration the Controller of Audit's Statutory Report on a matter arising from the 2016/17 audit of City of Edinburgh Council.

The Controller of Audit report

2. The attached statutory report is made by the Controller of Audit on a matter arising from the 2016/17 audit of City of Edinburgh Council. The external auditor's report on the 2016/17 audit reports on matters related to the large scale closure of schools in Edinburgh following the collapse of a section of brickwork wall at Oxgangs Primary School in January 2016.

3. The report is made by the Controller of Audit to the Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).

4. The legislation enables the Controller of Audit to make reports to the Commission with respect to:

    - the accounts of local authorities audited under the Act;

    - any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and

    - the performance by a local authority of their statutory duties in relation to best value and community planning.

5. The Controller of Audit states in his report that its purpose is to draw the Commission's attention to bring this matter and subsequent developments to the Commission's attention.

6. A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member of the Council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Council it is effectively in the public domain.

Procedure

7. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:

    - direct the Controller of Audit to carry out further investigations

    - hold a hearing

- state its findings.

8. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.

9. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence and judgements presented in the report. This is done in the public part of the Commission meeting.

10. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform the council of its decision, which the Commission does before making the decision public.

Conclusion

11. The Commission is invited to:

   a) consider the Controller of Audit's Statutory Report on a matter arising from the 2016/17 audit of City of Edinburgh Council; and

   b) decide in private how it wishes to proceed.

Paul Reilly
Secretary to the Commission
28 February 2018

2016/17 Audit of The City of Edinburgh Council

Report on Edinburgh Schools

Contents

Executive Summary

Introduction

1. The Code of Audit Practice requires auditors at the conclusion of each year's audit to produce a report summarising the significant matters arising from the audit. For local authorities, these reports are addressed to elected members and the Controller of Audit.

2. I have received the annual audit report for City of Edinburgh Council for 2016/17 from Scott-Moncrieff, the appointed auditor. It provides an update on a number of significant matters in which the Accounts Commission has an interest. One area relates to the large scale closure of schools in Edinburgh following the collapse of a section of brickwork wall at Oxgangs Primary School. I have therefore decided to use the reporting powers available to me to bring this issue and subsequent developments to the Commission's attention.

3. Oxgangs Primary School was one of the 17 schools included within a Public Private Partnership (PPP) agreement entered into by the Council with Edinburgh Schools Partnership Limited. The collapse of the wall occurred at an early hour in January 2016 and there were no injuries. However, in different circumstances considerable injuries or even fatalities may have resulted. Subsequent surveys of the estate covered by this PPP agreement resulted in the temporary closure of all 17 schools and the need to put in place temporary arrangements for educating over 8,300 primary, secondary and nursery pupils.

4. This report provides an update on the matters highlighted in the auditor's annual audit report, an extract of which is included as Appendix 1.

Annual audit report 2016/17

5. The auditor's annual audit report on the City of Edinburgh Council was considered by the Council's Governance, Risk and Best Value Committee on 26 September 2017 and by the full Council on 26 October 2017. The report has also been published on Audit Scotland's website.

6. I would draw the Commission's attention to the following points in relation to the issues arising in relation to the Oxgangs Primary School incident.

Action by the City of Edinburgh Council

7. In their report, the auditors summarised the findings of the independent inquiry undertaken by Professor John Cole CBE into matters relating to the closure of Edinburgh schools. The Cole report was published in early 2017 and constitutes a comprehensive review of: the background to the contract and the Oxgangs incident, the construction of the school buildings, the management and quality assurance processes involved and the subsequent hadling of the incident by the Council. It also included specific and wider recommendations coming out from

the findings of the inquiry and made 40 recommendations which the Council has been addressing since the report was published. Progress in addressing the recommendations was reported to the Corporate Policy and Strategy Committee of the Council in December 2017. The Committee noted the positive progress that was being made and the intention to report further within the next 12 months.

8. The Council has continued its risk based programme of inspections of other council buildings to identify whether similar issues exist across the Council property portfolio. At the end of January 2018, of the 154 properties where assessments had been completed, 19 properties had been identified as having issues similar to those identified at Oxgangs School. Remedial work to address the defects identified on these buildings (which include schools, libraries, community centres and care homes) is ongoing. The exercise to review all of those properties identified in the first tranche of risk assessments i.e. council buildings and extensions constructed since 1995, will be completed by March 2018. Based on the findings of the tranche one investigations, a workshop was held in January 2018 to inform the approach to addressing the structural investigations into older council properties. The 19 properties identified with defects included those financed through the traditional publicly funded route and those financed through a Public Private Partnership (PPP) and Non-Profit Distributing (NPD) route.

9. The Cole report identified that a number of schools constructed under this Public Private Partnership contract had opened without completion certificates (or their equivalent), being issued; which constitutes a breach of the statutory requirements for the occupation of new buildings. Completion certificates or their equivalent remain outstanding for two schools. I understand that relevant applications have now been submitted by Edinburgh Schools Partnership Limited and the Council is considering these.

10. During the investigations following the incident at Oxgangs, a number of fire-stopping defects were identified in the schools covered by this contract. Remedial work has been undertaken and the Council is working with an independent fire and risk contractor to ensure all remedial work is compliant with the appropriate fire regulations. Edinburgh Schools Partnership Limited has confirmed that no immediate risks remain in relation to the fire defects identified. The Council and its own independent fire safety expert agree with this assessment. Checks are being undertaken on other PPP schools and no immediate fire safety risks have been identified. This assessment has also been confirmed by the Council's fire safety expert.

11. With regard to the additional costs incurred by the Council as a result of the Oxgangs incident, the final settlement agreement has yet to be signed. The agreement identifies a final position of £5.176 million of unitary charges being withheld by the Council to reflect the unavailability of schools. This compares with £3.1 million of direct costs incurred by the Council in relation to the Oxgangs incident.

12. The Council has been pro-active in sharing information on the issues identified as a result of the Oxgangs Primary School incident, including the risk assessment and approach taken to address the failings identified across the schools and wider Council estate. Information has been passed to: Scottish Futures Trust (SFT), the Scottish Government, other local authorities

and relevant user groups. In addition, discussions and presentations have been made to relevant professional groups and associations to share the lessons learned.

Related developments

Action by the Scottish Parliament

13. The Scottish Parliament's Education and Skills Committee ('the Committee') undertook a short inquiry on School Infrastructure in June 2017 and published a report on its findings in October 2017. The report made a number of recommendations to the Scottish Government and other relevant bodies, including the Scottish Funding Council, the Scottish Council of Independent Schools, Colleges Scotland and Universities Scotland. The recommendations to the Scottish Government focused on the need to ensure devolved public bodies studied the Cole Report and review their own estates in light of the findings, and reviewing the Scottish Government's Construction Manual. The Committee also requested that the Scottish Government keep it informed of the work the government was undertaking with the construction industry and highlighted a number of areas that should be considered within the context of that work. These areas included public bodies having access to appropriate expertise and the need to employ clerks of works on capital projects. The Committee also made recommendations on sharing information on building faults and on training and qualifications.

14. The Parliament's Local Government and Communities Committee also published a report on Building Regulations and Fire Safety in Scotland in October 2017. While the Committee's initial work was focused on building standards following on from complaints to MSPs from a number of individuals relating to private house builders, both the Cole Report and the fire at Grenfell Tower in London led to the Committee widening its scrutiny. The Committee noted that the recommendations of the Cole Report relating to schools buildings had been considered as part of the Education and Skills Committee's inquiry. The Committee held a debate in the Parliament's chamber on its report on 23 November and the Minister for Local Government and Housing responded to the Committee's report recommendations in late December 2017.

Action by the Scottish Government

15. The Minister's November 2017 response to the Education and Skills Committee's School Infrastructure report set out the actions taken by the Scottish Government since the time of the initial Oxgangs incident, with a particular focus on actions after publication of the Cole report. Key actions noted in the response were:

- SFT had highlighted the findings of the Cole Report to Chief Executives of public bodies shortly after its publication, drawing attention to the need to consider approaches to assurance in light of the report.

- The Scottish Government was engaging with UK Government and other devolved administrations.

- Construction Scotland had formed a working group to address the key issues identified in the Cole Report.

- The Scottish Government's Construction Manual was being updated to include, amongst other things, the lessons from the Cole Report.

- Building Standards would undertake research to underpin a review of the current methods of checking compliance with building regulations on projects.

- Based on detailed responses received from all local authorities, the Scottish Government was reassured that local authorities had taken all steps necessary to ensure the fire safety of their schools.

16. Both the Edinburgh schools incident and the Grenfell tragedy have led to Scottish Ministers initiating a number of actions. A Ministerial Working Group is overseeing a review of building and fire safety regulatory frameworks, and any other relevant matters. The Ministerial Working Group has established two building standards Review Panels:

- Review Panel on Building Standards (Compliance and Enforcement) in Scotland – the panel is chaired by Professor John Cole and predominantly involves representatives from the building and construction sector in Scotland. The panel met for the first time in late November 2017.

- Review Panel on Building Standards (Fire Safety) in Scotland – the panel is chaired by Paul Stollard and involves representatives from both the public and private sectors in Scotland, as well as representatives from other countries, including the other UK devolved administrations. The panel met for the first time in late October 2017.

Other developments

17. I would also draw the Commission's attention to two other developments that, while not directly related to the Oxgangs Primary School incident, sit within the same broad service area:

- Across the wider Council estate there has been a history of under-investment. The Council has recognised the poor condition of many Council buildings and the significant levels of backlog maintenance required. The Council's Finance and Resources Committee received a condition survey report in January 2018, which identified a requirement to spend £153 million over the next five years to address these issues. The Council has allocated additional revenue funding, totalling around £35 million, and additional capital funding, totalling £48.9 million, to an existing allocation of £70 million, to address the necessary work over five years, starting in 2018/19.

- Over the last year, the Scottish Government's Building Standards Division has undertaken audit work on the council's building standards service. The Scottish Government is in ongoing discussions with the council about the findings of the audit work. The council will look to align any relevant findings with improvement plans arising from both its own work on the school buildings issue and the pieces of work being coordinated by the Scottish Government's review groups.

The auditors will consider the council's progress on both of these issues as part of their ongoing monitoring.

Conclusion

18. The incident at Oxgangs Primary Schools revealed serious faults in the procurement, design and construction of the PPP schools covered by this contract. These faults could have had led to life-threatening consequences. In responding to the incident, I agree with the auditors' conclusion that the Council responded in a fast, transparent and comprehensive way to the challenges it faced.

19. Defects have been identified in other schools and buildings within the Council estate as a result of the work undertaken in response to the Oxgangs incident. These defects are being addressed by the Council. This incident highlights the importance of regular, comprehensive structural risk assessments and inspections to be undertaken on public buildings to ensure defects are identified and remedied.

Appendix 1 - Extract from the City of Edinburgh Council 2016/17 Annual Audit Report to the Council and Controller of Audit

Edinburgh Schools

In 2001, the council entered into a Public Private Partnership (known as PPP1) for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership Limited (ESP). This arrangement was subsequently supplemented by a further agreement in April 2004, requiring ESP either to replace or substantially renovate ten primary, five secondary and two special schools, together with one close support unit and a community wing, and to maintain these schools to a set standard.

On the morning of Friday 29 January 2016 a section of brickwork wall at Oxgangs Primary School (one of the PPP1 schools), weighing approximately 9 tons, collapsed onto the pathway below. Due to the early hour, no one was in the vicinity of the wall that collapsed and no injuries resulted. However in slightly different circumstances this event could have resulted in considerable injury or even fatalities. Subsequent structural surveys undertaken across the remainder of the PPP1 estate resulted in the temporary closure of a total of 17 schools and two other facilities in early April, with the last schools not re-opening until August.

Managing the Emergency School Closures

The need for the temporary closure of schools was identified three days before the schools were due to return from Easter Holidays. The council's incident management team quickly put in place a communications strategy and parents, stakeholders and the media were informed about the closures. The Communities and Families department, working with parents, pupils, head teachers and schools staff, the PPP1 contractors and other public sector agencies arranged temporary arrangements to be put in place for over 8,300 primary, secondary and nursery pupils. This was a huge undertaking which involved a relocation strategy across alternative accommodation and the transportation of pupils across 61 alternative schools.

Responsibility for rectifying the issues at Oxgangs Primary School and the issues subsequently identified across the PPP1 estate lay with ESP. The council agreed that an independent inquiry should be held into matters relating to the closure of Edinburgh schools. The council appointed Professor John Cole CBE, to lead the independent inquiry. The report of the inquiry was published in February 2017 and concluded that

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- the council had a sound rationale for their decision to adopt the PPP methodology for the funding and procurement of the PPP1 schools.

- the primary cause of the collapse of the wall at Oxgangs school was poor quality construction in the building of the wall and the failure to achieve the required building requirements in relation to the wall ties particularly in the outer leaf of the cavity wall. The issues were ultimately the responsibility of the design and build contractor in charge of the site.

- there were fundamental and widespread failures of the quality assurance processes of the various contractors and sub-contractors, who built or oversaw the building of the PPP1 schools.

- an appropriate level of independent scrutiny over the PPP1 contract by the council was missing.

- the council failed to appreciate the demands of the PPP process and as a result under-resourced the team that represented or advised the client side in the PPP1 contract relationship.

- there was a misunderstanding within the council of the role of Building Standards in the monitoring of construction quality.

The decision to close all 17 PPP1 schools required the council to relocate over 8300 pupils within the shortest possible time. Within 12 days of this decision alternative teaching accommodation, transport and catering arrangements had been put in place for all pupils. The Inquiry concluded that this was a remarkable feat to have achieved within an extremely short time.

The inquiry report also identified a number of specific or wider lessons which could be learnt by the council, the construction industry and public bodies generally.

The council has agreed and is implementing a detailed action plan which addresses the 40 separate recommendations included in the report. The council's response to the action plan includes: the resourcing of full time clerks of works on all projects with a value in excess of £2m, greater emphasis being applied to ensure procured design and construction services are quality checked and a recognition of the limitations of true risk transfer on PPP/Design Build Facilities Management type project, notably in relation to reputational risk and disruption to services.

Since the PPP1 problems the council has carried out a risk based assessment on properties on the council estate. The risk assessment has led to a programme of inspections to cover whether similar issues existed on any other council properties. The inspections are currently in progress but to date five properties have been identified which have similar problems and work has been undertaken to remedy these.

Additional costs incurred by the council as a result of PPP1 incident

Under the PPP1 contract, the council pays ESP a monthly "unitary charge" which covers both the provision of facilities management services and reimbursement of capital expenditure and interest associated with upfront construction. The temporary closure of all schools under the PPP1 contract led to the unavailability clauses coming into effect. This resulted in unitary charge amounting to £5.36 million being withheld by the council. A final negotiated settlement has been agreed in principle with ESP. As a result there will not be any overall direct cost to the council from this incident.

Overall conclusion

Having been faced with a very serious incident impacting on a large number of pupils across a significant number of schools the council responded in a fast, transparent and comprehensive way to the challenges it faced.

The wall collapse at Oxgangs Primary School revealed very serious defects in the construction of the school and other schools under the PPP1 contract. Other similar defects have been found in a small number of other council buildings. The Cole inquiry identified that the primary failure to achieve the required building requirements lay with the contractor in charge of the site. However there were significant failings by the council in the scrutiny and quality assurance arrangements put in place during the construction of these schools. Wider lessons were also highlighted for the construction industry and public sector.

Source: Scott-Moncrieff report

ACCOUNTS COMMISSION ✓

MEETING: 8 MARCH 2018

REPORT BY: SECRETARY TO THE COMMISSION

STATUTORY REPORT: DUNDEE CITY COUNCIL

Purpose

1. The purpose of this paper is to introduce for the Commission's consideration the Controller of Audit's Statutory Report on a matter arising from the 2016/17 audit of Dundee City Council.

The Controller of Audit report

2. The attached statutory report is made by the Controller of Audit on a matter arising from the 2016/17 audit of Dundee City Council. The external auditor's report on the 2016/17 audit refers to a significant fraud perpetrated against Dundee City Council.

3. The report is made by the Controller of Audit to the Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).

4. The legislation enables the Controller of Audit to make reports to the Commission with respect to:

   - the accounts of local authorities audited under the Act;

   - any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and

   - the performance by a local authority of their statutory duties in relation to best value and community planning.

5. The Controller of Audit states in his report that its purpose is to draw the Commission's attention to how the fraud was perpetrated; the weaknesses in the council's control systems; and the actions taken by the council following discovery of the fraud. The financial loss to the council and the recovery outcome are also reported.

6. A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member of the Council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Council it is effectively in the public domain.

Procedure

7. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:

   - direct the Controller of Audit to carry out further investigations

   - hold a hearing

   - state its findings.

8. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.

9. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence and judgements presented in the report. This is done in the public part of the Commission meeting.

10. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform the council of its decision, which the Commission does before making the decision public.

Conclusion

11. The Commission is invited to:

   a) consider the Controller of Audit's Statutory Report on a matter arising from the 2016/17 audit of Dundee City Council; and

   b) decide in private how it wishes to proceed.

Paul Reilly
Secretary to the Commission
28 February 2018

The 2016/17 audit of Dundee City Council

Report on a Significant Fraud

ACCOUNTS COMMISSION

Contents

Executive Summary

Introduction

1. The external auditor's report on the 2016/17 audit refers to a significant fraud perpetrated against Dundee City Council. The fraud was complex and resulted in a long term employee embezzling £1.065 million from the council between August 2009 and May 2016. I submit this report under section 102(1) of the Local Government (Scotland) Act 1973 as a matter that the Controller of Audit considers should be considered by the local authority or brought to the attention of the public.

2. The purpose of this report is to draw the Accounts Commission's attention to how the fraud was perpetrated; the weaknesses in the council's control systems; and the actions taken by the council following discovery of the fraud. The financial loss to the council and the recovery outcome are also reported.

Summary

3. During routine year end procedures the council highlighted an invoice for £7,337 where supporting information could not be found. The payment for this invoice was made into an employee's bank account in May 2016 which resulted in an internal investigation and a Police Scotland investigation. The reviews highlighted fundamental weaknesses in the council's internal financial control systems. Investigations identified fraudulent payments to the employee totalling £1,065,085 during the period from August 2009 to May 2016.

4. The fraud resulted from the employee having unrestricted access to several systems which allowed him to insert fake invoices into the system and alter the bank payment details of suppliers without detection.

5. The employee was immediately suspended and resigned from his position in June 2016. The Police Scotland investigation resulted in the ex-employee pleading guilty on 2 August 2017 to the charge of embezzling £1,065,085 from the council and on 24 August 2017 at the High Court in Glasgow he was sentenced to 5 years 4 months imprisonment.

6. Full recovery of the loss, excluding the policy excess of £10,000 and fees of £8,663, has been achieved through a range of methods. The recovery included the pension of the convicted individual, an ex gratia payment from a third party and the proceeds of the council's fidelity insurance policy.

7. PricewaterhouseCoopers (PwC) provided additional specialist support, under their internal audit contract, for the investigation. The PwC reports issued to management in October 2016 and June 2017 highlighted control weaknesses; recommendations for improvement; and details of reviews undertaken to ensure no further anomalous payments were made.

8. The Leader of the Council, Depute Leader and Group Secretary were provided with details of the fraud in June 2016. During 2016 the Chair of the Scrutiny Committee and other senior

politicians were briefed on the fraud and the actions being taken. Member briefings on the fraud were provided by management on 19 April and 5 December 2017 with a report considered by the Scrutiny Committee on 13 December 2017. The Scrutiny Committee report indicated that all the PwC recommendations had been implemented or had an agreed implementation date.

9. Internal audit's plan for 2018/19 are to include following up the PwC recommendations to ensure that these have been implemented effectively. Internal audit as part of the current year have planned to review the Bank Automated Clearance System (BACS) and User Access Levels to provide further assurance to members for these areas.

Auditor's opinion

10. The fraudulent payments totalled £1.065 million over several years and the impact on the financial statements from 2009/10 to 2015/16 did not represent a material misstatement in any given year. However, there were failures in fundamental controls within the council that allowed this fraud to continue over a prolonged period resulting in a loss to the council. In particular, the lack of segregation of duties allowed the perpetrator access to a number of systems, enabling them to carry out the fraud. Internal controls such as system reconciliations were not carried out or were ineffective and as a result the payments were not identified as anomalies for further investigation at an early stage.

11. On discovery of the erroneous payment the council acted promptly to deal with the individual and reporting the fraud to Police Scotland. Officers undertook appropriate investigations and effective recovery of the fraudulent payments. The investigations highlighted the control weaknesses and officers have acted to address the issues and strengthen the control environment.

12. Elected members and the local external audit team have been kept up to date at appropriate key stages of the fraud investigations since its discovery.

13. Members' briefings were held in April and December 2017 and a report was also presented to the Scrutiny Committee on 13th December 2017. External audit was invited and attended these meetings and considered them comprehensive and informative.

14. The council continues to strengthen its control environment through its Corporate Integrity Group, which was established in February 2017. Police Scotland has also approached the council in order to develop a case study of the fraud to provide a resilience message across Scotland's public sector.

15. The wider lesson from this incident, for other councils to consider, is the importance of key internal controls. These are documented in Appendix C and cover areas such as: segregation of duties (including user access rights); effective system reconciliations; system documentation; and effective budget monitoring.

Fraud details

Initial discovery and quantification

16. On 20 May 2016, as part of the council's year end procedures, an invoice for £7,337 was highlighted where supporting information could not be found. A request was made on 23 May to the IT helpdesk to investigate the issue. On 25 May the IT officer investigating the issue (the perpetrator of the fraud) highlighted that he had been carrying out testing of the BACS system and had used his own bank details to test a payment. The employee immediately returned the payment of £7,337 to the council. Finance staff notified senior management and it was agreed that the employee should be suspended with immediate effect to allow for a full investigation to be undertaken. The employee was suspended on 26 May 2016 and Police Scotland notified on 30 May.

17. At the same time a further query on a fleet management invoice by council staff for an invoice of £17,846 highlighted a second bank account, suspected to be controlled by the employee.

18. A formal disciplinary meeting was held with the employee on 9 June 2016, solely in relation to the payment of the initial £7,337 discovered. At the meeting, prior to being issued with a notice of dismissal, the employee tendered his resignation.

19. In June 2016 PwC were requested to provide additional support for the investigation through an existing internal audit contract to:

   - establish the extent of any anomalous payments and where these are posted in the accounting records

   - establish where failings in the current control environment enabled the fraud to be perpetrated without detection

   - identify improvements to the control environment that would help prevent similar incidents in future

   - assess the resilience of the council's systems to external threats.

20. Interrogation of the BACS system by PwC verified £804,775 of fraudulent payments, 44 made to the employee's personal account dating from March 2012 totalling £786,929 and 1 of £17,846 made to a second bank account. The BACS system was upgraded in March 2012 and the council was unable to establish whether payments had been made to these accounts prior to the system change.

21. Police Scotland's investigation subsequently identified an additional 12 fraudulent transactions totalling £260,310 between August 2009 and July 2012.

22. From August 2009 to May 2016 the fraud totalled £1,065,085 resulting from 57 transactions with payments to two bank accounts. These accounts were different accounts from where the employee's salary was paid into.

23. The employee was charged and convicted with regard to the fraud and is currently serving five years in prison.

Financial loss to the council

24. The council has insurance cover (Fidelity guarantee) to protect itself against dishonesty of employees resulting in financial loss to the authority. Following discovery of the fraud, a formal claim was submitted with the insurer appointing an independent loss adjuster to investigate the claim.

25. The council has recovered all of the loss from the fraud excluding the policy excess of £10,000. The recovery methods included the pension of the convicted individual, an ex gratia payment through a third party and the proceeds of the fidelity insurance policy. The recovery also covered £47,141 towards the PwC fees of £55,804 for their investigation.

How the fraud was perpetrated

26. The employee was an IT officer with over 30 years' service, who had extensive access to a large number of the council's financial systems which had been built up over many years.

27. The employee combined his knowledge of the systems, and his system access privileges, to insert fake invoices into the purchase ledger for payment. These invoices appeared to have come through an interface from a sub-system and were payable to known suppliers. The sub-systems did not record these transactions.

28. Further to this, the employee was able to intercept these fake invoices and divert payments to bank accounts within the individual's control. A genuine payment to the same supplier would not be intercepted, resulting in suppliers being paid as normal.

Why budgetary control processes did not detect the fraud

29. Prior to 2012 the council is unable to assess the quality of its control environment as no audit trail has been retained by the council prior to this period. The 45 fraudulent transactions totalling £804,775 that the council is able to access were processed through two systems (29 payments through the construction sub-system totalling £501,407; and 16 payments through the fleet management sub-system totalling £303,368).

30. The construction sub-system is a bespoke system developed in-house in the 1980s. The employee who committed the fraud, was involved in the development and has extensive knowledge of this sub-system. Interfaces from the construction sub-system enter the council's ledger as a batch total split across cost centres rather than on an invoice by invoice basis.

31. The fraudulent transactions were not recorded in the sub-system and the fake interface of these transactions to the purchase ledger resulted in them being split across various cost centres.

32. A review of the construction sub-system would therefore not contain any fraudulent transactions and a review of the general ledger would not allow budget holders to dig down to

individual invoices to investigate variances. As the fraudulent payments were for small amounts between £5,898 and £27,557 over a number of years they did not stand out in the high value and volume of genuine transactions processed through the construction sub-system. Budget monitoring did not, therefore, identify any of the fraudulent payments.

33. The fleet management system is an "off the shelf" system widely used in the private and public sector. The council's ledger for these areas should have been subject to regular management review and would have allowed analysis down to invoice level. One of the fraudulent payments (£17,846 highlighted above) was queried however it is unclear why the remaining payments went undetected by budget holders although the volatility of fuel prices may have helped mask the impact of these payments.

Control weaknesses that facilitated the fraud

34. The PwC report *Phase 1* was issued to management in October 2016. The report highlighted a number of fundamental control failings that enabled the fraudulent payments to go undetected and resulted in key areas for control improvement (Appendix A) in relation to:

- **segregation of duties:** The employee had unrestricted access to a number of key systems across the purchase to payable cycle that allowed the insertion of fictitious invoices and malicious code into interfaces and the BACS payment system.

- **interface reconciliations**: Interface reconciliations were ineffective. An effective interface reconciliation of the number and value of transactions interfaced may have allowed for earlier detection of the fraudulent activity.

- **balance sheet reconciliations**: A reconciliation of the fleet management system to the general ledger was not undertaken. The limitations in the construction sub-system resulted in the reconciliation for the construction system to the general ledger being an ineffective control.

- **supplier statement reconciliations**: The council had not conducted supplier statement reconciliations to supplier's accounts that would have highlighted the fake invoices.

- **system limitation**: Limitations on the construction sub-system had a pervasive impact across the control environment, undermining the effective operation of segregation of duties, interface, and balance sheet reconciliation controls. This was exacerbated by the lack of system and process documentation which articulate the flow of transactions and sets out how interfaces work. The system is viewed by management as no longer fit for purpose and is scheduled to be replaced in 2018.

35. A further PwC review was agreed in December 2016 with the scope to:

- review the control environment over the Construction purchase-to-pay process to identify gaps and/or weaknesses and design appropriate controls to mitigate these

- review the existing reconciliations performed between the Construction sub-system and the council's general ledger to identify and design improvements in the reconciliation process

36. The PwC report *Phase 2* was issued to management in June 2017 and highlighted additional improvements surrounding the construction IT system and included:

- journal, reconciliation and interface controls
- process improvements for journal entries for construction invoices
- construction system and civica reconciliations
- segregation of duties within IT
- super-user/administrative passwords.

Informing the elected members of the fraud

37. The Leader of the Council, Depute Leader and Group Secretary were informed of the fraud through discussions with the Chief Executive and Executive Director of Corporate Services on 13 June 2016. During 2016 the Chair of the Scrutiny Committee and other senior politicians were briefed on the fraud and the actions being taken. No formal documented briefings were presented to members during this time as investigations which were part of disciplinary and police investigations were ongoing. The external auditor has been kept well informed since the discovery of the fraud.

38. Scrutiny Committee members were invited to a briefing in April 2017 and all elected members were invited to attend briefings on the fraud in December 2017. These briefings were also attended by the external audit team who considered them comprehensive and informative.

39. The report to the Scrutiny Committee in December 2017 summarised the above actions and findings from the PwC reports. The reports indicated that all the PwC recommendations had been implemented with the exception of system and process documentation which is nearing completion and is linked with the implementation of the new construction system which is planned to go live in August 2018.

Data analytics

40. To provide assurance to the council that no further fraudulent transactions were processed in a similar manner, in other systems, PwC used data analytics to scan for any anomalous payments:

- identifying suppliers with BACS payments to more than one bank account
- comparing payment files in the purchase ledger and the BACS system
- matching invoices in the construction sub-system with those in the general ledger
- matching invoices in the fleet management system with those in the general ledger

41. The testing did not identify any further fraudulent payments. The testing in this area was restricted to the back-up information retained by the council (e.g. PwC highlighted that only 76.5% of payment files have survived for the analysis of the post 2012 BACS payments). Due to system limitations it was also not possible to run effective analytical tests on payments made through the pre 2012 BACS system.

Internal audit

42. The 2017/18 Internal audit plan agreed by the Scrutiny Committee in April 2017 contains planned reviews of BACS and User Access Levels to provide assurance to members and management around the control environments in these areas.

43. As part of the 2018/19 internal audit plan, resources will be set aside to follow-up on all recommendations made in the PwC report to ensure these have been implemented as intended. A report on the findings from that review will be submitted to the Scrutiny Committee in line with standard reporting procedures.

Further council action

44. The council continues to try to enhance public confidence and improve the organisation's resilience to fraud and corruption, through its Corporate Integrity Group, which had been established in February 2017 and is chaired by the Head of Corporate Finance. The integrity group model used is the approach recommended by Police Scotland's Public Sector Anti-Corruption Unit and is already utilised in a number of Scottish local authorities. The Corporate Integrity Group's remit includes:

- undertaking a fraud and corruption risk assessment and compiling an integrity risk register

- assisting with the development, review and communication of policies and procedures to mitigate the risk of fraud and corruption

- highlighting emerging risks, threats, vulnerabilities and related fraud and corruption opportunities

- receiving, considering and monitoring organisational vulnerability alerts / fraud and corruption flags and developing appropriate mechanisms for reporting and communicating these as appropriate

- agreeing appropriate actions to mitigate the fraud and corruption risks identified, including sustainable preventative measures

- raising awareness of fraud and corruption in the council as a method of prevention

- developing an action plan to implement / address the above and keep the response proportionate to the risks

- ensure proper communication and exchange of information with other groups e.g. Serious Organised Crime Group.

45. Police Scotland has also asked to work jointly with the council to pull together a case study on the fraud that would be valuable in getting the resilience message across Scotland's wider public sector. It is envisaged that this case study would also be used to inform various groups across the public sector including: the Local Government Directors of Finance (Scotland) Group and the Scottish Local Authorities Chief Internal Auditors Group.

Responsibilities for preventing and detecting fraud

46. Councils are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. They are also responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

47. The auditor is required to review those arrangements as part of their responsibility for assessing the suitability and effectiveness of the council's corporate governance arrangements, as required by the Code of Audit Practice. External auditor reports have not identified any weaknesses in the council's overall arrangements for the prevention and detection of fraud.

48. The previous external auditor reported in 2011/12, 2012/13 and 2013/14 that system reconciliations were an improvement area for management to address, although the issues raised were not specifically in relation to either the construction system or the fleet management system. Management agreed to document the key reconciliations that are undertaken around the various financial and non-financial systems operated by the council and to review the sufficiency of each reconciliation and implement an improvement action where required. The external auditor also reported in 2011/12 that the council did not undertake supplier statement reconciliations, with management agreeing that this would be implemented on a sample basis. The reports on the audits of 2014/15 and 2015/16 did not highlight any issues in relation to these areas.

49. As referred to at paragraph 1 above, the current external auditor, appointed in 2016/17, reported on the fraud in her latest annual audit report.

Audit Conclusions

50. Failures in fundamental controls within the council allowed this fraud to continue over a prolonged period. From the 57 fraudulent transactions only 2 were detected by the control systems in operation and resulted in the investigations.

51. On discovering the fraud appropriate action was taken by management as follows:

- individual - immediately suspended and access to systems removed. Disciplinary meeting held timeously where the employee resigned.

- investigations - the review undertaken were appropriately scoped to provide evidence of the fraudulent payments; identify the control weaknesses; and provide assurance that no further frauds had occurred.

- Police Scotland - informed timeously of the council's findings from the reviews and co-operated with the investigations. This resulted in the individual pleading guilty to the embezzlement of £1,065,085 from the council and he was sentenced to 5 years 4 months imprisonment.

- recovery of fraudulent payments - full recovery of the loss has been achieved with the exception of the £10,000 policy excess and £8,663 of PwC fees.

- control improvements - recommendations arising from the two PwC reviews have been implemented with the exception of system and process documentation which is nearing completion and is linked with the implementation of the new construction system which is planned to go live in August 2018. Follow-ups to the PwC reports are to be incorporated into internal audit's 2018/19 plan to provide assurance that the implemented controls are operating effectively.

52. The wider lesson from this incident, for other councils to consider, is the importance of key internal controls. These are documented in Appendix C and cover areas such as: segregation of duties (including user access rights); effective reconciliations; system documentation; and effective budget monitoring.

Appendix A - PwC recommendations

Ref.	Findings	Recommendations
1.	**Restricted access for privileged system users** The method used to process the fraudulent payments was the result of over-reliance on a single individual within IT who abused his privileged access rights. The user had access to systems right across the purchase to payable cycle and was able to use that access to execute the fraud.	Restricting system access rights, and, where possible, segregating responsibilities, limits the ability of any one user being able to bypass system enforced segregation of duties controls. An analysis should be undertaken across the council's financially significant systems, to identify all system administrators and super-users. Where conflicting access rights exist, these access rights should either be segregated or, if segregation is not possible, then monitoring of that user's access should be implemented. The next step is to undertake a wider review of system access for all users across financially significant systems, focusing on identifying potential segregation of duties conflicts and defining the access users require for their job role and responsibilities.
2.	**Interface reconciliations** It is our view that effective interface reconciliation controls may have helped identify the fraudulent transactions earlier.	Controls should be implemented to verify the completeness and accuracy of the data being interfaced between sub-systems and the general ledger. Any differences identified should be investigated and resolved.

Ref.	Findings	Recommendations
3.	**Balance sheet reconciliations** DCC did not conduct a balance sheet reconciliation from the Tranman subsystem to the general ledger. Such a reconciliation would have shown the fraudulent invoices 'routed' through this system. DCC did conduct a balance sheet reconciliation for the Construction subsystem but this was an ineffective control.	It is recommended that DCC reconsider the balance sheet reconciliations that they are performing to determine if there are any missing reconciliations (such as the Tranman reconciliation) and whether the reconciliations that are currently taking place are effective.
4.	**Supplier statement reconciliations** DCC did not conduct any supplier statement reconciliations on the supplier accounts that MC placed his false invoices into. While it is accepted that this may not be practicable for the construction subcontractors, a monthly supplier statement reconciliation of the Scottish Fuels account should have revealed the fraudulent invoices that were 'routed' through the Tranman sub-system.	It is accepted that conducting supplier statement reconciliations is resource intensive, but we recommend that DCC consider whether they could conduct reconciliations on key supplier accounts, where it would be easiest to 'hide' fraudulent invoices.
5.	**System limitations** It is clear that the limitations of the current construction sub-system, DCS, have had a pervasive impact across the control environment, undermining the effective operation of segregation of duties, interface, and balance sheet reconciliation controls. Management have identified that the system is no longer fit for purpose and the process is underway to procure a new construction sub-system to replace the existing construction sub-system.	Until a new construction sub-system can be procured and implemented, management will need to consider the practicalities of developing a short term fix to address these issues.

Ref.	Findings	Recommendations
6.	**System and process documentation**	DCC should document the processes and accounting pathways for each of its systems to ensure that they have a record of how these systems operate for future reference.
	DCC do not have detailed system notes and mapping which articulate the flow of transactions and sets out how the interfaces work.	
	This lack of documentation, while not a factor in enabling the fraud, was a contributing factor in the difficulty in tracking the accounting entries, as DCC could not demonstrate how the accounting systems actually worked. In order to gain an understanding of how the processes were working, PwC had to track entries through the systems, seeking to understand on a step by step basis what was happening at each stage of the process. This task, which was time consuming and labour intensive, would have been significantly streamlined had systems documentation been available.	
	This lack of documentation places DCC at increased operational and financial risk should an unexpected event befall any of its IT systems in future.	

Source: PwC report Phase 1

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Appendix B - Timeline

Date	Event
27 April 2016	Invoice added to system marked Prompt Payment.
20 May 2016	Finance doing year end work and noticed one payment had no invoice or remittance slip.
23 May 2016	On investigation data was going missing from live system, and call logged with IT.
24 May 2016	IT officer assigned call and spoke to finance staff, trace put on payment.
25 May 2016	IT officer advises payment was made into his bank account in error and this money would be refunded into the council's bank account.
26 May 2016	IT officer is suspended from duties and all access to buildings and computer systems is disabled.
30 May 2016	Police Scotland notified of the incident.
6 June 2016	PwC discussion around scope of work for Phase 1 review.
9 June 2016	A formal disciplinary meeting arranged – IT officer resigns from his post.
13 June 2016	Council Leader, Depute Leader and Group Secretary advised of incident.
14 June 2016	PwC begin working with the council.
July to Oct 2016	Chair of Scrutiny Committee and other senior politicians briefed on fraud and action being taken.
6 October 2016	Police Scotland advise officers of fraudulent payment pre 2012.
26 October 2016	PwC report to officers on fraud - Phase 1.
27 October 2016	Briefing with senior politicians from cross parties.
2 November 2016	Briefing for senior politicians and the Administration Group
19 December 2016	Agreed scope of work for Phase 2 of PwC investigation.
19 April 2017	Scrutiny Committee Members briefing on fraud.
1 June 2017	PwC report to officers on Phase 2.
2 August 2017	Individual pleads guilty to embezzling £1.065 million.
24 August 2017	Individual sentenced to 5 years 4 months imprisonment.
5 December 2017	Members briefing on fraud.
13 December 2017	Report to Scrutiny Committee on fraud

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Appendix C - Lessons for other councils to consider

Whilst the fraud was complex, weaknesses in the council's key internal controls, facilitated the fraud and meant that it was not detected for some time. Other councils could learn lessons from this incident. They should consider whether the following fundamental internal controls are operating effectively:

- segregation of duties: ensuring access to systems are restricted to appropriate levels (to negate the possibility of individuals processing transactions all the way through the payments process).

- reconciliations: ensuring feeder systems are effectively reconciled to other systems (e.g. general ledger); using third party information (supplier's statements) and reconciling with payment systems.

- system documentation: system documentation should be maintained which details key controls to be carried out by staff to prevent fraud or error.

- budget monitoring: budget monitoring should be at a level that would allow budget holders to identify anomalous payments at an early stage.