

**458<sup>th</sup> meeting of the Accounts Commission for Scotland**  
**Thursday 13 June 2019, 10.15am**  
**in the offices of Audit Scotland, 102 West Port, Edinburgh**

**Agenda**

1. **Apologies for absence.**
  2. **Declarations of interest.**
  3. **Decisions on taking business in private:** The Commission will consider whether to take items 13 to 16 in private (\* see note).
  4. **Minutes of meeting of 8 May 2019.**
  5. **Audit Scotland Board update:** The Commission will consider a report by the Secretary to the Commission.
  6. **Update report by the Secretary to the Commission:** The Commission will consider a report by the Secretary to the Commission.
  7. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit providing an update on his recent activity.
  8. **Commission meeting arrangements 2020:** The Commission will consider a report by the Secretary to the Commission.
  9. **Briefing: Principles for community empowerment:** The Commission will consider a report by the Director of Performance Audit and Best Value.
  10. **Local government overview report: impact and approach:** The Commission will consider a report by the Director of Performance Audit and Best Value.
  11. **Best Value Assurance Report: Midlothian Council:** The Commission will consider a report by the Controller of Audit.
  12. **Best Value Assurance Progress Report: Clackmannanshire Council:** The Commission will consider a report by the Controller of Audit.
- The following items are proposed to be considered in private:\**
13. **Best Value Assurance Report: Midlothian Council:** The Commission will consider the actions that it wishes to take.
  14. **Best Value Assurance Progress Report: Clackmannanshire Council:** The Commission will consider the actions that it wishes to take.
  15. **Local government financial overview 2018/19: scope:** The Commission will consider a report by the Director of Performance Audit and Best Value.
  16. **Commission business matters:** The Commission will discuss matters of interest.

\* It is proposed that items 13 to 16 be considered in private because:

- Items 13 and 14 require the Commission to consider actions in relation to reports by the Controller of Audit. The Commission is then obliged by statute to inform the councils in question of its decisions, which the Commission does before making the decision public.
- Item 15 proposes a draft audit report which the Commission is to consider in private before publishing.
- Item 16 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers

The following papers are enclosed for this meeting:

<b>Agenda Item</b>	<b>Paper number</b>
<b>Agenda Item 4:</b> Minutes of meeting of 8 May 2019	AC.2019.6.1
<b>Agenda Item 5:</b> Report by Secretary to the Commission	AC.2019.6.2
<b>Agenda Item 6:</b> Report by Secretary to the Commission	AC.2019.6.3
<b>Agenda Item 8:</b> Report by Secretary to the Commission	AC.2019.6.4
<b>Agenda Item 9:</b> Report by Director of Performance Audit and Best Value	AC.2019.6.5
<b>Agenda Item 10:</b> Report by Director of Performance Audit and Best Value	AC.2019.6.6
<b>Agenda Item 11:</b> Report by Controller of Audit	AC.2019.6.7
<b>Agenda Item 12:</b> Report by Controller of Audit	AC.2019.6.8
<b>Agenda Item 15:</b> Report by Director of Performance Audit and Best Value	AC.2019.6.9

MEETING: 13 JUNE 2019

MINUTES OF PREVIOUS MEETING

Minutes of the 457<sup>th</sup> meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 9 May 2019, at 10.00am.

PRESENT: Graham Sharp (Chair)  
Andrew Burns  
Andrew Cowie  
Sophie Flemig  
Sheila Gunn  
Ronnie Hinds  
Christine Lester  
Tim McKay  
Stephen Moore  
Sharon O'Connor  
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)  
Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) (Item 17)  
Gemma Diamond, Senior Manager, PABV (Item 14)  
Lisa Duthie, Senior Auditor, Audit Services (Item 14)  
John Gilchrist, Manager, AQA (Item 17)  
Carole Grant, Senior Audit Manager, Audit Services (Item 14)  
Brian Howarth, Audit Director, Audit Services (Item 14)  
Diane McGiffen, Chief Operating Officer (Item 16)  
Fiona Mitchell Knight, Audit Director, Audit Services (Item 13)  
Owen Smith, Senior Manager, AQA (Item 17)  
Martin Walker, Associate Director (Item 16)  
Peter Worsdale, Audit Manager (Items 10 to 12)

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 11 April 2019
5.	Minutes of meeting of Financial Audit and Assurance Committee of 25 April 2019
6.	Minutes of meeting of Performance Audit Committee of 25 April 2019
7.	Audit Scotland Board update
8.	Update report by the Secretary to the Commission
9.	Update report by the Controller of Audit.
10.	Draft Commission Annual Report
11.	Draft Commission Strategy 2019-24
12.	Commission engagement strategy, report and update
13.	Best Value Assurance Report schedule 2020
14.	Best Value Assurance Report – North Lanarkshire Council
15.	Best Value Assurance Report – North Lanarkshire Council (in private)
16.	Audit Scotland strategic planning update (in private)
17.	Draft Audit Quality Annual Report (in private)
18.	Commission business matters

1. Apologies for absence

It was noted that there were no apologies for absence.

2. Declarations of interest

The following declarations of interest were made:

- Sophie Flemig, in items 14 and 15, having undertaken previous work with North Lanarkshire Council.
- Geraldine Wooley, in item 8, as a member of the Scottish Housing and Property Chamber and Fife Valuation Appeal Committee, in relation to references to housing matters, council tax and non-domestic rates.

3. Decisions on taking business in private

It was agreed that items 15 to 18 be considered in private because:

- Item 15 requires the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the council in question of its decision, which the Commission does before making the decision public.
- Item 16 requires the Commission to consider confidential policy, business and commercial matters.
- Item 17 proposes a draft report which the Commission is to consider in private before publishing.

No business was notified by members for item 18 and thus the Chair advised that the item would not require discussion.

4. Minutes of meeting of 11 April 2019

The minutes of the meeting of 11 April 2019 were approved as a correct record.

Arising therefrom, the Commission:

- In relation to item 10, noted advice from the Secretary that the Best Value Assurance Report for Stirling Council was published on 23 April, and the Commission would be meeting the Council on 27 May to discuss the report and the Council's response to it.
- In relation to item 11, noted advice from the Chair he had advised Audit Scotland Board at its meeting on 1 May of the Commission seeking further assurance from Audit Scotland on contingencies in place in relation to various areas of risk in the project leading to a new Code of Audit Practice and new audit appointments.
- In relation to item 12, noted advice from the Secretary that the 2019 Mainstreaming Equality and Equality Outcomes progress report was published on 6 May.

5. Minutes of meeting of Financial Audit and Assurance Committee of 25 April 2019

The Commission considered and approved the minutes of the meeting of 25 April 2019 as a correct record, subject to noting that the second last bullet point in item 5 should refer to Police Scotland rather than the Scottish Police Service.

6. Minutes of meeting of Performance Audit Committee of 25 April 2019

The Commission considered and approved the minutes of the meeting of 25 April 2019 as a correct record, subject to noting advice from the Secretary that the response to the consultation by the Chartered Institute of Public Finance Accountants had been made available to members on their extranet site.

7. Audit Scotland Board Update

The Commission considered a report providing an update on the recent activity of the Audit Scotland Board.

Arising therefrom, in relation to the minutes of the meeting of Audit Scotland Board of 18 March, the Commission:

- In response to a query from Sheila Gunn in relation to item 9 of the minutes, noted advice from the Secretary that it would be expected that the Commission has a sound understanding of fee setting as part of agreeing a strategy for the procurement of the next round of auditor appointments, and he would discuss further with Audit Scotland arrangements to this end.

*Action: Secretary*

- In response to a query from Ronnie Hinds in relation to item 19 of the minutes, noted advice from the Director of PABV that he would report back on Audit Scotland's review of performance in relation to the Institute of Chartered Accountants professional qualification.

*Action: Director of PABV*

Thereafter, the Commission noted the report.

8. Update report by the Secretary to the Commission

The Commission considered a report by the Secretary 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 Stephen Moore, noted advice from the Secretary and Director of PABV that they would keep the Commission updated on the progress of the Scottish Government's development of the national islands plan.

*Action: Secretary and Director of PABV*

- In relation to paragraph 22, in response to a query from Geraldine Wooley, noted advice from the Secretary that he would report back on any national developments in relation to skills and capacity in the building control profession.

*Action: Secretary*

- In relation to paragraphs 54 and 59, in response to a query from Sheila Gunn, noted advice from the Controller of Audit that council tax and rent arrears were significant risks for councils which he continued to monitor and report to the Commission appropriately.

- In response to a query from Stephen Moore on the progress of the Children and Young People (Information Sharing) (Scotland) Bill, noted advice from the Secretary that he would provide an update in his next report.

*Action: Secretary*

Following discussion, the Commission agreed:

- To note the report.
- Not to respond to the Scottish Government 'Strengthening Fire Safety for High Rise Domestic Buildings' consultation.
- Not to respond to the call for evidence from the Local Government and Communities Committee on the Non-Domestic Rates (Scotland) Bill, but to retain an interest in the committee's work in this regard.

9. Update report by the Controller of Audit

The Commission noted a verbal update from the Controller of Audit on his recent activity.

10. Draft Commission Annual Report 2019/20

The Commission considered a report from the Secretary proposing its draft Annual Report 2019/20.

Following discussion, the Commission agreed to:

- Approve the draft Annual Report 2019/20, subject to the drafting team considering points raised in discussion.
- Approve the publication and promotion arrangements for the report.

*Action: Secretary*

11. Draft Commission Strategy 2019-24

The Commission considered a report from the Secretary proposing its draft Strategy 2019-24.

Following discussion, the Commission agreed to:

- Approve the draft Strategy 2019-24, subject to the drafting team considering points raised in discussion.
- Approve the publication and promotion arrangements for the Strategy.

*Action: Secretary*

12. Commission engagement strategy: report and update

The Commission considered a report from the Secretary proposing the draft progress report against its Engagement Strategy and Action Plan 2018/19 and a revised Engagement Strategy 2019-25.

Following discussion, the Commission agreed to:

- Approve the draft Engagement Strategy and Action Plan 2018/19 and a revised Engagement Strategy 2019-25, subject to the drafting team considering points raised in discussion.
- Approve the publication and promotion arrangements for the documents.

*Action: Secretary*

13. Best Value Assurance Report Schedule 2020

The Commission considered a report by the Director of PABV proposing a schedule of

Best Value Assurance Reports (BVARs) for the fourth year of the BVAR programme, to be reported in 2020.

Following discussion, the Commission:

- Endorsed the proposed schedule.

*Action: Director of PABV*

- Noted advice from the Director, in response to queries from Andy Cowie and Stephen Moore, on how he will ensure learning from BVAR work in island authorities.

14. Best Value Assurance Report: North Lanarkshire Council

The Commission considered a report by the Secretary presenting the Controller of Audit's Best Value Assurance Report for North Lanarkshire Council.

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

15. Best Value Assurance Report: North Lanarkshire Council (in private)

The Commission discussed how to proceed in relation to the Controller of Audit's Best Value Assurance Report for North Lanarkshire Council.

Following discussion, the Commission agreed to make findings, to be published on 23 May

16. Audit Scotland strategic planning update (in private)

The Commission considered a report by the Chief Operating Officer, Audit Scotland providing an update on Audit Scotland's strategic planning process and operating environment and discussing Audit Scotland's key organisational priorities for future years.

Following discussion, the Commission:

- Noted Audit Scotland's strategic planning process and key organisational priorities for future years.
- Noted advice from the Chief Operating Officer and Director of PABV on matters arising from auditor and staff feedback, as reported in the draft *Quality of public audit in Scotland annual report 2018/19*.
- Agreed that Audit Scotland's Human Resources & Organisational Development Manager be considered as a future lunchtime speaker for committee meeting days.

*Action: Secretary and Chief Operating Officer, Audit Scotland*

17. Draft Audit Quality Annual Report (in private)

The Commission considered a report by the Associate Director, Quality Audit and Appointments proposing the draft *Quality of public audit in Scotland annual report 2018/19*.

Following discussion, the Commission agreed:

- That it has positive assurance about the quality of audit work in 2018/19, as reported in quality assurance and reporting processes.



- That this assurance be reported in the Commission's own annual report 2018/19.

*Action: Secretary*

- Noted advice from the Associate Director on ongoing discussions with audit providers on matters arising from auditor and staff feedback, as set out in the report.

- Endorse *Quality of Public audit in Scotland annual report 2018/19*, subject to the Associate Director, Audit Quality and Appointments considering points raised in discussion

*Action: Associate Director, Audit Quality and Appointments*

18. Commission business matters

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

MEETING: 13 JUNE 2019

REPORT BY: SECRETARY TO THE COMMISSION

AUDIT SCOTLAND BOARD UPDATE

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### Purpose

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

### Background

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

### Current Board business

7. This report provides the Commission with the latest available minutes from the meeting of the Audit Scotland Board, in this case the meeting of 1 May 2019. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 5 June 2019, but the minute of this meeting is not yet publicly available as it is yet to be ratified by the Board. This will be available after the next Board meeting on 18 September 2019 and considered by the Commission at its October meeting.

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

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

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

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

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

**Conclusion**

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

**Paul Reilly**  
**Secretary to the Commission**  
**4 June 2019**

# Minutes



Wednesday 1 May 2019, 10.45am

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

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## **Present:**

Ian Leitch (Chair)  
Caroline Gardner  
Graham Sharp  
Heather Logan  
Alan Alexander

## **Apologies:**

None

## **In attendance:**

Diane McGiffen, Chief Operating Officer  
Martin Walker, Assistant Director, Corporate Performance and Risk  
Joy Webber, Senior Executive Assistant  
Mark Taylor, Audit Director, Audit Services and Performance Audit and Best Value  
Mark Roberts, Senior Manager, Performance Audit and Best Value  
David Robertson, Digital Services Manager  
Nicola Paton, PMO Analyst, Digital Services  
Stuart Dennis, Corporate Finance Manager  
Fiona Kordiak, Director, Audit Services  
Simon Ebbett, Communications Manager  
Fiona Daley, Consultant, Audit Quality and Appointments  
Owen Smith, Senior Manager, Audit Quality and Appointments

## **1. Welcome and apologies**

The Chair welcomed members and attendees to the meeting in public of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Monday 29 April 2019.

## **2. Declarations of interest**

There were no declarations of interest.

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

The Board agreed the items to be taken in private.

## **4. Chair's report – verbal update**

Ian Leitch provided a verbal update of meetings with Caroline Gardner and Diane McGiffen on general business matters and of meetings with the Scottish Commission for Public Audit regarding succession planning for Audit Scotland's Board.

The Board welcomed the update.

## **5. Accountable Officer's report – verbal update**

Caroline Gardner invited the Board to note ongoing engagement with the Scottish Parliament on the next round of budget scrutiny. She advised that Mark Taylor attended a meeting of the Convenors Group and there was ongoing discussion about how to support the Parliament's scrutiny of devolved financial powers.

Caroline invited the Board to note recent Public Audit and Post Legislative Scrutiny committee (PAPLS) sessions which had considered The Control of Dogs (Scotland) Act 2010, the coverage of Freedom of Information legislation and evidence sessions on IT system issues.

Caroline advised members that the Social Security report was scheduled to be published on 2 May 2019.

Caroline invited the Board to note that Audit Scotland colleagues were heading into the busiest period of the audit year and that work supporting colleagues' wellbeing over this period was being given a clear priority.

The Board welcomed the update.

## **6. Accounts Commission Chair's report – verbal update**

Graham Sharp invited the Board to note that since the Accounts Commission's meeting on 11 April 2019, it had published Best Value Assurance Reports (BVARs) on South Lanarkshire and Stirling and the 'How Council's work – Safeguarding public money' report.

Graham advised of the forthcoming Local Government and Communities Committee meeting of the Scottish Parliament on 8 May 2019 which would consider the Local Government Overview report.

Graham invited the Board to note that the next meeting of the Accounts Commission would consider its draft Annual report, draft Strategy and draft Engagement Strategy and the BVAR on North Lanarkshire Council.

Graham advised that shortlisting for the Deputy Chair position would take place on 2 May 2019.

## **7. Review of minutes: Board meeting 18 March 2019**

The Board considered the minutes of the meeting of 18 March 2019, which had been previously circulated, and agreed that these were an accurate record, subject to updating when some attendees had joined and left the meeting.

The Chair invited members to note that in relation to Item 20 Graham Sharp had confirmed that the Accounts Commission was content with the overall timeframe set out in the report and would welcome more detailed information on flexibility and contingency in the project plan.

The Board noted that regular updates would be provided as the project progresses.

## **8. Review of action tracker**

The Board noted the updates provided by the action tracker.

## **9. Audit and Accountability framework update**

*Mark Taylor, Audit Director, Audit Services and Performance Audit and Best Value, joined the meeting.*

Mark Taylor introduced the Audit and accountability framework update report, which had been previously circulated.

Mark invited the Board to note the contents of the report and welcomed any comments or questions.

During discussion, the Board welcomed the agreed framework setting out arrangements for the audit and accountability of devolved matters between the Scottish and UK Governments. The Board noted the formal consultation by the Scottish Government with Audit Scotland on the draft framework and the constructive engagement between Audit Scotland and the National Audit Office throughout its development.

Mark advised the Board that Audit Scotland is undertaking the first financial audit of Social Security Scotland, working with the National Audit Office to agree and formalise the audit arrangements for aspects of this work and obtain assurance over areas administered by the Department of Work and Pensions. Mark advised that the team continues to build skills and capacity for auditing wider aspects for the devolved powers, drawing on the skills and experience of the National Audit Office.

The Chair noted the concerns of the Cabinet Secretary in that the framework does not fully satisfy arrangements for Audit Scotland's access to UK public bodies and Mark advised that the Auditor General for Scotland and Audit Scotland share those concerns. Turning to the potential implications of the joint work referred to in paragraph 15, the Chair asked how significant the risk was that agreement is not reached on the audit arrangements. Mark advised, that from a Scottish perspective, the risk relates to the relationship with the National Audit Office and the provision in the framework for the Comptroller and Auditor General to explain any issues to the Scottish Government. Caroline Gardner advised that, while not without risk, the framework will be tested over the next three years when a review of the fiscal arrangements will be carried out by 2022.

Heather Logan asked about planning for the audit work in light of these issues and Mark Taylor advised that Audit Scotland has a plan for the short and medium term.

Alan Alexander welcomed the paper which provided a summary of the risk. Turning to the Memorandum of Understanding (MOU) between Audit Scotland and the National Audit Office, Mark advised of initial discussions with the National Audit Office in advance of the review of the MOU and ahead of starting audit work in late summer 2019. Mark also advised that the MOU is one element of risk mitigation and that Audit Scotland is also considering other options.

Diane McGiffen advised that, in terms of risk and the wider strategic impact on public audit, Audit Scotland regularly explores areas of common interest and concern across the UK through engagement with the UK audit agencies and regular meetings with the Auditors General and Chief Operating Officers.

Following discussion, the Board welcomed the report and expressed its support for the Auditor General for Scotland's position.

*Mark Taylor, Audit Director, Audit Services and Performance Audit and Best Value, left the meeting.*

## **10. EU Withdrawal – verbal update**

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

Mark Roberts provided a verbal update on the recent decision to extend the EU departure date to 31 October 2019.

Mark invited the Board to note the ongoing uncertainty and outlined of what Audit Scotland has done to prepare for EU withdrawal both in audit reporting for 2018/19 and operationally through business continuity planning.

The Chair welcomed the update and Caroline Gardner and Graham Sharp expressed their thanks to Mark and his colleagues for their work in planning, communicating with colleagues and noted the wider benefits for business continuity planning brought by the work.

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

## **11. Information security management policy review**

*David Robertson, Digital Services Manager and Nicola Paton, PMO Analyst, Digital Services, joined the meeting.*

David Robertson introduced the Information security management policy review report, a copy of which had been previously circulated.

Nicola Paton invited the Board to note the policy had been reviewed internally by the Audit Scotland Knowledge, Information and Technology Governance Group (KITGG). She advised that this review had highlighted minor changes which had been incorporated into the policy prior to its consideration and approval by Management Team on 9 April 2019. Nicola invited the Board to approve the updated policy.

Following discussion, the Board approved the Information Security Management Policy.

*David Robertson, Digital Services Manager and Nicola Paton, PMO Analyst, Digital Services, left the meeting.*

## **12. Data protection policy**

Martin Walked introduced the revised draft Data protection policy, which had been previously circulated.

Martin invited the Board to consider and approve the amended policy which incorporated changes to reflect guidance issued by information commissioners relating to the processing of personal data and detailed guidance on the rights of the individual. Martin also advised that that only one subject access request had been received in the current year.

The Board discussed a couple of points for minor clarification and noted that GDPR rules would most likely still apply for some time following the withdrawal from the EU.

Following discussion, the Board approved the updated policy subject to minor amendments.

## **13. 2018/19 Accounting policies, key accounting estimates and judgements**

*Stuart Dennis, Corporate Finance Manager, joined the meeting.*

Stuart Dennis introduced the 2018/19 Accounting policies, key accounting estimates and judgements report, a copy of which had been previously circulated.

Stuart invited the Board to approve the inclusion of the accounting policies, key accounting estimates and judgements in to the notes of the 2018/19 accounts.

The Board noted the good practice and approved the inclusion of the key accounting policies in the notes of the 2018/19 accounts.

*Stuart Dennis, Corporate Finance Manager, left the meeting.*

## **14. Equality outcomes and mainstreaming progress report**

*Gillian Woolman, Audit Director, Audit Services and Richard Robinson, Senior Manager, Performance Audit and Best Value, joined the meeting.*

Gillian Woolman introduced the Mainstreaming equality and equality outcomes progress report, which had been previously circulated.

Gillian invited the Board to review the progress reported, consider and comment on the proposed new outcome and to approve the report for publication.

During discussion, the Board welcomed the new outcome to consider how public bodies address human rights and socio-economics disadvantage.

Caroline Gardner reflected on the excellent work done by the team which captured the range of responsibilities well. Heather Logan welcomed the report, in particular highlighting the examples throughout the report which brought the issues to life. Heather asked if there was any gaps or duplication around the work undertaken on audited bodies by different teams or other regulators. Gillian advised that there were no concerns given the good lines of communication between audit teams on the scope of audits. Richard Robinson advised the overview reports provide one vehicle to draw the key messages together.

Following discussion, the Board welcomed the report and approved its publication.

*Gillian Woolman, Audit Director, Audit Services and Richard Robinson, Senior Manager, Performance Audit and Best Value, left the meeting.*

## **15. Strategic improvement programme 2019-2021 and the Performance management framework project**

Martin Walker introduced the Strategic improvement programme 2019-2021 and Performance management framework project update report which had been previously circulated.

Martin invited the Board to note the progress reported on the overall strategic improvement programme and that the Management Team review of the digitally enabled projects for 2019 on 12 March 2019 had confirmed the need to reschedule the next phase of the performance management framework (PMF) project in order to prioritise system resilience projects.

The Board noted the progress to date and the key messages from the reports previously considered by Management Team. The Board also noted the decision to rephrase the projects.

Heather Logan asked about the options appraisal process for the Time Recording (TR) and PMF systems and the assessment of 'in-house' and 'off the shelf products'. She also asked whether the objective to have a single audit system for electronic working papers (EWP) remained.

Martin advised that a TR and expenses system has been developed in-house which would be assessed against other off the shelf products available in the market. Martin also confirmed that the objective is to have all colleagues use a single TR system.

On the PMF, Martin advised that the Management Team decision to progress the in-house business intelligence led solution was consistent with the recommendation made by external consultants. He advised that the external consultant's report had included an options appraisal which considered three main solutions. These were, an enterprise solution (which typically offers modules for a variety of organisational functions including Human Resources and Finance as well as PMF), a 'stand alone' PMF system and the business intelligence led solution.

Martin advised that EWP would be a significant project and that the objective would be to procure a single EWP system for all of the audit work.

Heather Logan noted that the TR and PMF projects had been running for some time and sought assurance that the proposed solutions would be fit for purpose, cost effective and proportionate for an organisation of Audit Scotland's size. She advised that she would like additional information on project governance and the options appraisal work, and in particular information on the financial implications of the projects and the projected business benefits.

Martin advised the cost of the in-house developed TR system was covered in existing budgets, compared favourably with off the shelf solutions and would provide all the functionality required.

On the PMF, Martin advised that changes to the licensing model for the software to deliver the solution had changed during the course of the project and this amounted to around £35k. In terms of current performance management arrangements Martin advised that these were fit for purpose as confirmed by an internal audit. However, he also advised that the current process



was more labour intensive than he would like and that the new approach would be more efficient and provide for more timely and flexible analysis of the performance data.

Alan Alexander sought clarification on resourcing outlined in Appendix 2 to the report. Martin advised that the Finance system upgrade, the HR system upgrade, TR system and the PMF system have costs and timings attached to them. He advised that the SharePoint on-line project was progressing to schedule and was being delivered within existing resources.

Martin advised that the EWP project was at a very early stage and that an initial project scoping workshop would take place on 8 May 2019. He advised that this would inform the project objectives, scope, timescales, risks, resource requirements and governance and that reports would come forward to the Management Team and the Board as appropriate.

Alan Alexander asked whether the projects are on track. Martin advised that the HR and Finance systems would be upgraded by the end of July and that the TR and expenses system would be in place by October following a period of parallel running in accordance with the schedule. Martin also confirmed that the SharePoint online project is progressing well and is expected to be completed by the end of December as planned.

Diane McGiffen advised that the report was for information only and sought to provide a summary of the strategic improvement programme and an update on the interconnected projects being delivered to support the organisational objectives. Diane advised that further information on the option appraisals, costs and benefits would be shared with members in advance of the next meeting of the Board.

**Action ASB90: Martin Walker to circulate additional information on the projects. (June 2019)**

## 16. Review of audit market – update

*Fiona Kordiak, Director, Audit Services, joined the meeting.*

Fiona Kordiak introduced the Review of audit market update report, a copy of which had been previously circulated.

Fiona invited the Board to consider and comment on the high level summary of issues for audit as reported in the Kingman Review, Competition and Markets Authority report, the Brydon review and the House of Commons Business, Energy and Industrial Strategy Committee inquiry on audit.

The Board emphasised that the public audit model in Scotland, approved by the Audit Scotland Board, has for some years implemented key elements of what is now proposed for the commercial sector. The Board agreed to continue to consider developments as part of the preparation of the new Code of Audit Practice, procurement strategy and the update of the audit quality framework.

The Chair noted Audit Scotland intends to respond to the Brydon Review and advised that the Board would like to see any proposed response.

Following the discussion, the Board welcomed the report.

**Action ASB91: Fiona Kordiak to circulate a copy of the proposed response to the Brydon Review. (May 2019)**

*Fiona Kordiak, Director, Audit Services, left the meeting.*

## 17. Any other business

There was no further business.

## **18. Review of meeting**

The members agreed that items of business had been carefully considered and the Chair thanked everyone for their contributions.

## **19. Date of next meeting: 5 June 2019**

The members noted the draft agenda for the next meeting of the Audit Scotland Board scheduled for 5 June 2019 in the offices of Audit Scotland, 102 West Port, Edinburgh.

## **Items taken in private**

### **20. Draft Corporate plan update 2019/20**

Martin Walker introduced the Draft Corporate plan update 2019/20, which had been previously circulated.

Martin invited the Board to consider and comment on the draft Corporate Plan and subject to any amendments approve the publication of the plan in June 2019.

The Board considered the draft Corporate plan and approved it for publication in June 2019 subject to minor amendments.

### **21. Communication and engagement strategy review**

*Simon Ebbett, Communications Manager, joined the meeting.*

Simon Ebbett introduced the Communication and engagement strategy review update report, which had been previously circulated.

Simon invited the Board to note the workshops with colleagues to refresh the Communications and engagement strategy which had identified common themes about independence and getting messages out to public services users.

The Board welcomed the update.

*Simon Ebbett, Communications Manager, left the meeting.*

### **22. Preparations for audit procurement: project update**

*Fiona Daley, Consultant and Owen Smith, Senior Manager, Audit Quality and Appointments, joined the meeting.*

Fiona Daley introduced the Preparations for audit procurement: Project update report, which had been previously circulated.

Fiona invited the Board to note progress and consider the proposed project governance arrangements outlined in the appendix to the report.

The Board considered the progress reported and agreed with the proposed governance structure.

Following discussion, the Board welcomed the report.

*Fiona Daley, Consultant and Owen Smith, Senior Manager, Audit Quality and Appointments, left the meeting.*



# Agenda



Wednesday 5 June 2019 at 11.30am

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

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1. Welcome and apologies
  2. Declarations of interests
  3. Decision on items to be taken in private For approval
- 

## Standing items

4. Chair's report – verbal update For information
  5. Accountable Officer's report – verbal update For information
  6. Accounts Commission Chair's report – verbal update For information
  7. Review of minutes: Board meeting 1 May 2019 For approval
  8. Review of action tracker For information
- 

## Business performance

9. Q4 Financial performance report For information
  10. Q4 Corporate performance report For information
  11. Q4 Becoming world class improvement programme update report For information
- 

## Governance

12. 2018/19 Annual report on International work For approval
13. 2018/19 Annual report on Freedom of information and environmental information requests For approval
14. 2018/19 Annual report on complaints For approval
15. 2018/19 Annual report from the Chair of the Remuneration and Human Resources Committee For approval
16. 2018/19 Annual report from the Chair of the Audit Committee For approval

- |  |              |
|--|--------------|
| 17. 2018/19 Governance statement on internal control and certificate of assurance      | For approval |
| 18. Policy on the provision of non-audit services by Audit Scotland's external auditor | For approval |
| 19. Review of HR policies  | For approval |
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## Conclusion

- 20. Any other business
  - 21. Review of meeting
  - 22. Date of next meeting: 18 September 2019
- 

## Items to be taken in private

- |   |              |
|---|--------------|
| 23. 2018/19 Audit Scotland Annual report<br>[Item to be taken in private to support the effective conduct of business, intended for future publication]                         | For approval |
| 24. 2018/19 Annual report on Quality of public audit in Scotland<br>[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 25. Preparations for audit procurement: project update<br>[Item to be taken in private due to commercial sensitivity]   | For approval |

MEETING: 13 JUNE 2019

REPORT BY: SECRETARY TO COMMISSION

UPDATE REPORT

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## Introduction

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

## Commission business

### *Publications*

4. On 6 May the Accounts Commission and Audit Scotland [published](#) the Mainstreaming and Equality Outcomes Progress Report 2017-19. The Commission approved the draft report at its meeting on 11 April. In doing so, the Commission noted that, of the two outcomes agreed as a basis for the Commission's reporting, the second outcome refers to Audit Scotland's role as an employer, and accordingly the Commission does not report progress against this outcome. To this end, Audit Scotland's Remuneration Committee (of which the Commission Chair is a member) approved the Audit Scotland Annual Diversity Report for 2018-19 - proposed by Audit Scotland's People Focus Group and Management Team - at its meeting on 22 May, and the report will be published on the [Audit Scotland website](#) on 14 June.
5. On 21 May the Accounts Commission and Auditor General [published](#) the 'Drug and alcohol services' briefing. This paper was produced to allow the Commission and Auditor General to consider future work in this area. It provides an overview of the current position of drug and alcohol services in Scotland as well as noting progress against recommendations made in the 2009 report. The report noted that drug-related deaths remain significantly high in Scotland, particularly in comparison to other parts of the UK and across Europe. In addition, drug problems are increasing in people aged 35 and over, with 76 per cent of drug-related deaths occurring in this age group in 2017.
6. On 23 May the Commission [published](#) the North Lanarkshire Council Best Value Assurance Report. The report stated the council's strong financial planning and management means it is in a good position to meet future challenges. The report also acknowledged the ambitious vision of the council but underlined the need to work with

communities and stakeholders to help achieve their plans.

7. On 31 May the Accounts Commission published its [annual report for 2018/19](#). This annual report sets out the Commission's work over the year, along with its work programme for 2019/20. The Commission also published its [strategic plan](#) for the next five years and annual action plan, along with its [engagement strategy](#).
8. Audit Scotland collects [media coverage](#) on all the reports published by the Accounts Commission. Audit Scotland also provides a weekly summary of the [key media stories regarding local government](#). Both are available through Audit Scotland SharePoint, on the Accounts Commission Members' Extranet.
9. The download statistics of the reports published over the last 12 months (as at 22 May) are set out in **Appendix 1**.
10. NAO response
11. Brydon response

#### ***Other business***

12. On 22 May, members of the Commission met with representatives of South Lanarkshire Council to discuss the [BVAR on the council](#) which was published on 28 March. The Commission was represented by Sophie Flemig, Christine Lester and Tim McKay. Paul Reilly, Secretary to the Commission and Fiona Mitchell-Knight, Audit Director, Audit Scotland (the appointed auditor for the council) were also present. The council was represented by John Ross, Leader of the Council and Leader of the Scottish National Party Group; Alex Allison, Leader of Conservative Group; Margaret Cooper, Leader of Independent Group; and Joe Fagan, Leader of Labour Group. Officers present were Lindsay Freeland, Chief Executive; Paul Manning, Deputy Chief Executive / Executive Director of Finance and Corporate Resources; Michael McGlynn, Executive Director of Community and Enterprise Resources; Tony McDaid, Executive Director of Education Resources; Danny Lowe, Executive Director of Housing and Technical Resources; and Val de Souza, Executive Director of Health and Social Care Resources. The council will consider the report at its meeting on 26 June.
13. On 27 May, members of the Commission met with representatives of Stirling Council to discuss the [BVAR on the council](#) which was published on 25 April. The Commission was represented by Ronnie Hinds, Andrew Cowie and Pauline Weetman. Fiona Mitchell-Knight, Audit Director, Audit Scotland (the appointed auditor for the council) was also present. The council was represented by Scott Farmer, Leader of the Council and Leader of the Scottish National Party Group; Danny Gibson, Depute Leader of the Council and Leader of the Scottish Labour Party Group; Neil Bennie, Leader of the Conservative and Unionist Group; Carol Beattie, Chief Executive; Isabel McKnight, Chief Officer, Strategic Commissioning and Customer Development; Jim Boyle, Chief Officer, Finance; and Julia McAfee, Chief Officer, Governance. The council will consider the report at its meeting on 27 June.
14. On 15 May Audit Scotland, as external auditor for West Dunbartonshire Council, [published](#) their review of the investigation of tendering and contracting practices in Roads and Greenspace services in West Dunbartonshire Council. The auditors found that the council's controls to monitor revenue spend on contracts, across all services, were ineffective. They also reported that the controls to ensure personal relationships between officers and suppliers do not influence contract awards were ineffective, and that the time the council took to investigate the allegations was excessive. At a special meeting of West Dunbartonshire Council on 14 May, elected members considered and

noted the recommendations, as well as the council's actions to take on the recommendations. The auditors will monitor progress, and in line with their reporting arrangements on the annual audit, will provide a summary of progress to the council and the Controller of Audit in September's Annual Audit Report.

15. At the previous meeting of the Commission, I advised that I would report back on any national developments in relation to skills and capacity in the building control profession. On 20 May the Scottish Government published the [New Housing and Future Construction Skills Short Life Working Group's report](#). The group made 40 recommendations to the Scottish Government to address housing construction skills gaps. They include investment in apprenticeships, upskilling current workers and encouraging more people to work in the sector. A report on stakeholder views on challenges for housing to 2040 has also been published. It calls for improvements to existing housing stock, more recognition of the challenges facing rural areas and greater community involvement in planning decisions.
16. At the previous meeting of the Commission, I advised that I would provide an update on the status of the [Children and Young People \(Information Sharing\) \(Scotland\) Bill](#). The Bill was introduced on 19 June 2017. It seeks to amend the Children and Young People (Scotland) Act 2014 on the provision of information in relation to the named person service and the preparation and implementation of child's plans. The Bill provides for a Code of Practice that will be used by organisations and individuals within those organisations responsible for deciding whether they hold relevant information and whether they should share it. The Bill is amidst scrutiny stages, led by the Education and Skills Committee. Most recently, in January 2017, the Convenor of the committee wrote to the Cabinet Secretary for Education and Skills seeking clarification on a previous letter that Professor Iain Welsh OBE, chair of the Getting It Right For Every Child Practice Development Panel, sent to Mr Swinney regarding the draft Code of Practice for information sharing. This initial letter provided an update on the Panel's work, outlining some of the challenges that the Panel has faced with regards to keeping the draft Code 'simple, concise and accessible', as well as informing Mr Swinney that the Panel were going to initiate a short period of engagement work to seek feedback from key stakeholders. The letter that the Convenor of the Education and Skills Committee sent to Mr Swinney sought assurances about the organisations that would be consulted and the timescales for completing this engagement exercise. The chair of the Panel provided details of the organisations that would be consulted in this short engagement exercise in a letter on the 27 February, including informing Ms Adamson that the Panel aims to produce a report for Mr Swinney shortly.

### **Audit Scotland**

17. On 10 May Fiona Kordiak, Director, Audit Services, Audit Scotland, was appointed as the new chair of The Chartered Institute of Public Finance and Accountancy.

### **Issues affecting local government**

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

18. On 27 April the Scottish Government launched their [Families and Communities Third Sector Fund](#). This fund will aim to reduce inequalities through training in prenatal skills, a focus on early years intervention and greater certainty for third sector organisations to plan and deliver services.
19. On 28 April the Scottish Government announced a consultation on codifying the UN Convention of Rights of the Child. She said it would be fully incorporated into Scots law by the end of the current Parliament in 2021. The First Minister also announced



the establishment of a Social Justice & Fairness Commission to demonstrate how additional powers could reduce poverty.

20. On 28 April First Minister Nicola Sturgeon MSP [announced](#) a consultation on short-term lets, which will consider how local authorities can balance the housing needs of communities and wider economic and tourism interests. A research annex paper has also been [published](#). The consultation will close on Friday 19 June.
21. On 30 April the Scottish Government [announced](#) an additional £80 million will be provided over the next two years to help council deliver affordable homes. The Scottish Government claims that this additional investment will mean local authorities will share a total of £1.3 billion between now and 2021 to help achieve the Scottish Government's ambitious aim to deliver 50,000 affordable homes, with 35,000 available for social rent, by that date.
22. On 30 April Deputy First Minister and Cabinet Secretary for Education John Swinney MSP [urged](#) all local authorities to provide free music tuition for school pupils.
23. On 1 May the Scottish Government [announced](#) that over £190m had been paid out to more than 326,000 households in emergency grants since April 2013. Grants are given to people facing disaster or emergency situations, and to families facing exceptional pressure with one-off costs for items including beds, washing machines or cookers.
24. On 2 May the Scottish Government [published](#) their 'Lessons Learned for Delivery of The Devolved Benefits' report which seeks to set out the lessons that have been learned by the Scottish Government over the delivery of the devolved benefits.
25. On 2 May the Scottish Government [launched](#) the £17m Scottish Social Growth Fund, which will enable social enterprises, charities and voluntary groups deliver community projects while contributing to the wider economy. Organisations will be able to access affordable and flexible loans of between £100,000 and £1.7 million from the new fund.
26. On 7 May the Scottish Government published a [toolkit](#) for the delivery of devolved benefits and a [guide](#) to information held by the Scottish Commission on Social Security.
27. On 8 May the Scottish Government [launched](#) their Investing in Communities Fund. This £11.5 million fund encourages community-led development, design and delivery of sustainable local solutions addressing local issues, circumstances and aspirations. Grants of up to £250,000 are available over three years providing stability and recognising the need for longer term planning in some projects.
28. On 9 May Loganair [called](#) on the Scottish Government to extend the existing exemption from Air Passenger Duty to cover flights from mainland airports to the Highlands and Islands. Under current rules, passengers flying from Highlands and islands airports are exempt from the duty, and now the airline wants to see that exemption applied to include inward flights to the region.
29. On 10 May Dr Dame Denise Coia [resigned](#) as chair of the Scottish Government and COSLA's taskforce on young people's mental health due to illness.
30. On 13 May the Scottish Government [announced](#) that it will set up an advisory group on how body image affects young people's mental wellbeing. Members will identify ways to improve support for young people affected by this.

31. On 14 May the Scottish Government [published](#) the fifth annual summary report for the Home Energy Efficiency Programmes for Scotland. The report focuses on the outcomes achieved from 2017-18 and an overview of the progress since 2013.
32. On 16 May the Scottish Government and COSLA [published](#) a joint statement on the local governance review, outlining how they will work together to empower local communities and councils across Scotland. They state that the early findings of the review confirmed that those who responded to the survey believe that communities should have more control of decisions that impact on their lives. This is particularly the case for control over decisions that are seen to directly affect their local communities. The Scottish Government and COSLA will now consider the next steps of the review, committing to further dialogue with communities.
33. On 16 May the Scottish Government [published](#) guidance on funeral costs. It includes provisions on addressing funeral poverty. The Scottish Government will also introduce a new funeral support payment this year to replace the UK's funeral payments.
34. On 16 May the Scottish Government has published the [latest estimates](#) of fuel poverty and extreme fuel poverty under the proposed new definition following Stage 2 of the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Bill. The publication provides a comparison of fuel poverty rates between the current and proposed new definition across a range of households. An [island communities impact assessment](#) for the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Bill has also been published.
35. On 20 May the Scottish Government started accepting consultations on the implementation of the Gender Representation on Public Boards (Scotland) Act 2018. The Scottish Government is specifically seeking views on two elements of implementation:
  - Draft regulations setting out the arrangements for reporting on progress under the Act; and
  - Draft guidance on the operation of the Act.
36. On 22 May the Scottish Government opened a [consultation](#) on how best to incorporate the United Nations Convention on the Human Rights of the Child into Scots Law. Incorporating the UNCRC will strengthen existing work to protect and respect children.
37. On 22 May the Scottish Government opened a [consultation](#) on the length of time that people can stay in temporary accommodation. The consultation closes on 14 August.
38. On 29 May the Scottish Government published [information](#) about public finances for the 2019-20 period. The report references that the Auditor General have given their accounts for 2017/18 a 'clean bill of health'.
39. On 29 May the Scottish Government [published](#) the latest statistics on its non-domestic rates revaluation appeals up to 31 March 2019. It revealed 49% of appeals against the 2017 revaluation of properties had been resolved, with a reduction in rates by £103m.
40. On 29 May the Scottish Government [published](#) statistics on non-UK nationals in Scotland's workforce. It revealed 81.2% of working age EU nationals were in employment, a rate which was higher than UK nationals (74.5%). The number of EU nationals in employment fell for the first time since records began in 2007, though, by 7.6%. In terms of sectors, it was found around two-thirds worked in either the hospitality, public sector or finance industries.

41. On 30 May the Scottish Government [announced](#) that, in 2019/20, an additional £50 million would be allocated to a range of funds to help close the attainment gap in Scotland's schools.
42. On 30 May the Scottish Government published the [Medium-Term Financial Strategy](#). The Scottish Fiscal Commission has also published its report on [Scotland's Economic and Fiscal Forecasts](#), alongside a [report summary](#).

#### 43. Poverty and Inequality Commission

##### **Scottish Parliament**

###### *General*

44. On 29 April the Scottish Parliament Information Centre (SPICe) [published](#) a briefing on the Scottish National Investment Bank Bill.
45. On 30 April SPICe released findings which suggest that 56 per cent of school pupils claim that they have been unable to study certain subjects from National 4 level onwards. It was claimed that pupils were being unable to study subjects such as: modern studies, languages and sciences.
46. On 2 May SPICe [published](#) a briefing paper on the Health and Care (Staffing) (Scotland) Bill. This briefing was published prior to the Stage 3 debate.
47. On 8 May the Scottish Parliament [passed](#) the Age of Criminal Responsibility Bill. This bill will raise the age of criminal responsibility in Scotland to 12.
48. On 7 May Kate Forbes MSP, minister for public finance and digital economy, [responded](#) to a parliamentary question submitted by Mike Rumbles MSP over how much local authorities were paying in non-domestic rates on bus shelters in 2018-19. Ms Forbes stated that £764,424 was paid in non-domestic rates by local authorities on bus shelters in 2018-19.
49. On 10 May MSPs unanimously passed the Vulnerable Witness Bill. This will allow child witnesses to pre-record evidence ahead of criminal trials. The changes in the Vulnerable Witnesses Bill are intended to minimise further distress to children who have experienced or witnessed serious crimes such as murder, sexual assault or human trafficking.
50. On 10 May SPICe [published](#) their 'Devolved social security powers: progress and plans' briefing. This report attempts to provide an update on the devolution of certain aspects of social security. Audit Scotland is mentioned throughout this briefing.
51. On 10 May SPICe [published](#) its latest briefing on Brexit.
52. On 14 May SPICe [published](#) a briefing paper on the Non-Domestic Rates (Scotland) Bill. This briefing attempts to explain the background to the legislation, an overview of Non-Domestic Rates in Scotland, and an introduction to the general principles of the Bill.
53. On 15 May Pauline McNeil MSP [tabled](#) a Members' Bill on the private rented sector. The Fair Rents (Scotland) Bill intends to protect tenants by introducing rent controls and increasing the amount of information that is published on rent levels. The consultation on the Bill runs until 6 August.

54. On 29 May Michael Russell MSP, cabinet secretary for government business and constitutional relations, [tabled](#) the Referendums (Scotland) Bill. This is framework legislation which seeks to make provision for the holding of referendums through Scotland.
55. On 29 May SPICe [published](#) its 'Primary Care in Scotland' briefing. This briefing attempts to inform how primary care operates in Scotland.

### **Parliamentary Committee News**

#### *Local Government and Communities Committee*

56. On 1 May the Committee took evidence on new powers arising from the withdrawal of the United Kingdom from the European Union from Councillor Alison Evison, president of the Convention of Scottish Local Authorities (COSLA), Julie Welsh, director, Scotland Excel, Gordon McLaren, former chief executive of ESEP Ltd., and Malcolm Leitch, chair of the European funding sub-group of the Scottish local authorities economic development group.
57. On 3 May the Committee [published](#) a letter from Kevin Stewart, Minister for Local Government and Housing regarding allocation of the full 2019-20 resource planning assumptions to council areas.
58. On 8 May the Committee took evidence from Dr Graham Sharp, chair of the Accounts Commission, Fraser McKinlay, controller of audit, Claire Sweeney, audit director and Ashleigh Madjitey, senior auditor, on the [Local government in Scotland: Challenges and performance 2019](#) report.
59. On 3 June the Committee [published](#) a letter to Susan Aitken regarding the Accounts Commission overview report. The letter seeks an update on the Council's performance in providing temporary or emergency accommodation to individuals presenting as homeless and on its approval of a "housing first" policy towards homeless.
60. On 15 May the Committee took evidence from Shaheena Din, national manager at the Scottish empty homes partnership, and Derek Logie, chief executive of Rural Housing Scotland, as part of their inquiry into empty homes.
61. On 16 May the Committee [published](#) a letter from Alison Evison, President of COSLA, regarding the impact of EU returned powers on local government.
62. On 20 May the Committee [published](#) its work programme for the remainder of the session. Some work remains to be confirmed, however the Committee has announced it will look into the Non-Domestic Rates Bill and continue its inquiry into empty homes. The Committee agreed to focus on the long-term financial sustainability of local government during its 2020-21 pre-budget scrutiny. It also expects to return to building regulations and fire safety, homelessness and the small business bonus scheme in the medium to long term.
63. On 22 May the Committee held their first evidence session on the Non-Domestic Rates (Scotland) Bill by taking evidence from a range of stakeholders.
64. On 30 May the Committee announced that it would shortly be holding an evidence session on the impact that spending reductions has had on local government. The session will examine how cuts to spending were achieved, whether through efficiencies or reductions in services. It will also look at distribution of cuts across different tiers of local government and the impact of funding mechanisms such as business rates retention. The Committee will also explore how the system of local

government finance could be improved, hearing from a group of local government think tanks.

*Public Audit and Post Legislative Scrutiny Committee*

65. On 25 April the Committee took evidence from Caroline Gardner, Auditor General for Scotland, Fraser McKinlay, Director of Performance Audit and Best Value and Antony Clark, Audit Director, on Audit Scotland's future work programme.
66. On 9 May the Committee took evidence from Jim Harra, deputy chief executive and second permanent secretary, Her Majesty's Revenue and Customs (HMRC) and Jackie McGeehan, deputy director for income tax policy, HMRC, on the administration of Scottish Income Tax 2017-18.
67. On 16 May the Committee took evidence from Caroline Gardner, Mark Taylor, Audit Director, Gemma Diamond, Senior Manager and Kirsty Ridd, Senior Auditor on the section 23 report, 'Social security: Implementing the devolved powers.'
68. On 30 May the Committee took evidence from Caroline Gardner, Auditor General for Scotland, Mark Taylor, Audit Director, Gemma Diamond, Senior Manager and Kirsty Ridd, Senior Auditor on Audit Scotland's report on the delivery of Social Security Scotland.

*Finance and Constitution Committee*

69. On 24 April the Committee held a roundtable event with a range of stakeholders on earnings in Scotland.
70. On 8 May the Committee took evidence from Derek Mackay MSP, cabinet secretary for finance, economy and fair work, and other representatives from the Scottish Government as part of their inquiry into earnings in Scotland.
71. On 15 May the Committee took evidence from Ivan McKee MSP, minister for trade, investment and innovation, and Stephen Sadler, head of trade strategy, Scottish Government on trade negotiations.
72. On 29 May the Committee published a report on the 2016-17 and 2017-18 audits of NHS Tayside. The report concluded that while the NHS in Scotland is under significant pressure the performance of NHS Tayside needs to be significantly improved.
73. On 29 May the Committee held a roundtable event with a range of stakeholders on the implementation of Additional Dwelling Supplement (ADS). It was brought to the Committee's attention that ADS applied to local authorities and was costing them "significant" amounts of money. It was noted housing associations were exempt from the tax due to their status as a charity. Some witnesses called for local authorities to be granted the same exemptions, arguing the financial impact of the tax was reducing its effectiveness, due to increases in rent prices.

*Other Committees*

74. On 2 May the Economy, Energy and Fair Work Committee [published](#) a report about the Companies Act 2006 (Scottish public sector companies to be audited by the Auditor General for Scotland) Order 2019.
75. On 10 May the Rural Economy & Connectivity Committee has [launched](#) a survey on the proposed workplace parking levy. The levy would give local authorities the ability to charge organisations for workplace parking spaces. John Finnie MSP has lodged [amendments](#) to the Transport (Scotland) Bill which would legislate to give councils this

additional power. The proposal emerged out of budget talks between the Government and the Greens. The survey will close on Monday 20 May and the amendment is likely to be debated on Wednesday 19 June.

76. On 16 May the Rural Economy and Connectivity Committee published a [report](#) on the draft Public Appointments and Public Bodies etc (Scotland) Act 2003 (Treatment of South of Scotland Enterprise as Specified Authority) Order 2019. It states: “*Advice from Audit Scotland is that the leadership of merged and new bodies is in place 6 months ahead of the new body taking on its full functions.*”
77. The Standards, Procedures and Public Appointments Committee has published its [Annual Report 2018-19](#). The report highlighted the Committee’s recent efforts to implement recommendations from the Commission on Parliamentary Reform. These recommendations included granting the Presiding Officer the option of extending decision time by 20 minutes in exceptional cases, the addition of one extra session of Portfolio Questions each week and the end to scripted diary questions during First Minister’s Questions. The report also highlighted the Committee’s recent work on sexual harassment and the code of conduct for MSPs.
78. On 22 May the Rural Economy and Connectivity Committee has published its [Annual Report](#). The report includes information on all the legislation, inquiries, petitions and evidences sessions that the Committee has considered throughout the year. The Committee’s work on the Transport Bill and the South of Scotland Enterprise Bill was highlighted. During the Committee’s meeting today, evidence will be given from Nottingham Council on the Workplace Parking Levy. The Committee has also published a [summary](#) of the responses it has received for its online survey on the levy. Of the 4,491 individual respondents, 59% supported the introduction of the levy.
79. On 28 May the Health and Sport Committee has published its [annual report](#). The report outlines the Committee’s scrutiny work across a range of topics, including the Year of Young People, NHS Governance, suicide prevention and healthcare in prisons. Its role as the lead committee for the Health & Care (Staffing) (Scotland) Bill and the Human Tissue (Authorisation) (Scotland) Bill was also addressed in the report.
80. On 28 May the Delegated Powers and Law Reform Committee [published](#) a letter from the Scottish Government on the Non-Domestic Rates (Scotland) Bill.
81. On 30 May the Rural Economy and Connectivity Committee rejected the Restricted Roads (20mph Speed Limit) (Scotland Bill). Following the publication of its Stage 1 report, the Committee concluded that it supported the aims of the Bill but did not believe the blanket reduction in speed limits was appropriate. The Committee also cited concerns over costs and implementation times. Members felt local authorities should be afforded more flexibility.

### **COSLA**

82. On 31 May council leaders from across Scotland met for their monthly leaders’ meeting. The theme of the meeting revolved around suicide prevention and how the new suicide and mental health training resources can help those in need of support.

### **Improvement Service**

83. On 1 May the Improvement Service [published](#) a briefing note on the Fairer Scotland Duty which came into force on the 1st April 2018.

84. On 17 May former Chief Executive of the Improvement Service, Colin Mair, died. Mr Mair served in the position of Chief Executive of the Improvement Service from 2005 until his retirement in March 2018.
85. On 23 May the Improvement Service [announced](#) that West Lothian Council would now be using the [parentsportal.scot](#) platform for their schools. This service was developed by the Improvement Service and seeks to improve the communication between schools and parents.
86. On 24 May it was [announced](#) that the Spatial Information Service (SIS) had published several new datasets as part of the Spatial Hub data publication schedule. The datasets that were published, included information on renewable energy sites, wind turbine spatial framework and local development plans.
87. On 27 May the Improvement Service [published](#) information on their [#CelebrateCommunityCouncils](#) campaign that they ran throughout April. This campaign asked Twitter users to share their success stories of being involved with a community council.

### ***Community Planning Improvement Board***

88. The Community Planning Improvement Board provides dedicated support for community planning in Scotland. Audit Scotland's Director of Performance Audit and Best Value is a member of the Board. On 30 May the Board met in the offices of Audit Scotland. Some of the items being considered at this meeting included a discussion around the recently published Local Governance Review report. In addition, the board also discussed their work plan for the next two years. The work programme will revolve around addressing the following key challenges:
  - Strengthened leadership and influence at CP level
  - Community participation, particularly for vulnerable and hard to reach groups and communities of interest
  - Effective decision making and good governance
  - Innovative approaches to joint planning, service design and resourcing
  - Availability and use of high-quality local data and insights to support decision making
  - Supporting innovation, improvement and sharing best practice

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

89. On 8 April the Scottish National Party's Steven Rome won the North East By-Election in Dundee. Mr Rome received 1,507 first preference votes with Labour candidate Jim Malone receiving 1,224 votes on a turnout of 28.4%. This seat was previously held by the Labour Party.
90. On 10 May the Conservative's Craig Hoy won the Haddington and Lammermuir By-Election in East Lothian. Mr Hoy won the by-election with 35% of the vote. The by-election was sparked by the resignation of Conservative councillor Brian Small.

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

91. On 26 April it was [reported](#) that council officials from Aberdeen City Council were looking to make trips to North America, Asia, Africa and South America as they seek out new business opportunities. Local authority leaders have emphasised the need to build relationships with countries outside Europe as uncertainty over the future

relationship with the EU continues.

92. On 29 April the Glasgow Connectivity Commission published their phase 2 report which examined Glasgow's future transport needs. The report called for approximately £10bn worth of investment to be spent over the next 20 years on a range of measures that would upgrade the city's transport capacity.
93. On 30 April 93 per cent of pupil support staff that are members of GMB Union voted against Highland Council's proposal for the re-deployment of 63 additional support need staff across the local authority area. The staff re-deployment plan is part of a plan to reduce the budget by £700,000 across ASN services in Highland schools in 2019, with a further £1m a year in budget reductions planned for 2020 and 2021.
94. On 1 May Citizens Advice Scotland [launched](#) a new online tool – [www.checkmycounciltax.scot](http://www.checkmycounciltax.scot) – to help people check if they are entitled to reductions, exemptions or deductions on their council tax. This was in response to statistics which suggest that an estimated 80,000 low incomes households in Scotland were paying too much Council Tax.
95. On 8 May campaign group Research for Action [called](#) on Scottish local authorities to renegotiate some of their loans in order to make savings. The campaign group has called on local authorities in Scotland to follow Newham Council's decision to restructure its Lender Option Borrower Option (Lobo) loans. Newspaper reports suggest that the English local authority renegotiated its Lobo loan, a move that officers apparently believe could save £143m.
96. On 9 May Aberdeen City Council called on the Scottish Government to devolve powers over airport taxes to the local authority. This followed the decision of the Scottish Government to abandon their plans to replace airport passenger duty with a devolved air departure tax.
97. On 17 May Highland Council [agreed](#) to transfer land and property held in its ownership to two community groups for £1 each.
98. On 18 May the chair of the East of Scotland European Consortium (ESEC), Councillor Will Dawson, [wrote](#) to Liz Truss, Chief Secretary to the Treasury, in order to seek assurance about the UK Shared Prosperity Fund (UKSPF). This fund is being lined up to replace the EU Structural and Investment fund which will cease once the UK leaves the European Union.
99. On 21 May John Mundell was [appointed](#) Interim Chief Executive of Orkney Islands Council as a result of current Chief Executive Alistair Buchan's absence due to illness.
100. On 22 May the Fraser of Allander Institute [released](#) analysis council tax rates are now markedly lower in Scotland than in England and Wales. By 2019/20, average band D council tax in Scotland is 21 per cent lower than in Wales and 28 per cent lower than in England. Back in 2008/09, the average band D council tax in Scotland was around 10 per cent higher than the average band D charge in Wales, and 16 per cent lower than the average in England. The Fraser of Allander Institute have called for a fundamental reform of council tax, if councils are to raise additional revenue from local taxation.
101. On 24 May it was [reported](#) that lawyers representing Glasgow City Council started legal action to mandate First Bus to share liability for compensation payouts to bereaved families affected by the George Square bin lorry crash in 2014.



102. On 28 May social workers in West Dunbartonshire who are members of Unison [voted](#) overwhelmingly to take strike action over workloads and working environments. 98.6 per cent of members voted in favour for strike action, with 82 per cent of members responding to the ballot.

### ***Other Scottish public policy news***

103. On 27 April the National Farming Union (NFU) [warned](#) that the consequences of the UK withdrawing from the European Union without a deal would be an 'absolute disaster' for Scottish farming. The NFU further argued for the UK Government to guarantee it would match funding currently distributed by the Common Agricultural Policy.
104. On 30 April Which? [published](#) their Consumer Insight Report 2019 Scotland. The report collates survey data on the worries, optimism, trust, spending intentions and financial pressures experienced by people living in Scotland. The research found a greater proportion of trust in the water industry than any other nation. Scottish consumers reported lower trust than their UK counterparts in everyday banking services (39 per cent compared to the UK average of 45 per cent). There are specific sections on broadband coverage and rail satisfaction, areas that Which? has been campaigning on.
105. On 2 May the Committee on Climate Change [released](#) their 'Net Zero: The UK's contribution to stopping global warming' report which suggested that Scotland could achieve net-zero greenhouse emissions by 2045. The CCC said its recommendations are achievable with known technologies, alongside improvements in people's lives, and at an affordable overall cost, with new targets covering all Scottish emissions, including from international aviation and shipping. It said the goal should be to deliver them entirely through domestic effort in Scotland. The Scottish Government accepted the took action on the recommendations of the report by lodging amendments to the Climate Change Bill, setting a legally binding target of net-zero greenhouse emissions by 2045, with Scotland becoming carbon neutral by 2040.
106. On 1 May Scotland's chief statistician [published](#) new statistics which indicates that Scotland's GDP grew by 0.3% during the fourth quarter of 2018.
107. On 1 May [Four Season Health Care](#), which operates more than 30 care homes in Scotland, entered into administration.
108. On 7 May the leader of the Scottish Conservatives, Ruth Davidson MSP [announced](#) that if her party was to be elected as the next Scottish Government they would raise the school leaving age to 18. This would mean that anyone under 18 had to either go to college or university, or if they want to start work, it would have to be through a structured apprenticeship or a traineeship
109. On 8 May the Royal Society for the encouragement of Arts, Manufacturers and Commerce (RSA) [published](#) their 'A Basic Income for Scotland' report. The researchers investigated the recent basic income pilot in Fife and modelled the potential outcomes of the policy. It concluded that an annual basic income of £2,400 would halve destitution and reduce relative household poverty by 8.5 per cent, while £4,800 would end destitution and reduce relative household poverty by 33 per cent.
110. On 13 May Common Weal published a policy paper on fuel poverty. The group has called for the creation of new district heating systems to improve the provision of affordable heating and reduce carbon emissions. Researchers say the Scottish Government has "failed to learn" from the experiences of other countries which had

used a multi-technology approach combining solar thermal, biomass, heat recovery and inter-seasonal heat storage systems.

111. On 15 May [new research](#) was released by Loughborough University suggested that 46 per cent of children in some of Glasgow constituencies are living in poverty. In Scotland, eight local authorities have more than 25 per cent of children living in poverty. The highest levels of poverty are in Glasgow Southside (46 per cent), Glasgow Shettleston (42 per cent) and Glasgow Kelvin (41 per cent).
112. On 15 May the Office for National Statistics published the latest [national](#) and [regional](#) labour market statistics alongside a [productivity estimate](#) and [economic commentary](#). Unemployment in Scotland fell by 0.2 per cent in Q1 2019, but economic inactivity rose by 0.3 per cent which led to an overall decrease in employment by 0.1 per cent down to 75.4 per cent. The UK employment rate (76.1 per cent) was higher than Scotland but UK unemployment was also higher, standing at 3.8 per cent compared to 3.2 per cent. Labour productivity across the UK fell for the third consecutive quarter, dropping by 0.2 per cent.
113. On 24 May IPPR Scotland and the Joseph Rowntree Foundation [published](#) a post on poverty within Scotland. The post claimed that the Scottish Government should introduce the income supplement earlier than originally planned. The report states that without new measures being introduced, 50,000 more children will fall into poverty between 2017-18 and 2023-24. The income supplement is due to be introduced as part of the Scottish Government's new social security system in 2022.
114. On 27 May the [results](#) of the European Election were officially declared for Scotland. The Scottish National Party won 3 seats with The Brexit Party, Liberal Democrats and Conservatives all winning one seat each.
115. On 28 May Reform Scotland [published](#) their 'Beyond Holyrood: Why Scotland's economic future depends on local power' report. This report, which focused on fostering a link between greater localism and economic growth, calls for the Scottish Government to empower local authorities. This would allow different areas to tackle specific regional issues, such as high levels of poverty or increased numbers of retirees. It adds that powers to introduce levies such as a tourist tax should be granted, as well as introducing directly elected mayors.

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

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

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

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

117. On 9 May [Councillor Margot Russell, who serves on Midlothian Council was sanctioned for breaching the Councillor's Code of Conduct](#) by the Standards Commission at a public hearing held in Dalkeith. The case related to aspects of the Code on fairness and impartiality in the instance of a planning decision. Councillor Russell was suspended from Midlothian Council's Planning Committee for a period of one month.

118. On 9 May [Councillor John Hackett, who serves on Midlothian Council was sanctioned for breaching the Councillor's Code of Conduct](#) by the Standards Commission at a public hearing held in Dalkeith. The case related to aspects of the Code on fairness and impartiality in the instance of a planning decision. Councillor Hackett was suspended from Midlothian Council's Planning Committee for a period of one month.
119. On 15 May Councillor Gregor Murray, who serves on Dundee City Council was sanctioned for disrespectful conduct by the Standards Commission at a public hearing held in Dundee. The case related to aspects of the Code on the relationships with other councillors and members of the public
120. 3.2 You must respect your colleagues and members of the public and treat them with courtesy at all times when acting as a councillor.
- 121.
- 122.
123. Councillor Murray was suspended for a period of two months.

### ***Care Inspectorate***

124. On 23 April the Care Inspectorate [published](#) the 'Inspection of justice social work services in Scottish Borders council'. The report noted that individuals subject to community payback orders experience strong, respectful and consistent relationships with staff. However, the service is not yet able to demonstrate the difference these relationships are towards achieving improved outcomes. Operational managers also supporting their staff well, however the report also notes that local leaders do not have sufficient understanding of the performance of the service to inform improvement priorities.
125. On 17 May the Care Inspectorate [published](#) their 'A quality framework for care home for adults.' This guidance document will aid inspectors in carrying out their duties under the newly introduced Health and Social Care standards.
126. On 21 May the Care Inspectorate and Inspiring Scotland [published](#) their guidance document, 'Out to play: Practical guidance for creating outdoor experiences in early learning and childcare.' This document aims to support the Scottish Government's: A Blueprint for 2020: the Expansion of Early Learning and Childcare in Scotland.

### ***Her Majesty's Chief Inspector of Constabulary Scotland (HMICS)***

127. On 21 May a report by HM Inspectorate of Prisons for Scotland (HMIPS) stated that there was a lack of attention and care to the mental health needs of young people on remand and in custody at Polmont Young Offenders Institute. This HMICS's review was requested following the deaths of Kate Allen and William Lindsay at Polmont Young Offenders Institute. The HMIPS report made seven key recommendations, including minimising social isolation for those newly on remand, improved risk management between agencies on young people entering and leaving custody, and the development by NHS Forth Valley and the Scottish Prison Service of a "bespoke suicide and self-harm strategy".

### ***Education Scotland***

128. On 25 April a number of primary and secondary schools were [nominated](#) for a number of awarded at the 2019 Scottish Education Awards. Results will be announced on 5 June 2019.
129. On 13 May Education Scotland [launched](#) the Creative Curriculum Fund. This fund – which is aimed at secondary schools - will seek to tackle challenges relating to learner voice, senior phase, pathways, timetabling, work based learning, school environment,

learner/teacher relationships, and inter-disciplinary learning amongst others. The fund will award ten schools with £3,000 to employ an individual or organisation to drive forward creative approaches to problem solving.

130. On 23 May Education Scotland [launched](#) the Compassionate and Connected Classroom resource. This resource aims to help provide primary school pupils with the skills to be able to combat adversity.

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

131. On 9 May the Scottish Housing Regulator [published](#) their action plan for 2019-20, setting out what they hope to achieve over the following year.

## **UK Parliament**

### ***General***

132. On 1 May Peter Wishart, MP for Perth and North Perthshire [announced](#) that he would compete to become the next Speaker of the House of Commons.
133. On 1 May the Prime Minister [sacked](#) Gavin Williamson following accusations that he disclosed information relating to Huawei from the National Security Council. He is strenuously denying any involvement in the leak and claims the move was politically motivated. Penny Mordaunt MP has been appointed as his successor and becomes the first woman to hold the position.
134. On 24 May Theresa May MP [announced](#) that she would stand down as Leader of the Conservative Party on Friday 7 June, triggering a leadership contest. She will remain Prime Minister until the conclusion of that contest.

### ***Housing, Communities and Local Government Committee***

135. On 23 April the committee took evidence from Heather Wheeler MP, minister for housing and homelessness, on the implementation of the Homelessness Reduction Act.
136. On 1 May the committee [published](#) its 'Funding of local authorities' children's services report. The report stated that the current levels of funding for children's services are unsustainable and the 2019 Spending Review must reflect the increased demand and pressures on local authorities' children's services.
137. On 7 May the committee took evidence from Kit Malthouse MP, housing minister, and Andrew Stephenson MP, minister for business and industry, as part of its inquiry into modern methods of construction.
138. On 13 May the committee held an evidence session with a range of stakeholders as part of its inquiry into local government finance and the 2019 Spending Review. This inquiry will consider the adequacy of current funding arrangements for local government to provide local services, both now and in the long term.
139. On 20 May evidence the committee held its opening evidence session as part of its inquiry into the implications of the waste strategy for local authorities.

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

140. On 30 April the committee took evidence from Santander, Royal Bank of Scotland, Bank of Scotland and TSB as part of their inquiry into access to financial services.
141. On 1 May the committee continued its inquiry into the closure of bank branches across Scotland by taking evidence from a range of stakeholders.
142. On 3 May the Scottish Affairs began its inquiry into problem drug use in Scotland. The committee took evidence from a range of stakeholders.
143. On 10 May the Scottish Affairs Committee has published the UK Government's response to the Committee's report on the future of the oil and gas industry. In the response, the Government did not directly address the Committee's call for a sector deal, and instead stated its relationship with the sector is already "well-established".
144. On 14 May the committee took evidence from Fergus Ewing MSP, cabinet secretary for the rural economy, as part of its inquiry into the future of the Scottish agriculture.

### ***Public Accounts Committee***

145. On 1 May the committee published their 'Disclosure and Barring Service: progress review' report.
146. On 13 May the committee took evidence from a range of stakeholders on Local Enterprise Partnerships.
147. On 15 May the committee [published](#) a report on local governance and accountability in England. The report noted that local governance arrangements are being stretched and tested as local authorities take on more risks and look for innovative ways to deal with funding pressures and growing demand for services. In addition, the report claims that the UK Government's oversight of local authority governance has been reactive and ill-informed.
148. On 17 May the committee [unveiled](#) its series of inquiries that it will hold over the coming months. This includes an inquiry session on funding for Scotland, Wales and Northern Ireland.

### **Other UK Audit Bodies**

#### *National Audit Office*

149. On 24 April the National Audit Office [published](#) guidance for audit committees on cloud services. This guidance document provides an overview of cloud services as well as a series of informed questions that audit committee members may want to ask on how local authorities use and managed cloud services.
150. On 8 May the National Audit Office [published](#) a progress update on local enterprise partnerships.
151. On 17 May the National Audit Office published a [briefing](#) about the UK Government's preparation for trade negotiations.

#### *Northern Ireland Audit Office*

152. On 1 May the Northern Ireland Audit Office [published](#) guidance on partnership working for public bodies.
153. On 15 May the Northern Ireland Audit Office [published](#) a report about mental health in the criminal justice system.

#### **Other general – UK**

154. On 26 April Cabinet Office minister for the UK Government, David Lindington MP, [launched](#) a new tool which will seek to improve responses to cyber attacks for local government, emergency services and SME's. The free 'Exercise in a Box' tool will provide bespoke guidance from the National Cyber Security Council to help organisation understand better the cyber risks they face.
155. On 28 April Ciaran Martin, chief executive of the National Cyber Security Centre [warned](#) that the threat of a serious, category one cyberattack is high. A category-one attack is classed as a "national cyber emergency", according to official NCSC classification.
156. On 7 May the Institute for Government [published](#) a report on the impact of Brexit on devolution.
157. On 14 May the Institute for Fiscal Studies and Nuffield Foundation [launched](#) the Deaton Review. This project will attempt to chart inequality in the UK across income, wealth, political participation, health and social opportunities. It will also cover gender, ethnicity, geography, age and education. The initial [briefing](#) sets out the UK's current position, including background statistics and the challenges the country will face in the future.
158. On 22 May the ONS has published the latest [inflation figures](#) alongside statistics on [house prices](#), [rental prices](#), [construction](#), [producer prices](#), [household income](#) and [public sector finances](#). Inflation was 2% in April, up from 1.8% in March. This was driven by air fares and energy prices. Regarding public sector finances, borrowing decreased to a 17-year low, at £23.5bn. Meanwhile, public debt has increased by £20.5bn compared with the previous financial year.
159. On 22 May the UN Special Rapporteur on Extreme Poverty has published a report which claims 14 million people in the UK live in poverty, while 1.5 million people experience extreme destitution. The report highlights that increased cuts to public services since 2010 have led to the high levels of deprivation.
160. On 20 May Living Streets published a survey of UK parents of children aged between four and 11 which showed that 65% of respondents are concerned about the effect of air pollution on their children's health. In addition, 40 per cent of respondents are specifically concerned about the levels of air pollution around their child's school or on the school run, despite driving to school making air quality worse and exposing children to even more pollution inside the car. Living Streets claim the level of air pollution is stopping many children from waking to school.
161. On 23 May it was [reported](#) that the UK had been replaced by Singapore at the top of this year's Government AI Readiness Index. This is a global ranking of countries whose governments are prepared to capitalise on artificial intelligence technologies in public services. The index scored governments across 11 metrics, divided into four broad categories: governance; infrastructure and data; skills and education; and government and public services.

## **Conclusion**

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

**Paul Reilly**  
**Secretary to the Accounts Commission**  
**13 June 2019**

## **APPENDIX 1: Accounts Commission reports in past 12 months - downloads**

<b>Report</b>	<b>Date</b>	<b>Report downloads</b>	<b>Podcast downlds</b>
<a href="#">Stirling Council: BV Assurance Rprt</a>	25 Apr 19	442 (+205)	25 (n/a)
<a href="#">How council work: Safeguarding public money</a>	11 Apr 19	839 (+282)	n/a
<a href="#">South Lanarkshire Council: BV Assurance Rpt</a>	28 Mar 19	549 (+135)	26 (n/a)
<a href="#">Local government in Scotland: Challenges and performance 2019</a>	21 Mar 19	1,649 (+313)	74 (n/a)
<a href="#">Local government in Scotland: Challenges and performance 2019 - Supplement</a>	21 Mar 19	202 (+32)	n/a
<a href="#">Social Work in Scotland – Impact report</a>	5 Dec 18	895 (+75)	n/a
<a href="#">Local government in Scotland – Financial overview 2017/18</a>	28 Nov 18	2,532 (+141)	78 (n/a)
<a href="#">Local government in Scotland – Financial overview 2017/18 - Supplement</a>	28 Nov 18	312	n/a
<a href="#">Dumfries &amp; Galloway Council BV Assurance Rpt</a>	22 Nov 18	1,184 (+73)	*
<a href="#">Health and social care integration: update on progress</a>	15 Nov 18	9,705 (+750)	284 (<30)
<a href="#">East Lothian Council Best Value Assurance Report</a>	1 Nov 18	1,242(+42)	78 (n/a)
<a href="#">Children and young people’s mental health</a>	13 Sep 18	7,206 (+643)	216 (+36)
<a href="#">Community Planning – an update – Impact report</a>	24 Aug 18	867 (+58)	n/a
<a href="#">Glasgow City Council Best Value Assurance Report</a>	23 Aug 18	1,791 (+50)	71
<a href="#">West Dunbartonshire Council Best Value Assurance Report</a>	28 Jun 18	1,374 (+32)	21
<a href="#">Maintaining Scotland’s roads: a follow-up report – Impact report</a>	27 Jun 18	1,118 (+92)	n/a
<a href="#">Accounts Comm annual report 2017/18</a>	7 Jun 18	605 (+31)	n/a
<a href="#">Accounts Comm engagement strategy and plan 2018/19</a>	7 Jun 18	690 (+46)	n/a
<a href="#">Accounts Comm Strategy and annual action plan 2018-23</a>	7 Jun 18	842 (+39)	n/a
<a href="#">Accounts Comm engagement plan 2017/18 progress</a>	7 Jun 18	47 (n/a)	n/a
<a href="#">Best Value Assurance Report: East Ayrshire Council</a>	29 May 18	2,184 (+83)	104 (n/a)
<a href="#">Best Value Assurance Report: Fife Council</a>	24 May 18	2,2258 (+33)	110
<a href="#">Councils’ use of ALEOs</a>	17 May 18	2,279 (+86)	62

### **Key:**

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



**MEETING: 13 JUNE 2019**

**REPORT BY: SECRETARY TO THE COMMISSION**

**COMMISSION MEETING ARRANGEMENTS 2020**

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### **Purpose**

1. The purpose of this report is to propose meeting arrangements for the Commission for 2020.

### **Background**

2. The Commission has in its Strategy a commitment to continuously improve how it does its business and to consider how it can manage better its business.
3. This paper seeks the Commission's approval of a schedule of meetings for 2020. It also reviews aspects of how the Commission conducts its business.

### **Summary proposal**

4. The Commission has in place an approach to meeting which has the following features:
  - 11 monthly Commission meetings, with a break in July.
  - Meetings generally on the second Thursday of every month.
  - Meetings start at 10.15am, preceded by an informal private business session at 9.30am.
  - Quarterly committee meetings, with two optional dates (see paragraph 9 below) in late spring and autumn.
  - Committees meet on the same day, with the Financial Audit and Assurance Committee meeting at 10.00am and the Performance Audit Committee starting at 2.00pm.
  - A guest speaker session during committee meeting days.
5. The attached Appendix proposes a schedule of meetings for 2020.

### **Conducting our business**

6. The Commission has progressed several aspects of its meeting arrangements in recent years, including improvements to the agenda style; scheduling a members' private business session; holding a meeting of its committees in the Audit Scotland office in Glasgow; and improvements to the publicising and reporting of meetings on social media and website.
7. It is proposed to continue the practice of holding the September meeting of the committees in Glasgow. (Members have already agreed that this year's committee meetings - on 26 September – will be held in Glasgow.)
8. The Commission is asked to consider if there is anything else in its current meeting arrangements that it would like to review.

## **Committee days**

9. The Commission's committees meet quarterly. This year, in addition, there were two optional dates identified, in June and August 2019. The Performance Audit Committee will meet in June and I will notify members in early course about any need for the committees to meet in August. I therefore propose the same arrangement for 2020.
10. This year the Commission has also continued the practice of having a guest speaker on the day that its committees meet. The schedule for the remainder of the year is:
  - 26 September – Poverty and inequalities
  - 28 November – Scottish Crown Estate
11. Members also recently considered a range of possible subjects for beyond this period, with the following provisionally agreed (subject to agreeing the overall calendar for meetings):
  - February 2020: Integration authorities
  - April 2020: National Performance Framework.

## **Strategy seminars**

12. In considering the proposed schedule, the Commission should also consider the scheduling of its strategy seminars, of which there are two during the year. We have discussed previously reviewing the purpose and use of the two events, with a desire of making more use of our autumn event. The arrangements in this regard are still being refined, so it is proposed that, as a placeholder, members reserve two sets of dates involving an overnight event, but with the likelihood that only one of these will be required (and the other reverts to a daytime event). Detailed arrangements will be made and reported to the Commission in early course.

## **Conclusion**

13. The Commission is invited:
  - a) To consider the proposed schedule and arrangements for meetings of the Commission and its committees in 2020.
  - b) If minded to retain a speaker session during committee days, note the schedule of speakers for the remainder of 2019 and early 2020 (set out in paragraphs 10 and 11).
  - c) To consider the proposal to provisionally hold two sets of dates for overnight strategy seminar events.

**Paul Reilly**  
**Secretary to the Accounts Commission**  
**4 June 2019**

## **APPENDIX**

### **ACCOUNTS COMMISSION**

#### **MEETING SCHEDULE 2020**

9 January	Accounts Commission
6 February	Accounts Commission
20 February	Committees
12 March	Accounts Commission
17 & 18 March	Strategy seminar (provisional)
9 April	Accounts Commission
23 April	Committees
7 May	Accounts Commission
11 June	Accounts Commission
18 June	Committees (optional date – only if business requires)
13 August	Accounts Commission
27 August	Committees (optional date – only if business requires)
10 September	Accounts Commission
15 & 16 September	Strategy seminar (provisional)
24 September	Committees (Glasgow)
8 October	Accounts Commission
12 November	Accounts Commission
26 November	Committees
10 December	Accounts Commission

#### **Proposed 'committee day' arrangements:**

10.00am – 12.00pm: Financial Audit and Assurance Committee

12.15pm – 12.45pm: Lunch

12.45pm – 1.45pm: Visiting speaker

2.00pm – 4.00pm: Performance Audit Committee

**MEETING: 13 MAY 2019**

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

**PRINCIPLES FOR COMMUNITY EMPOWERMENT**

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### **Purpose**

1. This paper introduces the attached Principles for community empowerment document.
2. The Principles document responds to a request from the Strategic Scrutiny Group (SSG) for Audit Scotland to work with other scrutiny bodies on this important topic. The Principles document is a joint output produced by local government scrutiny bodies working together to get a shared understanding of community empowerment and an agreed framework under which to carry out scrutiny work.

### **Background**

3. The Commission has had a long-standing interest in the community empowerment agenda and has received regular updates about ongoing work.
4. The Community Empowerment (Scotland) Act 2015 confers a number of duties on a wide range of public bodies and community planning partnerships, alongside local authorities. While the Commission has no specific audit responsibility in respect of the Act, there is a resonance with the Commission's powers in relation to Best Value. Current Best Value guidance requires councils to consult and involve communities. The Scottish Government and CoSLA are currently revising this guidance, and it can be expected that revised best value statutory guidance for local authorities will be consistent with the requirements of the 2015 Act.
5. One of the Commission's strategic priorities is empowering local communities and involving them in the design and delivery of local services and planning for their local area. The SSG also recognises that community empowerment is relevant to all parts of the public sector and is an area of increasing importance given evolving legislation and policies. The SSG asked Audit Scotland to work collaboratively with scrutiny partners to develop a shared understanding of community empowerment, considering what it means for scrutiny work.
6. The Community Empowerment Advisory Group (CEAG) was set up in 2017, including experts in the field of community empowerment, alongside representatives from scrutiny bodies (membership attached). The CEAG held a series of discussions around community empowerment to understand the various organisations' roles and agree how they could work together. During late 2018 and early 2019, a smaller working group carried out more detailed work to develop the Principles paper. Audit Scotland group members drafted the paper, liaising with the rest of the sub-group.

### **Purpose of the Principles document**

7. Scrutiny bodies have an important role to play in holding public bodies to account and helping them to improve. The Principles for community empowerment document aims to raise awareness of community empowerment and promote a shared understanding across scrutiny bodies, and to support high-quality scrutiny of community empowerment.

8. Although the document was primarily developed for scrutiny bodies, it will also be of benefit to public bodies, and their partners, to be aware of the expectations of scrutiny bodies when carrying out audit and scrutiny work and provide a framework of what good community empowerment looks like.
9. We are agreeing a statement from the SSG to replace the current introduction so that the purpose of the document is clearer. We will make clear that it is not intended to be guidance or a checklist for public bodies, rather a useful tool as they develop approaches to community empowerment.
10. The Principles document provides:
  - the current overview of what we mean by community empowerment
  - summarises some of the opportunities and challenges experienced by communities and public bodies
  - identifies some principles for public bodies to help them make the most of the opportunities
  - highlights some good examples of what is already happening across Scotland.
11. The SSG recognises that scrutiny bodies have different remits and approaches to their work. Each scrutiny body is responsible for determining how and when they will examine and report on aspects of community empowerment, coordinating their work programmes with other scrutiny bodies. There may also be opportunities for joint working across scrutiny bodies on specific pieces of work.
12. The full CEAG met on 16 May 2019 and agreed the document. The SSG met on 28 May 2019 and supports the Principles and agreed it is a useful document to share more widely with public bodies and their partners.

### **Areas still in development**

13. We are still finalising the case studies, references to key work and the graphical presentation of the information. We have based the format of the document on the Audit Scotland document [Principles for a digital future](#). We are also still implementing some of the SSG and CEAG's comments, including:
  - Risk – need something in about inherent risks, public bodies will have to take risks, but manage in a sensible, proportionate way. Risks in not doing anything.
  - Outcomes – being more explicit about links to improving outcomes and National Performance Framework.
  - Other areas to build into document: community development principles, how to involve disenfranchised parts of communities, be more explicit about involving children and young people and making sure they have a say.
  - Case studies – emphasis on learning and transferable lessons rather than the process, don't need to be finished product.

### **Potential for promoting the Principles**

14. We will explore ways to promote the Principles paper through our wider stakeholder engagement in relation to community empowerment, and BVARs and relevant performance audits. We are also discussing with contacts at COSLA and the Scottish Government about organising an event later in the year on Community Empowerment/ Participatory Budgeting/ Digital, which would be an opportunity to promote the Principles paper. The document could also be shared on scrutiny bodies' websites and promoted via blogs, videos or social media.

## **Conclusion**

15. The Commission is invited to:
- a) provide feedback and endorse the Principles paper
  - b) consider proposals for promoting the principles.

**Fraser McKinlay**  
**Director of Performance Audit and Best Value**  
**4 June 2019**

# Principles for community empowerment

Draft May 2019

# Introduction

Community empowerment is relevant to all parts of the public sector and is an area of increasing importance given developing legislation and policies. The Community Empowerment (Scotland) Act 2015 requires community planning partners to secure the participation of community bodies in community planning. In particular, those that represent the interests of people who experience inequalities of outcome from socio-economic disadvantage.

It is important that public service providers and scrutiny bodies have a shared understanding of what we mean by community empowerment and consider what it means for our work.

This document applies to all public bodies and aims to support improvement. Rather than provide a checklist of actions, we have set out core principles for all public sector organisations to consider. It provides:

- an overview of what we mean by community empowerment
- summarises opportunities and challenges experienced by communities and public bodies
- outlines principles to help public bodies make the most of the opportunities
- highlights good practice examples of what is already happening across Scotland.

The document was prepared by Audit Scotland, working with a Community Empowerment Advisory Group (CEAG). The group includes experts in the field of community empowerment and representatives from Scottish public bodies and scrutiny bodies.

The CEAG was set up under the direction of the Strategic Scrutiny Group (SSG), which brings together Scotland's main public-sector scrutiny bodies. Community empowerment is a priority area for the SSG.

## Community empowerment advisory group (use logos)

- ❖ Scottish Government
- ❖ COSLA
- ❖ Health Scotland
- ❖ Inspiring Scotland
- ❖ SURF
- ❖ North Ayrshire Council
- ❖ South Ayrshire Council
- ❖ Scottish Community Development Centre
- ❖ The Consultation Institute
- ❖ Stratagem Int
- ❖ Scottish Community Safety Network
- ❖ Scottish Council for Voluntary Organisations
- ❖ What Works Scotland
- ❖ Scottish Health Council
- ❖ Forest Enterprise Scotland
- ❖ Development Trust Associations Scotland
- ❖ Improvement Service
- ❖ Education Scotland
- ❖ Audit Scotland
- ❖ Care Inspectorate
- ❖ HM Inspectorate of Constabulary for Scotland
- ❖ Scottish Fire and Rescue Service
- ❖ Police Scotland



# Community empowerment is about supporting people to take more control over their lives

## Definition of community empowerment

There is no one standard definition of community empowerment:

- The [World Health Organisation](#) describes community empowerment as:

*the process of enabling communities to increase control over their lives.*

- Similarly, the [Scottish Government](#) defines community empowerment as:

*a process where people work together to make change happen in their communities by having more power and influence over what matters to them.*

Communities may be geographically located, or they may share common interests, concerns or identities.

## What is community empowerment?

Community empowerment processes support people to do things for themselves and enable people to take control over the decisions and factors that affect their lives and communities.

Effective community empowerment processes:

- shift power and influence from government and agencies into the hands of communities and citizens
- are underpinned by changes in the feelings and confidence of those being empowered
- help to build trust between communities' and public bodies providing their everyday services, and their partners, and increase the value they place on the relationship
- requires the active understanding and commitment from a wide number of stakeholders to achieve it.

# Community empowerment is a priority in Scotland

## Implementing community empowerment

Empowering communities is a national priority for the Scottish Government. It is an important part of public service reform, focusing attention on reducing disadvantage and inequality and improving outcomes for communities.

Community empowerment is central to a human rights based approach to policy and decision making. The human rights PANEL principles (Participation, Accountability, Non-Discrimination and Equality, Empowerment and Legality) mean that:

- people should be involved in decisions that affect their rights and be fully supported to take part in developing policy and practices which affect their lives
- prioritising those people who face the biggest barriers to realising their rights.

Community empowerment is a gradual process which involves continual learning and the constant building of a community's capacity to articulate and address their priorities. It also involves communities having greater influence and input to decision-making. Public bodies and communities are likely to be at different stages as they develop their understanding and gain confidence in working together. Public bodies need to invest in capacity building appropriate to their local communities, particularly in the poorest communities, to successfully address inequalities.

In some communities, people may already be driving change and public bodies have a role in supporting and facilitating this. Other communities will need to be supported to participate more fully. Public bodies should be finding ways to empower communities, for example by sharing and shifting power in decision making and enabling local communities to make a difference.

- If people are driving the activity, scrutiny bodies need to consider how public bodies help catalyse the activity, how they respond to it and support it. For example, a local community group has developed a befriending project to link socially isolated people back into the community. They may want to access some training that the council could provide.
- If public bodies are driving the activity, scrutiny bodies need to consider how effective it is and what difference it is making to service delivery and outcomes for local communities. Leadership, organisational culture and ways of working are key to supporting staff to deliver change and work effectively with their communities.

# Community empowerment is a priority in Scotland

\*Turn this into a timeline exhibit

- In 2011, the [Christie Commission](#) on the future delivery of public services identified four principles for public services reform. One of the principles is that public service reforms must aim to empower individuals and communities receiving public services by involving them in the design and delivery of the services they use.
- In 2014, the [Commission on Strengthening Local Democracy](#) published its report. It identified seven principles for stronger democracy in Scotland.
- The [Community Empowerment \(Scotland\) Act 2015](#) provides supportive legislation which places duties on public bodies and provides rights for those being engaged and empowered.
- In June 2018, the Scottish Government launched its refreshed [National Performance Framework](#) jointly with COSLA with a new outcome: *'We live in communities that are inclusive, empowered, resilient and safe.'* More empowered communities will also help achieve the other outcomes set out in the NPF.
- The [Islands \(Scotland\) Act 2018](#) aims to further empower island communities.
- During 2018 and 2019, the Scottish Government and COSLA are undertaking a review of local governance to look at how local decisions are made and how local democracy is working ([Democracy Matters](#)).

## The Community Empowerment (Scotland) Act 2015

The Act is based on the principles of subsidiarity (that social and political decisions are taken at as local a level as possible), community empowerment and improving outcomes. Underpinning all these provisions is the intent to focus attention on reducing disadvantage and inequality.

The aims of the legislation are to:

- empower community bodies through ownership of land and buildings and through strengthening their voices in the decisions that matter to them
- support an increase in the pace and scale of public sector reform by cementing the focus on achieving outcomes and improving the process of community planning.

Three major elements of the Act have implications for audit and scrutiny:

- Part 2 is about strengthening community planning to give communities more of a say in how public services are to be planned and provided.
- Part 3 enables communities to identify needs and issues and request action to be taken by public bodies on these. These are known as participation requests.
- Parts 4 and 5 extends the community right to buy or otherwise have greater control over assets.

# People driving community empowerment

## Community led and based organisations

Established by individuals or community groups, these are often known as community anchors. They can have different purposes, but generally provide support, opportunities and develop positive cultures for people to feel valued and able to participate, influence and make local decisions. They are often a community development trust or a community-controlled housing association (see Case study on slide 10). For example, Ardenglen Housing Association is a community controlled housing association which owns almost 1,000 homes in the east of Castlemilk in Glasgow. Over the past 20 years, it has channelled almost £50m of public money into transforming the housing, local environment and living conditions of their community in Castlemilk.

## Community activism

Individuals or community groups have self-organised to tackle a local issue, often known as community activism. Here, members of a community voluntarily work together, in a planned way, to bring about a clearly identified and agreed change which contributes to an improvement in quality of life.

## Participation in local decision-making structures

People have a voice on local decision-making structures and are helping to improve the lives of others in their community through new or improved services. This could be delivered by individuals and / or co-produced with local organisations.

## Land or island buy-out

Individuals or community groups have self-organised to buy land or an entire island. The right to buy land is extended under Part 4 of [the Act](#).

## Asset transfer

Community bodies have bought, lease, manage or use land and buildings belonging to the public sector. This is known as asset transfer and is covered under Part 5 of [the Act](#). To do this, the community must set out what it plans to do with the asset and how it will improve economic development, regeneration, health, social or environmental wellbeing, or reduce inequalities.

## Participation request

A community body can request to take part in a process with a public body where it believes it could help improve an outcome. This is known as a participation request and is covered under Part 3 of [the Act](#). An individual community body requests a discussion with public authorities on their terms to have a say about local issues and services. It can also involve getting better access to a decision making process, such as a board, working group or meeting, and making it more transparent to the wider community.

# Public bodies supporting community empowerment

## People deciding how local money is spent

This is known as participatory budgeting (PB). The Scottish Government is working with PB Scotland to develop a [PB charter](#). This sets out principles and good practice, including public deliberation before voting. People should have the opportunity to consider different evidence, perspectives and arguments before voting. Public bodies need to build capacity within local communities to get inclusive participation and sustainable shared benefits from PB processes. The Scottish Government and COSLA have agreed a joint [framework](#) to support councils to work towards at least one per cent of their budgets being subject to PB by 2021.

## Local communities working with public bodies to improve outcomes in their local area through community planning processes.

Under Part 2 of [the Act](#), local authorities are required to work with their community planning partners, engaging with community bodies, to improve local outcomes. Joint efforts and resources should be targeted on those areas of greatest need to reduce inequalities. Each community planning partnership must prepare and publish a local outcomes improvement plan (LOIP). The plan should set out priority areas for improving outcomes, what improvement it aims to achieve and the timescales.

## Engaging with local communities

The [National Standards for Community Engagement](#) define community engagement as:

*a purposeful process which develops a working relationship between communities, community organisations and public and private bodies to help them to identify and act on community needs and ambitions. It involves respectful dialogue between everyone involved, aimed at improving understanding between them and taking joint action to achieve positive change.*

The standards set out good practice for public bodies, the third sector and others, to engage with communities. They are designed to help public bodies plan how to involve communities in shaping local plans and services, identify who should be involved, and make sure that the community engagement process is fair and effective. Public bodies will engage in different ways, but should consult people in a way that demonstrates genuine dialogue and enables communities to influence decisions. Public bodies can be legally challenged if they do not follow consultation law (known as the [Gunning principles](#)).

Public bodies should also be finding ways of involving communities more in the design and delivery of services. In a co-production approach, public bodies and communities work together to co-define the issues, co-design the best responses and co-deliver using all the available public body and community resources and assets. This represents a greater shift of power to local decision-making.

## Opportunities

- ✓ individuals and communities express the issues which matter to them, helping to ensure investment in public services is directed where it is most needed
- ✓ It harnesses the strengths people from all communities can bring
- ✓ It increases confidence and skills among people
- ✓ It mobilises individuals to make improvements to their own lives and help others

It can lead to

- ✓ better, more responsive and efficient services
- ✓ better outcomes for communities, including improving well-being, self-confidence and self-esteem
- ✓ greater satisfaction with quality of life in a local neighbourhood
- ✓ re-energised local democratic processes, systems and structures
- ✓ greater accountability of public bodies and elected members
- ✓ increased trust and confidence between communities and public bodies

## Challenges

- Public bodies that provide little opportunity for communities to influence or take control of decision-making processes.
- Communities are not homogenous and rarely speak with one voice and community empowerment processes need to include a cross-section of the community, not just the most vocal, articulated or resourced.
- Community empowerment processes may increase inequalities between presently well-resourced and under-resourced communities. This is because some communities are more effectively organised and already have the necessary capabilities afforded by the Act and community empowerment generally.
- Poor relationships and a lack of trust between communities and the public sector may affect the willingness and capacity to work together and share power.
- Continued financial pressures and austerity measures may affect how community empowerment is implemented by public bodies.
- True partnership working needs to improve, where all community partners are working towards a shared goal
- The impact on reducing inequalities may be small as tackling the underlying causes of poverty requires broader social, political and economic policies and interventions.
- Clear leadership needs to demonstrate the attitudes and behaviours to embed cultural change and make it relevant to the whole organisation.

# Principles for public sector bodies

## 1. Community control 2. Public sector leadership 3. Effective relationships 4. Improving outcomes 5. Accountability

### **Principle: Setting communities up to successfully take more control over decisions and assets**

Public bodies support communities to successfully take greater control over decisions and assets. Effective processes are in place and support is provided by public bodies to ensure this is done in a fair and sustainable way.

### **Principle: Ensure strong and clear leadership on community empowerment that sets the tone and culture of the organisation**

Leaders provide a clear and consistent message, set clear objectives and priorities, encourage ideas and innovation, community leadership and support communities to develop sustainable approaches.

### **Principle: Build effective working relationships between public bodies, local communities and local partners**

There is a healthy working relationship between communities, public bodies and local partners, marked by reciprocal trust, openness and transparency.

### **Principle: Evaluate whether outcomes for local communities are improving and inequalities are being reduced**

Public bodies are continuously improving their approach to community empowerment, evaluating local outcomes and experiences and learning from others. This includes evaluating the impact on local inequalities and understanding and learning from the experiences of seldom heard groups in communities.

### **Principle: Be accountable and transparent**

Public bodies are clear and open about their approach to community empowerment and provide regular information to communities that is understandable, jargon-free and accessible. Public bodies are responsive to local communities when reaching decisions with a clear rationale for making difficult decisions.

# Principle: Setting communities up to successfully take more control over decisions and assets

***Good Practice: Public bodies support communities to successfully take greater control over decisions and assets. Effective processes are in place and support is provided by public bodies to ensure this is done in a sustainable way.***

What does this involve?

- ✓ Putting communities at the heart of decision making processes
- ✓ Re-designing processes to allow communities to take more control and influence over setting priorities, making budget choices and designing services.
- ✓ Putting in place strong governance processes as greater control is shifted to communities.
- ✓ Advising and supporting communities as necessary, providing input of professional judgements.
- ✓ Providing clarity about the level of influence communities have over decisions and managing expectations where there are genuine constraints.
- ✓ Ensuring seldom heard groups can fully participate and are supported to do so
- ✓ Communities choosing to take greater control for example delivering services or taking management, lease or ownership of public assets.
- ✓ Communities and individuals taking greater control feeling empowered and appropriately supported, regarding community empowerment opportunities as genuine and sustainable.

## Potential case studies

- [What Works Scotland Community Anchor examples](#)
- [Scottish Health Council Citizens' Jury example](#)
- [What Works Scotland Co-production examples - Cross-public service approach to tackling ASB and gang crime by groups of young people in local areas](#)



# Principle: Strong and clear leadership on community empowerment sets the tone and culture of the organisation

***Good practice: Leaders provide a clear and consistent message, set clear objectives and priorities, encourage ideas and innovation, community leadership and support communities to develop sustainable approaches.***

What does this involve?

- ✓ Leaders understanding and being committed to community empowerment, understanding the types of decisions at corporate and service level that need community empowerment at the heart of them.
- ✓ Organisational culture is based on trust, equality and collaborative relationships with local communities and partners. This culture is evident across the whole organisation
- ✓ Clearly and consistently embedding community empowerment in organisational and partnership objectives and strategies
- ✓ Linking related strategies on poverty and disadvantage, being clear about how community empowerment can help achieve wider objectives and support a preventative approach.
- ✓ Reflecting the views of local communities, including seldom heard groups in plans and decision making
- ✓ Supporting appropriate capacity and resource at staff level to facilitate community empowerment processes
- ✓ Investing appropriate resources (financial and non-financial) to build community capacity and encourage community leadership, particularly among seldom heard groups to empower communities in a sustainable way
- ✓ Understanding where skilled individuals are in the organisation and deploying them effectively to help support and embed community empowerment across the organisation.

## Potential case studies:

- [East Ayrshire Council Vibrant Communities – BVAR report](#)
- [West Dunbartonshire Council/ SCDC example](#)
  
- \*Link to [HSC integration Nov 18 report](#) – Exhibit 8, page 25 – Traits of effective collaborative leaders

# Principle: Effective working relationships are being built between public bodies, local communities and local partners

***Good practice: There is a healthy working relationship between communities, public bodies and local partners, marked by reciprocal trust, openness and transparency***

What does this involve?

- ✓ Communicating in an open and accessible way. Avoiding jargon and minimising bureaucracy.
- ✓ Developing the skills and capacity of people to take greater control and be involved in decisions particularly the seldom heard
- ✓ Building relationships and trust communities and public bodies. This includes those communities that are seldom heard
- ✓ Recognising and harnessing the strengths and assets in all parts of communities.
- ✓ Going at the pace of the community. Recognising it can take time and investment in financial, practical and emotional support for members of the community who are engaging, particularly the most vulnerable.
- ✓ Working effectively with community planning partners, the third sector, social sector and volunteer partners to empower communities with a clear focus on preventative work. Many of these organisations are deeply embedded in the community, have strong relationships and understanding of communities, and staff and volunteers with the right skills.
- ✓ Understanding and managing expectations of different parts of communities and managing conflict effectively. Seeking out consensus, but understanding that consensus may not always be achieved.

## Case study

- **Glasgow City Council participatory budgeting example**
  - 4 thematic areas: Calton for Child poverty; Canal in North Glasgow for Income and employment deprivation; Pollokshields for Black and Minority Ethnic; Greeter Pollok for Young People. Unique for 3 reasons: 1) clear focus on tackling inequalities 2) it's a rare case of 'intersectionality', considering not only 'place', but also communities of identity and disadvantage (e.g. children and young people, ethnic minorities, income-deprived) and 3) it provides the foundations for learning and piloting that will inform the mainstreaming of PB in Glasgow.
- **East Ayrshire Health and Social Care Partnership working with a charity - Friends of East Ayrshire Churches Homelessness Action**
- **Corra Place-Based Approach – [Measurement of place-based working and Report case studies](#)**

# Principle: Evaluate whether outcomes for local communities are improving and inequalities are being reduced

***Good Practice: Public bodies are continuously improving their approach to community empowerment, evaluating local outcomes and experiences and learning from others. This includes evaluating the impact on local inequalities and understanding and learning from the experiences of seldom heard groups in communities.***

What does this involve?

- ✓ Evaluating the impact of community empowerment from the perspective of communities, understanding their experience of the process and whether they feel empowered
- ✓ Evaluating local outcomes and whether these have improved, understanding how community empowerment has contributed to these
- ✓ Evaluating the impact on inequalities in local communities and understanding and learning from the experiences of seldom heard groups
- ✓ Evaluating in a proportionate and accessible way so as to encourage participation by individuals or community groups with limited resources and capacity
- ✓ Sharing experiences of community empowerment processes and outcomes across the organisation and with other public bodies, promoting a greater understanding of what works well and persisting challenges
- ✓ Drawing on these learning experiences to continuously improve the organisation's approach to community empowerment.

Potential case study:

- [SCDC VOiCE example](#)

# Principle: Be accountable and transparent

***Good practice: Public bodies are clear and open about their approach to community empowerment and provide regular information to communities that is understandable, jargon-free and accessible. Public bodies are responsive to local communities when reaching decisions with a clear rationale for making difficult decisions.***

What does this involve?

- ✓ Communicating in a way that is understandable, jargon-free and accessible
- ✓ Being clear and open about community empowerment approaches. This includes providing information about how communities can get involved, key contacts with the public body and clearly setting out processes.
- ✓ Providing accessible information about the organisation's strategic direction and priorities, local outcomes and improvement plans and how these aim to improve outcomes for communities.
- ✓ Engaging regularly with communities about what matters to them and being honest and realistic about what support can be provided and timescales to achieve shared goals.
- ✓ Being open about budgets for different services, including proposed budget reductions. Setting out options and opportunities for communities to get involved in having their say about what happens to them or taking more responsibility in delivering them.
- ✓ Putting in place appropriate governance arrangements for effective scrutiny and decision making about community empowerment.
- ✓ Clearly demonstrating how decisions have been made, how community views were considered and providing regular feedback
- ✓ Providing regular feedback on community empowerment developments and the outcome of processes such as participation requests, community asset transfer, participatory budgeting.

Potential case studies:

- [West Lothian Council approach to community participation and community regeneration](#)
- [North Ayrshire Council Locality Partnership Consultation and Engagement Process – COSLA award](#)

## Other key references and ongoing work

- The Improvement Service, NHS Health Scotland and Audit Scotland published a [joint report](#) in June 2018 summarising emerging themes from a review of all available LOIPs.
- [Community Planning after the Community Empowerment Act: The Second Survey of Community Planning Officials in Scotland](#), What Works Scotland, April 2018.
- [Support for CPPs – Leadership development](#), Improvement Service and SCDC, 2018
- [PANEL principles, Scottish Human Rights Commission](#)
- Include links to resources, support, training, etc.
- Glossary – Consultation Institute?

**MEETING: 13 JUNE 2019**

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

**LOCAL GOVERNMENT OVERVIEW: IMPACT AND APPROACH**

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**Purpose**

1. This report provides the Commission with a summary of the initial impact of the two overview reports published during 2018/19:
  - Local government in Scotland: Financial overview 2017/18
  - Local government in Scotland: Challenges and performance 2019.
2. The report also invites the Commission to consider the development of overview reporting for 2019/20 and beyond.

**Background**

3. Local government overview reporting is an important part of the Accounts Commission's annual reporting programme. The two local government overview reports provide an annual opportunity for the Commission to share its conclusions from audit activity throughout the year, alongside commentary on key issues concerning local government. Supporting evidence is drawn from the range of local and national audit work carried out in the year, as well as specific research and analysis carried out in the weeks prior to the reports being drafted.
4. In June 2017, the Commission considered the impact of its new approach to overview reporting, which included issuing two reports – a financial one in November 2016 and a more forward-looking report that focussed on performance in March 2017. The Commission concluded that the approach increased the impact of the work and was well received by stakeholders.
5. In 2018/19, the financial overview was published on 29 November 2018 and the challenges and performance report on 21 March 2019. This was the third year of this approach to local government overview reporting. In June 2018, the Commission agreed that the scopes and emerging messages for the overviews would be brought to the full Commission rather than the committees.

**Impact of the 2018/19 reports**

6. The financial overview had by the end of March 2019, achieved:
  - 2772 downloads (2958 in 2018)
  - 78 podcast downloads (38 in 2018)
  - Supplement 1 – Scrutiny tool for councillors had achieved 398 downloads (402 in 2018)
  - Supplement 2 – Scottish Local Government pension scheme had achieved 108 downloads (382 in 2018).
7. Since publication of the challenges and performance report on 21 March (to 13 May 2019) the report has achieved:

- 1962 downloads (2803 in 2018)
- 74 podcast downloads (62 in 2018)
- Supplement 1 – Scrutiny tool for councillors had achieved 185 downloads (242 in 2018).

### Councils

8. We have not carried out any formal exercise to assess councils' views on the overview reports this year. However, we have collected a degree of informal feedback from our day to day engagement activity. The feedback is positive, expressing that the reports are valued. For example, Directors of Finance value the independent, objective nature of the financial overview and the wider perspective that the reports give. The reports are widely considered at council audit/scrutiny committees and again feedback is positive. For example, we have feedback from auditors at one council that (with reference to the challenges and performance report), the chair of the committee was very pleased with the report, calling it an "excellent report" and stated that a member of the public had called him up to ask whether councillors were aware of the report. Other members also agreed that it was a useful report. There was some minor criticism of exhibits in the report being too compressed and trying to get across too much information. This is valuable feedback, which we will reflect on when developing our exhibits in future reports.

### Scottish Parliament

9. Both reports created interest from the committees of the Scottish Parliament. The Commission's Chair and the Controller of Audit provided a briefing on the 2018/19 Financial Overview to the Local Government and Communities Committee on 12 December 2018 and on the 2019 Overview on 12 May 2019. A wide range of questions were asked by the MSPs. Focus of questions for the overviews were:

Financial Overview	Challenges and Performance
<ul style="list-style-type: none"> <li>• The change in profile of funding/ income to local government</li> <li>• Comparative funding to other sectors</li> <li>• The funding formula for Scottish Government revenue funding</li> </ul>	<ul style="list-style-type: none"> <li>• Scottish Government funding trend since 2013/14</li> </ul>
<ul style="list-style-type: none"> <li>• Spending on education and social services: impact on other service areas</li> </ul>	<ul style="list-style-type: none"> <li>• 'Ring fencing'</li> </ul>
<ul style="list-style-type: none"> <li>• Income from fees and charges</li> </ul>	<ul style="list-style-type: none"> <li>• Income from fees and charges</li> </ul>
<ul style="list-style-type: none"> <li>• Transformation</li> </ul>	<ul style="list-style-type: none"> <li>• Transformation</li> </ul>
<ul style="list-style-type: none"> <li>• Long term financial planning</li> </ul>	<ul style="list-style-type: none"> <li>• Long term financial planning</li> </ul>
<ul style="list-style-type: none"> <li>• IJB financial positions, financial transparency and financial planning</li> </ul>	<ul style="list-style-type: none"> <li>• IJB financial positions, financial transparency and financial planning</li> </ul>
<ul style="list-style-type: none"> <li>• Equal pay</li> </ul>	<ul style="list-style-type: none"> <li>• Workforce – planning, recruitment, sickness absence, equal pay</li> </ul>
<ul style="list-style-type: none"> <li>• Reserves</li> <li>• Borrowing and debt</li> </ul>	<ul style="list-style-type: none"> <li>• Performance information – Local Government Benchmarking Framework (LGBF) and National Performance Framework</li> </ul>
	<ul style="list-style-type: none"> <li>• Community empowerment</li> </ul>

## Media and political reaction

### Local government in Scotland: Financial overview 2017/18 –

10. The report was widely covered in the press and media, including the BBC. There was good coverage across a range of print titles including the Sun, Herald, Courier, Times and Telegraph. Key messages were well reflected as were CoSLA's remarks, welcoming the report. Media themes included the public having to make up income through increased council tax, to compensate for Scottish Government funding reductions. Local angles included Aberdeen City Council's debt, as the report noted that it took on the most debt of any local authority in Scotland last year.
11. The Scottish government said it had treated local government "very fairly". Political comment included:
  - Scottish Conservatives: Council tax payers across Scotland have been forced to compensate their local authorities following SNP budget cuts, a report has confirmed.
  - Scottish Labour's Finance spokesperson James Kelly MSP: "This report shows once again the shocking extent of SNP cuts to lifeline services.
  - Scottish Greens local government spokesperson Andy Wightman MSP: A damning report ...should be a wake-up call for the Scottish Government ahead of the forthcoming Scottish budget.... councils have raided their reserves to fill funding gaps ...and financial pressure they are under 'shows no sign of easing.'
  - Scottish Liberal Democrat leader Willie Rennie urged the Scottish Government to ease financial pressure on local authorities, after the local government auditor warned councils face a "complex range of challenges" and continued financial pressures.
12. The report was the lead for Labour FMQs. Richard Leonard said "the First Minister claimed last week to have given a fair settlement to local government, yet today's report highlights a cut of £220m in the past year". Ms Sturgeon replied that "the Accounts Commission report was for 2017/18 and we are currently in 2018/19 and the Scottish Government this year delivered a real-term increase for local government despite cuts from the UK government."

### Local government in Scotland: Challenges and performance 2019 -

13. The Challenges and Performance report, published in March 2019, was also widely covered in the press and media, including STV, the BBC and across a wide range of national and local print titles. Key messages were broadly well reflected. Key themes reported included commentary around council tax increases compensating for reductions in Scottish Government funding and reduced flexibility in how councils can spend their money. Most print titles focused on the increases in charges seen in councils across Scotland, in particular burial charges. Various publications also focused on staff sickness levels. The Press & Journal took a different angle, looking at the councils being impacted by depopulation and the effect on funding. Holyrood magazine highlighted the Commission's message about transformation – "transformation of councils needed to withstand Scottish Government budget cuts, Accounts Commission warns".
14. Local angles included a focus on the fact that schools in Dundee were making the slowest progress in terms of school attainment and the reasons for this being more than just money or levels of deprivation. Public Finance reported at length about the funding formula for Scotland.
15. CoSLA welcomed the report. Comments on the report included:



- "... like other recent independent reports, clearly shows that councils have performed well and continued to deliver essential services for their communities over the last year despite the severe financial challenges that they face".
- "Today's report also makes clear that difficult times and choices lie ahead - coupled with continuing pressure on our finances."

16. The Scottish government said:

- there were "challenges" for local government, but it had been treated "very fairly" in budget allocations.
- "We welcome the report's findings that local authority performance is largely improving or being maintained. We expect all councils to consider and take any necessary action to implement the report's recommendations to help meet future challenges and continue to improve outcomes."

17. Political comment included:

- Scottish Conservatives: Scottish Conservative local government spokesman Alexander Stewart said the government "cut council finances to the bone, then expects hard-working council tax payers to pick up the slack".
- Scottish Labour: Labour Finance spokesperson James Kelly said: "This expert report exposes the brutal legacy of the SNP's cuts to council funding. We know across the country local authorities are struggling to keep up with demand and having to make brutal cuts and increase charges as a result. It's simply horrifying that the cost of burying a loved one is soaring because of brutal cuts to councils".
- Scottish Greens: MSP Andy Wightman said it was "essential that councils are better resourced and have more powers to fund services locally"
- Scottish Liberal Democrats: Scottish Liberal Democrat Communities and Local Government spokesperson Councillor Peter Barrett said that ... "Local authorities are faced with tough decisions to make ends meet. The Scottish Government has a duty to ease the pressure on struggling local authorities. Ministers must provide them with the funding and economic levers necessary to properly tackle local priorities."

### Other stakeholders

18. The audit team continued to build effective relationships with key stakeholders, building on the establishment of an advisory group in the previous year. For 2018/19, an advisory group was established for each overview, with some overlap of key contacts that engaged with us on both overviews. We tried a new approach with the advisory groups which was to primarily seek comment and feedback through email rather than meetings. This proved successful and we received good quality comment and engagement from participants. This was supported by face-to-face meetings with some members and telephone discussions with others. The advisory groups were effective in offering the audit team the opportunity to test its thinking at key stages in each project, and to hear how emerging messages might play with specific stakeholders.

### **Approach for 2019/20 and beyond**

19. Local government overview reporting is an established and important part of the Commission's work programme. Commission members refer to these as 'flagship' reports, and it is important that we continue to review and improve our approach.

## Timeline for 2019/20

20. The Commission's oversight of the overview reports last year was as follows:

- The Chair and Deputy Chair acted as our Commission sponsors. This has worked well, and we propose the same arrangement for 2019/2020. The current Deputy Chair has been involved in an initial discussion about the scope for the financial overview (also on the agenda for this meeting). Future engagement will be with the Chair and the new Deputy, after their appointment in August.
- Last year we brought the draft scope for both reports, the emerging messages and draft reports to the full Commission rather than the committees. This recognised the whole Commission's interest in overview reporting and worked well.

21. Last year's timeline and the proposed timeline for this year are set out below. In light of the challenging timescales involved, we are proposing a different approach to the emerging messages stage of the process, as outlined in paragraph 23, below.

### *2017/18 and proposed 2018/19 timelines for reporting to the Accounts Commission*

Reports to Accounts Commission	Financial overview 2017/18	Financial overview 2018/19	LG overview 2019 – challenges and performance	LG overview 2020 – challenges and performance
Scope	13 Sept 18	13 June 19	13 Sept 18	12 Sept 19
Emerging messages	11 Oct 18	10 Oct 19 (see para 23)	6 Dec 18	12 Dec 19
Draft report	8 Nov 18	14 Nov 19	7 Feb 19	March 20
Final report publication	29 Nov 18	5 Dec 19	21 March 19	April 20

22. This year we have brought the scope for the financial overview forward to the June Commission meeting. We aim to move towards a more year-round approach to the work and earlier agreement of the scope will support earlier progress with the core analysis work.

23. Last year the Commission considered emerging messages for the financial overview in October. This year, we are proposing a different approach. We ask that the Commission consider delegating review and challenge of the emerging messages to its overview sponsors. The team do not receive and analyse core evidence for the financial overview until October. This includes the final accounts and local Annual Audit Reports for all councils, pension funds and IJBs (almost 150 outputs). Emerging messages for the October Commission meeting would be submitted by 30 September and therefore does not reflect the messages from these key sources. The team is also drafting the report during October. Discussing the emerging messages with the sponsors rather than the full Commission during October would allow the team to discuss with the sponsors the messages emerging from the annual audit reports and final accounts as the work progresses.

24. An additional option would be to share with the Commission, by correspondence, a copy of the emerging messages discussed with the sponsors in October or, to provide early messages by correspondence in August or September that set out the messages gathered by that stage. There is no Commission PA committee during this period that would provide an alternative to bringing the emerging messages to the full Accounts Commission meeting.

25. As the Commission meeting is the second week of November this year, rather than the first, it is not feasible to publish the financial overview report in November, as we did last year. We plan to publish the financial overview on 5 December this year.
26. This year, we published the challenges and performance report in March rather than in April (we published in April in 2018). Although we recognise that for presentation, publication within the financial year is preferable, this had some risks:
  - There was less time for the team to analyse LGBF data, develop messages from the analysis to add value, discuss potential areas of focus with the Improvement Service and test out our conclusions with other stakeholder. The LGBF draft report findings were presented to the Commission at its February Commission meeting by David Martin and Emily Lynch, the same meeting as the draft overview report. It would be helpful to have more time to consider the LGBF board's findings before presenting the draft overview.
  - The Local Government financial settlement circular, which includes important details about funding for the year ahead, was issued on 7 March 2019. Analysis and updating of exhibits and data was needed at this late stage which created additional risk to the quality and accuracy of the report and brought additional pressures to the team and sponsors.
27. Bringing the draft report to the Commission's March meeting and publishing the report in April would reduce these risks and be beneficial for the quality of analysis and information available to discuss with the Commission.
28. In addition to the overview reports, the Controller of Audit proposes bringing the Annual Assurance and Risks Report to the Commission at its February 2020 meeting. This will be a month before the draft challenges and performance overview is presented. This worked well this year in providing background and detail for Commission members to discuss in advance of considering the challenges and performance report.

#### Improvement work

29. We continue to seek ways to develop and improve the local government overview work. This year we aim to build on the success of the advisory group approach taken last year. This includes extending the invitation to a wider group of internal and external stakeholders for each group. It also includes more engagement with these stakeholders throughout the audit work. For example, we are planning a round table meeting between Audit Scotland, CoSLA and SPICE, to discuss our different use and analysis of financial information.
30. There are many forums and relationships that we already have with local government stakeholders. We can make better use of these in relation to overviews and have begun to build these into the work. Part of this engagement will also be to seek ongoing feedback on the overview reports and supporting products to inform improvement. This might include developing a more systematic feedback mechanism to gather the views of Council Leaders and Chief Executives following the publication of the reports.
31. We are piloting a new approach to support scoping and intelligence gathering on specific service areas. In February 2019, we hosted a round table session, in partnership with the Improvement Service, with local government planning service professionals. The objective is to focus on this service area in the Commission's challenges and performance report this coming year to illustrate the strategic issues. We plan to develop the approach further and look at other service areas in this targeted way.

32. There is scope to continue to increase the impact of the overview work by making better connections to the rest of our work on local government. Our aim for the challenges and performance overview work is to develop a closer tie for scoping and planning the work to the forward work programme and our programme development activity.. We are planning to develop a three-year rolling plan with the Commission, for the broad scope of local government overview work. We will set out this approach with the challenges and performance overview scope paper, which we plan to bring to the Commission in September 2019.
33. Alongside the three-year rolling plan, we plan to develop an improvement plan for the communication and impact of the overview work. We will develop this with our sponsors, the Secretary to the Commission and the communications team. We will report on progress alongside the planning approach and challenges and performance overview scope paper, in September 2019.

## **Conclusion**

34. The Commission is asked to:

- a) note the initial impact of the overview reports in 2018/19;
- b) agree the proposed approach to overview reporting in the future, including:
  - i. timescales for 2019/20;
  - ii. approach to considering emerging messages for the financial overview;
  - iii. development of medium-term planning for the challenges and performance overview work.

**Fraser McKinlay**  
**Director of Performance Audit and Best Value**  
**June 2019**

**MEETING: 13 JUNE 2019**

**REPORT BY: SECRETARY TO THE COMMISSION**

**BEST VALUE ASSURANCE REPORT: MIDLOTHIAN COUNCIL**

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**Purpose**

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

**Background**

2. A key objective of the approach to auditing Best Value is to allow the Commission to provide more regular assurance to the public about how councils are performing in relation to their Best Value statutory duties. It is intended that this will be achieved by the Controller of Audit submitting a Best Value Assurance Report (BVAR) on each council at least once during the five-year audit appointment and by Best Value being reported in annual audit reports.
3. The attached BVAR (Appendix 1) is on Midlothian Council. This is the first BVAR on the council and reports on the progress made by the council since previous Best Value reports. The Controller of Audit reported to the Accounts Commission on the council in May 2012 and the Commission’s findings were published in [June 2012](#) (set out in Appendix 2). This followed on from a previous Controller of Audit Best Value report on the council, the findings on which were published in [June 2008](#) (Appendix 3).

**The Controller of Audit report**

4. The BVAR is made by the Controller of Audit to the Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
5. 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.
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.
7. The report concludes with a series of recommendations proposed by the Controller of Audit which are to be part of the Commission’s considerations.

## **Procedure**

8. 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.
9. 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.
10. 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.
11. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform the council of its decision, which the Commission does before making the decision public.

## **Conclusion**

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

**Paul Reilly**  
**Secretary to the Commission**  
**4 June 2019**

**APPENDIX 1:**

**BEST VALUE ASSURANCE REPORT: MIDLOTHIAN COUNCIL**

See separate paper.

## **APPENDIX 2:**

### **AUDIT OF BEST VALUE - MIDLOTHIAN COUNCIL: COMMISSION FINDINGS**

#### **JUNE 2012**

1. The Commission welcomes progress made in a short period of time by Midlothian Council towards putting in place many of the essential elements of Best Value. Elected members and officers have worked well together and demonstrated shared leadership to increase the pace of change and improvement in the council.
2. This progress is shown by improvements in a number of key areas including how the council works with its partners and engages with its communities; in how it evaluates its performance; and in how it manages its employees.
3. The Commission is also encouraged that the council shows good awareness of where and how it needs to improve. This has been helped by its Business Transformation Strategy. The Commission emphasises the need for the council to ensure that this programme continues to be delivered as planned and the Commission has asked the local auditor to continue to closely monitor progress.
4. The Commission notes in particular the early progress made on shared services. This is a significant area, but the council needs to be clearer about its long-term strategy in relation to shared services.
5. The council's awareness would be helped further by better use of information such as customer views and comparative information with other councils' performance.
6. Improvements in performance have been seen in a number of council services but this is not yet consistent across all service areas and too many still perform below the Scottish average. The Commission notes, for example, the need for improvement to planning, housing and aspects of education services, most notably secondary education.
7. Because many of the elements of Best Value have only relatively recently been put in place, the council needs both to consolidate and accelerate its pace of improvement to help deliver improved services and, through it working with its partners, better outcomes for the people of Midlothian.



## **APPENDIX 3:**

### **AUDIT OF BEST VALUE - MIDLOTHIAN COUNCIL: COMMISSION FINDINGS**

#### **JUNE 2008**

1. The Commission accepts this report on the performance of Midlothian Council's statutory duty to secure Best Value and to initiate and facilitate the community planning process. The Commission recognises that the report gives a broad picture of the council's performance based on the work of Audit Scotland and the findings of other scrutiny bodies such as Inspectorates and that it does not attempt a comprehensive review of all service delivery. We acknowledge the co-operation and assistance given to the audit process by members and officers of the council.
2. Midlothian Council has an ambitious vision based on its understanding of local needs and issues and we welcome its effective engagement with communities and its generally sound financial management. We also recognise the work the council is doing in house building and improving the quality of its school estate. However, the council has some way to go before it is in a position fully to demonstrate Best Value and continuous improvement. While many of the necessary processes are in place, there is a need for more effective implementation and clearer priorities.
3. The council needs to take corporate action to:
  - drive initiatives through to completion
  - deal with the areas where there are significant service deficiencies
  - improve its standards of customer care
  - take forward the important people management issues which have not yet been fully delivered
  - put in place and use effective processes to support continuous improvement across all areas
  - work at ensuring that its priorities can be delivered within the agreed timescales.
4. In addition, we consider that particular attention should be given to:
  - elected members and senior officers providing a clearer focus on Best Value and support for continuous improvement
  - scrutiny arrangements consistently providing members with timely information about service performance
  - ensuring the competitiveness of its services, with the use of options appraisals and benchmarking and, where appropriate, market testing
  - considering how best to build managerial and professional capacity within the council.

# Midlothian Council

## Best Value Assurance Report

ACCOUNTS COMMISSION 

Prepared for the Accounts Commission by the Controller of Audit

June 2019

# The Accounts Commission

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

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

Our work includes:

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

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

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

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# Contents

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Key facts	4
Audit approach	5
Key messages	7
Part 1 Does the council have clear strategic direction?	8
Part 2 How well is the council performing?	16
Part 3 Is the council using its resources effectively?	26
Part 4 Is the council working well with its partners?	32
Part 5 Is the council demonstrating continuous improvement?	37
Recommendations	44
Appendix 1 Best Value audit timeline	45

# Key facts



**136.6**  
square  
miles

Area

**91,340**

Population

**3764**

Workforce

**18**

Elected members

7 Scottish National Party  
6 Scottish Labour  
5 Conservative

**6,864**

Council houses

**£201**  
million

2018/19  
revenue budget\*

**£28.4**  
million

2018/19  
capital budget\*\*

**£14.5**  
million

Budget gap  
2020/21 – 2022/23

\*Revenue budget covers day-to-day costs like wages

\*\*Capital budget covers the cost of major projects such as schools and housing

# Audit approach

1. The statutory duty of Best Value was introduced in the Local Government in Scotland Act 2003. The audit of Best Value is a continuous process that forms part of the annual audit of every council. Findings are reported each year through the Annual Audit Report. In addition, the Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five year audit appointment for each council. This is the first assurance report on Midlothian Council. The findings from previous Best Value reports on the council are summarised in [Exhibit 14](#).
2. This report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, focusing particularly on the Commission's Strategic Audit Priorities. We are looking for councils to demonstrate Best Value by showing continuous improvement in how they deliver services. Depth of improvement refers to the extent to which services implement improvements across a council. The pace and depth of this improvement is key to how well councils meet their priorities in the future.
3. Our audit approach is proportionate and risk-based, and so reflects the context, risks and performance of the individual council. It also draws on the intelligence gathered from audit and scrutiny work carried out in previous years. In keeping with this approach, we did some initial work to identify risks and council initiatives to build into the scope of our audit. This included a review of previous audit and inspection reports and intelligence, review of key council documents, initial meetings with senior officers and reflecting on our wider public sector knowledge and experience. Key areas of focus for our audit are shown in [Exhibit 1](#):

## Exhibit 1

### Key areas of focus for our audit



**Leadership and strategic direction** – how well the leadership of the council works together to deliver the priorities identified in the Single Midlothian Plan.



**Performance and outcomes** - an overall assessment of outcomes and performance with a focus on key service areas, and the council's reporting on these.



**Change and improvement plans** including:

- delivery of significant initiatives
- delivery of services to children and young people and adult social care
- delivery of council transformation.



**Process and results of self-evaluation** – how effectively the council implements methods of self-assessment to drive continuous improvement.



**Financial management and financial planning** – how well it is planning its finances now and for the future.



**Workforce planning – how well it is planning the workforce that it needs to deliver services now and in the future.**



**Community and citizen engagement – what is being done to make sure people have a say in the planning of services and how they are provided.**



**Transformational change and service redesign – how new and more effective ways of providing local services are developed.**

Source: Audit Scotland

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**4.** The detailed audit work for this report was undertaken between January and March 2019. Our audit work included:

- interviews with elected members and senior officers
- observing a range of council and committee meetings
- reviewing relevant documents.

**5.** The audit work was carried out by a joint team from Audit Scotland and Ernst & Young LLP, the appointed auditor. Audit work in future years, performed as part of annual audits, will include a follow-up on the findings from this report and additional audit work on other Best Value characteristics as appropriate.

**6.** We gratefully acknowledge the cooperation and assistance provided to the audit team by all elected members and officers contacted during the audit.

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# Key messages

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- 1** The council has delivered a number of ambitious projects since the last Best Value report, including schools, community campuses, housing and transport. Its overall pace of improvement is mixed. The council still needs to focus on some of the key requirements for Best Value, including financial sustainability, financial management and transformation. From 2016 onwards, the council has used its reserves rather than making some difficult decisions.
- 2** The council has made limited progress on its corporate transformation programme. This has contributed to its difficulties in reaching a sustainable financial position. The council has a lot to do to address the challenges that it faces and to deliver continuous improvement. It is focused on key priorities, but there are risks around the council's successful delivery of change due to its past track record and the scale of the challenge.
- 3** Midlothian Council has the fastest growing population in Scotland. Along with an increasing funding gap, this means the council is facing significant challenges in the medium and longer-term. It has set out its plans for delivering education and housing to meet its increasing population, but it has still to agree and implement its medium-term financial strategy. Officers plan to present this to Council in June.
- 4** There has been a lot of change in political leadership at the council in recent years. The council has had a minority administration since 2012 and elected members and officers have had to adapt and work in different ways. There are some tensions in relationships that can impact on the effectiveness of council business. Political leadership needs to improve through a shared responsibility to deliver Best Value. Elected members need to work together to urgently agree the medium-term financial strategy and transformation programme, required to address the council's challenges.
- 5** Performance across services is mixed and the council is among the middle performing councils using benchmarking indicators. There is evidence of improvement in some of the council's priority areas, including improving outcomes for children and young people. The council makes good use of data to understand and improve its performance.
- 6** Partnership working continues to be a strength at the council. It works well with its partners on the Community Planning Partnership (CPP) and the Integrated Joint Board (IJB). The council and its partners are working to a shared vision for the area through the Single Midlothian Plan. The council is working with its communities to deliver improvements and needs to build on this further with greater community involvement. It is taking action to further improve its relationships with the third sector.



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# Part 1

## Does the council have clear strategic direction?

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**Midlothian Council faces significant challenges from a fast-growing population. This impacts on housing, schools, transport and broader infrastructure. Since our last Best Value audit, the council has delivered several ambitious initiatives.**

**The council and CPP have one shared vision for Midlothian. The vision is broad with short-term priorities that reflect local needs. The council could refine its vision to ensure that it focuses its activity effectively.**

**The council has a lot to do to address its challenges and to deliver continuous improvement. It is focused on key priorities, but political leadership needs to improve through a shared responsibility to deliver Best Value.**

**All elected members need to work together to urgently agree the medium-term financial strategy and the changes to service delivery required to achieve financial sustainability and deliver the council's priorities.**

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### **Midlothian council faces a number of challenges with the highest population growth and high rates of housing and transport development.**

**7.** Midlothian council is based around 16 communities with a mix of towns and rural areas. It is the fifth smallest Scottish mainland council by population and is the fastest growing by population according to 2026 estimates. Compared with the rest of Scotland, Midlothian has:

- a larger than average percentage of young people
- a smaller than average percentage of working-age people
- a pensionable age population in line with the average.

**8.** Between 1998 and 2018 Midlothian's population increased by 14 per cent, the fifth highest change in Scotland. Based on 2016 projections, the population of Midlothian is expected to increase to 100,410 by 2026, an increase of

approximately 13.3 per cent.<sup>1</sup> Midlothian council is responding to this growth through its local development plans (LDPs). These designate areas for housing and economic development ([Exhibit 2](#)).

**9.** The LDPs identify two phases of growth 2009 – 2019 with 8,080 new homes, and 2019 – 2020 with 4,410 new homes being built. The financial crash of 2008 meant that private developers held back from building homes, resulting in the current acceleration in house building. During the first phase of growth 5,590 new homes were built of the 8,080 target. Since 2008/09 Midlothian has ranked in the top four council areas for new homes built per 1,000 households across all sectors, including the private sector.<sup>2</sup> Midlothian's new housing brings with it a rise in the school-age population, with a projected 18 per cent rise in the under 16 population by 2026. This presents challenges for the council because of the costs of developing and staffing new schools and in delivering social care services.

**10.** Midlothian is part of the Edinburgh and South East Scotland City region. The Midlothian economy is rooted in the traditional and primary industries, but with a growing number of high technology enterprises. Key business sectors include animal biosciences, life sciences, marine engineering and construction. Many such businesses are situated in the Midlothian Science Zone. The public sector is the largest employer.

**11.** Transport statistics show that 47.5 per cent of the Midlothian population in 2011 travelled to Edinburgh while 19.5 per cent of people working in Midlothian live in Edinburgh. More recent figures indicate a fairly static picture based on survey data.<sup>3</sup> Unemployment in Midlothian in 2018 was 3.7 per cent, compared with a Scottish average of 4.3 per cent. Median weekly earnings for residents and employees in Midlothian in 2018 were £537.20 and £544.40 respectively. This is lower than the median weekly earnings of £562.70 across Scotland.<sup>4</sup>

**12.** The LDPs also set out areas of natural beauty such as the Pentlands, Moorfoot and the Esk Valley. On the eastern slope of the Pentlands is the council's snowsports centre, Hillend, which has Britain's biggest artificial slope.<sup>5</sup>

**13.** The area has six wards - Bonnyrigg, Dalkeith, Midlothian East, Midlothian West, Midlothian South and Penicuik - each represented jointly by three councillors. There are 16 community councils across Midlothian.

<sup>1</sup> [National records of Scotland](#)

<sup>2</sup> [Scottish Government Statistics, New house building completion rates 2018](#)

<sup>3</sup> [Transport and Travel in Scotland, Transport Scotland 2017](#)

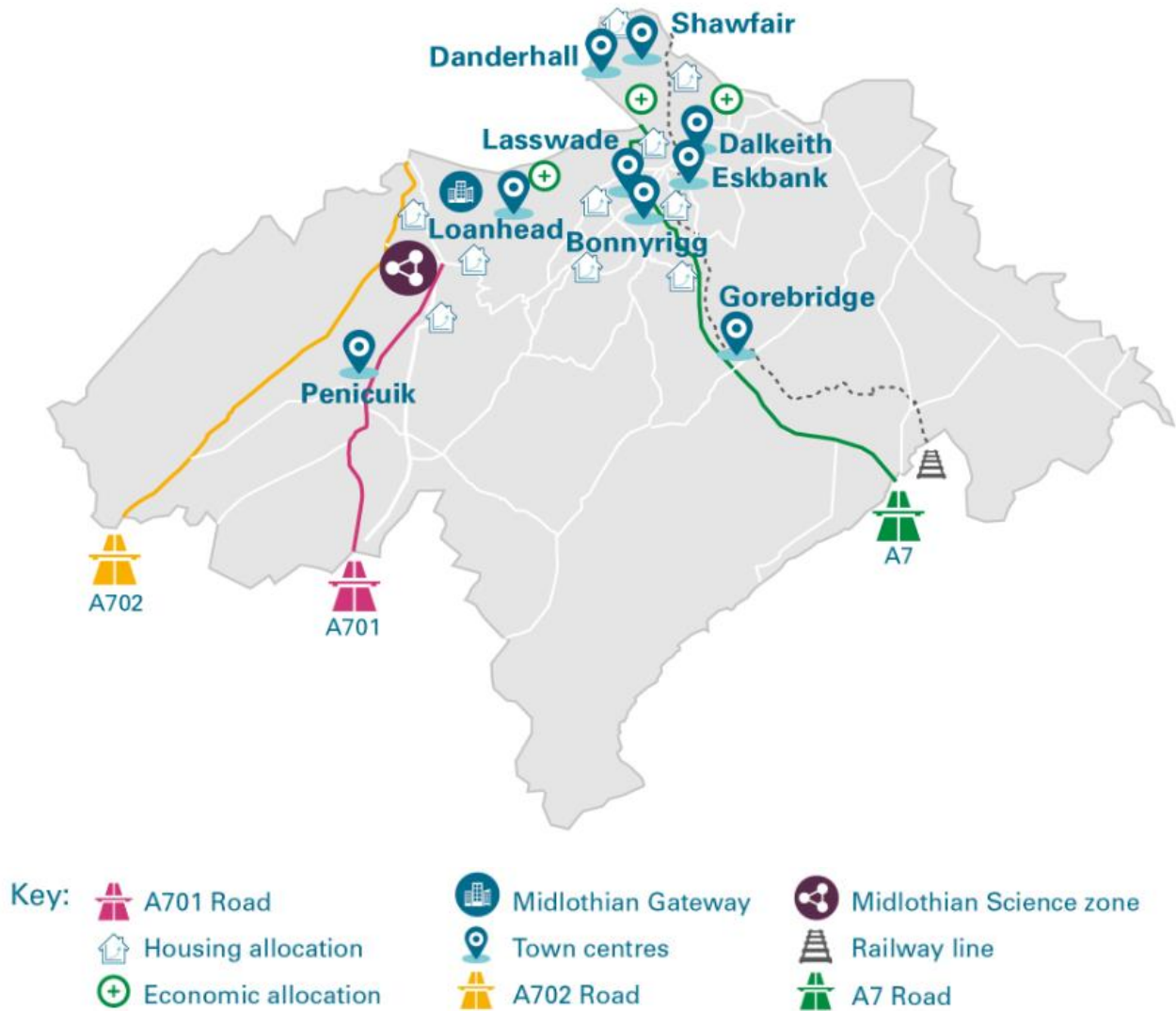
<sup>4</sup> [NOMIS Official Labour Market Statistics](#)

<sup>5</sup> [Sport Scotland Website, 2013](#)

## Exhibit 2

### Map of Midlothian showing some of the principal towns and roads, and some of the areas identified for housing and economic use.

The Midlothian Science Zone is an established bioscience location for research and development. The Midlothian Gateway sits on the A701 corridor development area, and includes improvements to the current Straiton Commercial centre and creation of a mixed use development.



Source : Midlothian Council Local Development Plan 2017

14. Midlothian's profile of deprivation suggests that relatively few households are at the extremes, that is, relatively few are in the most- or least-deprived areas ([Exhibit 3](#)). There are 13 datazones in the 20 per cent most-deprived areas, and 18 datazones in the 20 per cent least-deprived areas. The Midlothian CPP targets three areas of deprivation - Dalkeith Central/Woodburn, Mayfield/Easthouses and Gorebridge.

### Exhibit 3

#### The distribution of deprivation in Midlothian and the other council areas in the city region area

In Midlothian overall, a higher proportion of households are in more-deprived than in less-deprived areas.



Note: The top of the shape shows the proportion of the population in the least deprived areas, working down to the proportion of the population in the most deprived areas.

Source: Open Data Manchester using Scottish Index of Multiple Deprivation (SIMD), 2016. SIMD is the official tool for identifying the most deprived areas in Scotland. It looks at multiple aspects of deprivation such as resources and opportunities as well as low income.

#### Since our last Best Value audit, the council has delivered several ambitious initiatives.

15. The last Best Value report on Midlothian Council was published in 2012. Since then, the council has delivered several ambitious initiatives such as:

- The Learning Estate Strategy:** the council completed a school catchment review in December 2015. This informed the council's Learning Estate Strategy which was approved by council in 2017. Since 2015/16 it has invested £35 million in secondary schools and £37.2 million in primary, nursery and early years establishments. This includes building five new schools and additions to four schools (see [Case study 1, page 21](#) on the Newbattle Digital Centre of Excellence). As a growing council, Midlothian anticipates that its schools will reach their highest capacity in 2042 and its Learning Estate Strategy seeks to avoid over provision.
- Improvements to transport links:** in September 2015, four new railway stations in Midlothian, on the Edinburgh to Borders line, opened. The council had a key role in coordinating the work required to open these stations through the Borders Railway Blueprint Partnership. This group still meets to maximise the opportunities created by these railway links, including tourism growth and improved access to labour markets, education centres and new housing developments.
- Commencing work on Shawfair new town:** the council has planned for a new community at Shawfair, merging with the community at Danderhall. This will consist of 4,000 new homes, businesses, schools, community facilities and a new town centre around the Shawfair Railway station, constructed as part of the Border's rail project. Planning permission was granted in 2015/16. The first phase includes green space for residents and traditional housing. The council's Learning Estate Strategy includes delivering school provision at all levels. An energy-from-waste plant has been built at Millerhill, near the eastern boundary of Shawfair, and it began producing energy from its turbine in December 2018. Heat from waste will be generated via a district heating scheme in the new Shawfair settlement. Shawfair and Danderhall will have an estimated population of 12,000. This will make it one of the larger Midlothian towns, compared with Penicuik (16,300) and Dalkeith (13,700).
- Building social housing:** the need for social housing in Midlothian is great, with over 4,000 applicants on the council's housing waiting list. The council

is responsible for 6,864 dwellings, and its stock has increased by 15 per cent over the past ten years. The council has improved the condition of its housing stock, increasing the percentage that meet Scottish Household Quality standard criteria from 40.2 per cent in 2009/10 to 96.4 per cent in 2017/18. The council's Strategic Housing Investment Plan for 2019/20 to 2023/24 states that it is committed to building 1,000 new council houses by March 2022 and requires 25 per cent of any new private development to be affordable housing.

### **The council and its partners have a broad vision and a clear focus on short-term priorities.**

**16.** There is a single vision for the Midlothian area, the Single Midlothian Plan. This sets out the vision of the council and its partners in the CPP and directs the council's work.<sup>6</sup> The vision is structured around five broad objectives and three short-term priorities ([Exhibit 4](#)). The five themes are:

- Adult health and care
- Sustainable Growth Midlothian
- Getting it right for every Midlothian child
- Community safety
- Improving Opportunities Midlothian.

**17.** The vision is very broad but the three short-term priorities give it focus on reducing inequality in economic circumstances, learning outcomes and health outcomes. The council and the CPP use comprehensive performance indicators to evaluate performance in terms of progress towards achieving the five objectives and three priorities, as detailed in [Part 2](#). There are clear links between the Single Midlothian Plan and the service plans that direct the work of individual services and departments.

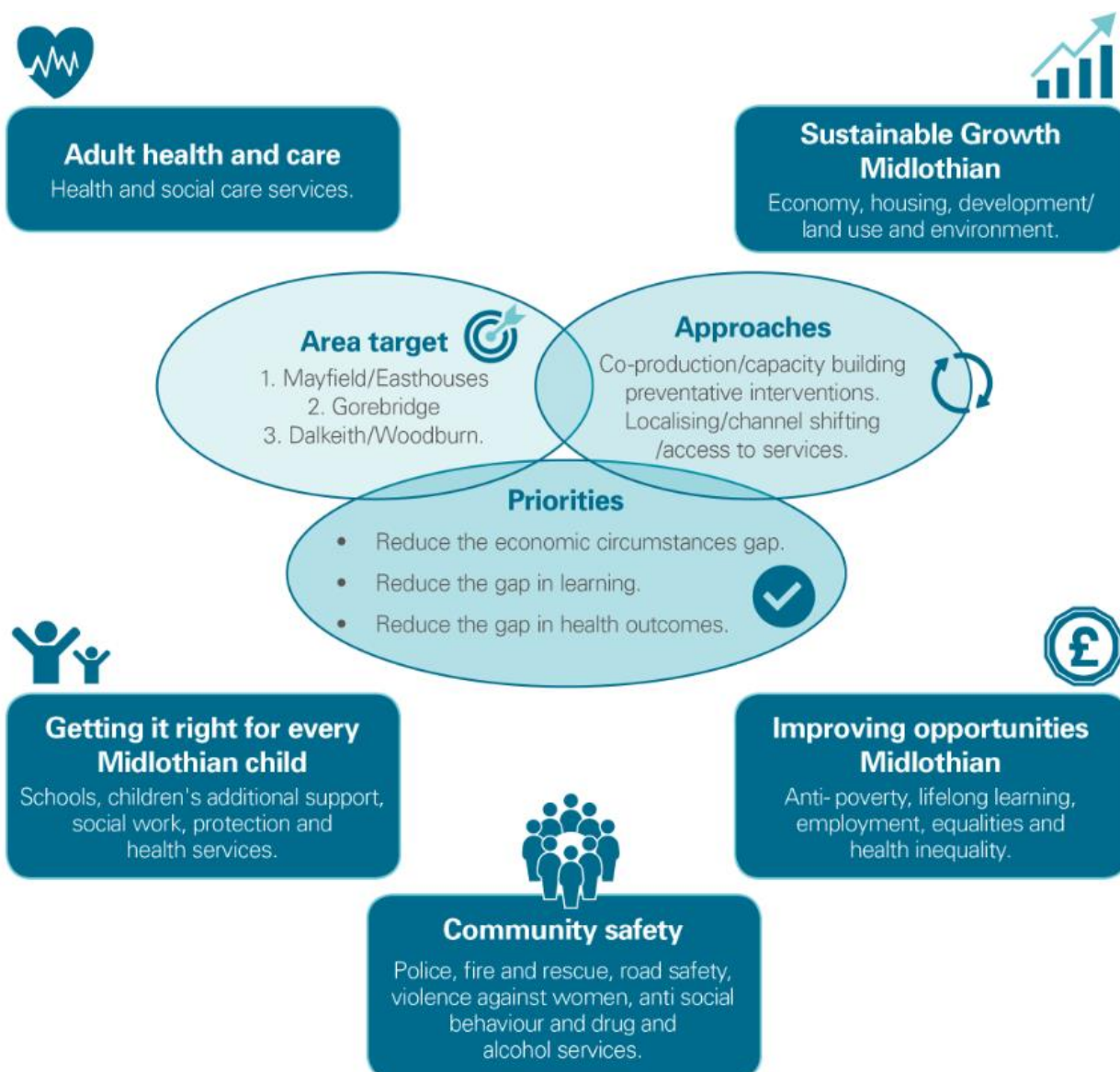
**18.** The CPP, supported by the council, has adopted an inclusive approach to developing the vision. It holds annual away days and these have been very well attended by community groups and third sector bodies. These days are used to discuss the vision and update the Single Midlothian Plan on an annual basis. At the 2019 planning day, the CPP agreed that continuing to focus on reducing inequality was important.

<sup>6</sup> Partners include Midlothian Voluntary Action, Midlothian Council Community Safety, Midlothian Integration Joint Board, Scottish Fire & Rescue Service, Police Scotland, NHS Lothian, Federation of Community Councils, Scottish Enterprise, Skills Development Scotland, Chamber of Commerce, Armed forces and SEStran.

## Exhibit 4

### The vision set out in the Single Midlothian Plan 2018/19

The vision has five broad themes, three short-term priorities and three geographical target areas.



Source: Single Midlothian Plan 2018/19

19. Current work at the council will impact on its future vision. In February 2018, the council established a programme 'Services with Communities' aimed at transforming services through working more closely with communities (see [paragraphs 125 - 126](#)). At the beginning of 2019, a member of staff was seconded to lead this project. This will include consulting with communities to get their views on the area's challenges and how communities could become more involved in planning and co-producing services. A co-production approach gives more power to community organisations, involving them in defining the issues, designing the response and delivering the actions that are identified. Once this work is complete, the council should refine its vision. The council needs to be realistic about what it can deliver, given the scale of its current challenges and the capacity of its workforce.

## **There has been a great deal of change in the political leadership of the council.**

**20.** The past two local government elections have brought a great deal of change in the political leadership of Midlothian council:

- 2017 election – this resulted in close three-party representation in Midlothian for the first time, with seven Scottish Labour, six SNP and five Scottish Conservatives members. Labour formed a minority administration. A by-election in 2018, after the death of the Labour provost, saw the SNP win the seat. Two-thirds of elected members were newly elected.
- 2012 election – eight SNP, eight Labour, one independent and one Green. The SNP formed a minority administration for the first time in the council's history, working with the independent member. The leader of the council changed four times over the course of the administration.
- 1996 to 2012 – 16 years of a majority Labour administration.

**21.** These changes have meant that officers and elected members have needed to find new ways of working together, particularly working with a minority administration, when they have been used to a Cabinet arrangement under a majority. Elected members have also needed to find new ways of working together and they need to continue to build on this.

## **The council needs to develop and sustain more constructive relationships between members and between members and officers.**

**22.** There are tensions in some of the relationships between members. Elected members have opted out of attending and participating in some important cross-party groups, such as the group overseeing the council's business transformation programme, the Business Transformation Steering Group (BTSG). Elected members have felt that political point-scoring within the public chamber has prevented more of a consensus from being reached across parties. These tensions could impede elected members of all parties taking responsibility for addressing the council's current and future financial challenges.

**23.** There are signs that relationships between members are improving, with some recent examples of elected members working together, constructively and across political parties, to good effect. The IJB has cross-party membership and has worked well, agreeing the three-year IJB strategic plan and scrutinising service performance. An education working group was established in October 2018 and again, this is a cross-party group. The group has become more proactive since it started, asking for further information and providing a forum for frank and open discussion before matters are debated and decided on at the full council. Elected members should build on these positive examples of effective cross-party working.

**24.** The council also needs to develop and sustain more constructive relationships between elected members and officers. In the past, elected members have used the mechanism of presenting motions to alter the recommendations set out by officers within a report. There is a risk with this method of decision-making that officers will not have been able to work through the implications of amended recommendations in their entirety. There have been occasions when elected members of the Planning Committee have decided to waive developer contributions to local infrastructure, meaning that officers have to identify further sources of funding for the infrastructure needed to support the areas of growth. There is also a perception among some elected members that some officers are reluctant to discuss new ideas and how the council could do things differently.

**25.** It is a steep learning curve for newly elected members to develop the skills necessary for making decisions in a council. The Accounts Commission has produced guidance to support members in their roles, such as the *How Councils*

*Work reports Roles and Relationships: are you getting it right? and Safeguarding Public Money: are you getting it right?*<sup>7</sup> Elected members should consider whether they need additional training to help them fulfil their role ([paragraphs 59 - 62](#)).

**The chief executive is focused on a number of key areas for improvement. The senior management team will need to work together to address current challenges.**

**26.** The council is aware of where it needs to improve. Its focus is on putting in place a medium-term financial strategy that sets out the implications of available resources on current and future service delivery. This will be supported by improved financial planning to support its longer-term plans and improving financial management so that it can deliver those plans. It can demonstrate good examples of working across council services (see [Part 4](#)) but recognises that it can do more. Therefore, it launched its one council initiative in June 2016, encouraging a culture where there is greater understanding by officers of responsibilities and pressures across service areas, to encourage better decision-making.

**27.** There have been a number of changes at senior officer level which, when combined with the changes in elected members, has added to a period of significant change since the last local government election. The current chief executive took up post in August 2018 and has focused on a number of key areas for improvement. The council is working towards transformation including working with communities to identify how they can plan and deliver services together in future, in the context of the council's financial challenges (see [Part 5](#)). The Strategic Leadership Group (SLG) needs to continue to work collectively, finding solutions to service pressures and capacity difficulties, to address the challenges facing the council.

**Political leadership needs to improve through recognising a shared responsibility to deliver Best Value.**

**28.** It is essential that all members recognise that they share the responsibility for delivering Best Value. All members need to come together, demonstrate shared ownership and accountability and work together to agree the medium-term financial strategy and transformation programme. It is important that the council moves from investing significant staff energy into an annual budget process and instead takes a longer-term view in order to support its vision for Midlothian, another reason why it is so important that the council agrees the medium-term financial strategy.

<sup>7</sup> <http://www.audit-scotland.gov.uk/our-work/how-councils-work>



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# Part 2

## How well is the council performing?

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**Overall the council's performance against the objectives and short-term priorities in the vision is mixed. Service performance is also mixed.**

**There are good examples of the council taking action to improve performance. Performance has improved in some priority areas, particularly in services for children and young people.**

**The council makes good use of data to understand and improve its performance.**

**The level of scrutiny by elected members is improving but remains inconsistent.**

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**29.** In this section we consider performance against the five broad themes and three short-term priorities in the council's vision, and how performance compares with others using national data. We also comment in more detail on young people's services, adult social care and customer care. The council has delegated services to the IJB, including adult health and social care and supported housing services. The Midlothian Health and Social Care Partnership is responsible for delivering those services.

### **Overall performance against the objectives and priorities in the council's vision is mixed.**

**30.** As outlined in [Part 1](#), the vision of the Single Midlothian Plan has five broad objectives and three short-term priorities. The CPP tracks performance against this vision and [Exhibit 5](#) shows performance against the five broad themes. There are different results because the Annual Performance Report presents information across indicators for all partners in the CPP. The Balanced Scorecard presents information on indicators for services for which the council is directly responsible.

## Exhibit 5

### Performance against target for objectives in the Midlothian Vision, Annual Performance Report and Balanced Scorecard 2017/18

Overall performance is mixed. The council is meeting more of its targets for 'Improving Opportunities in Midlothian' and 'Sustainable growth'.

Vision objective	Annual performance report (CPP indicators)		Balanced scorecard (Council-only indicators)	
	Indicators with a target	On target	Indicators with a target	On target
Adult health and care	14	71.4%	7	66.7%
Community safety	17	50.0%	6	33.3%
Getting it right for every Midlothian child	18	40.0%	20	72.2%
Improving opportunities in Midlothian	34	58.1%	8	83.3%
Sustainable growth	44	86.0%	14	80.0%

Source: Audit Scotland analysis of Midlothian Council Annual Performance Report 2017/18 and Balanced Scorecard 2017/18

**31.** Midlothian Council is meeting more of its targets for 'Improving opportunities in Midlothian' and 'Sustainable Growth' than it is for its other objectives and priorities. Examples of what it is doing well include the number of environmental awards which were obtained, such as green flags, and completing all neighbourhood plans. Community safety is an area where the council is not performing as well, missing its targets for the number of antisocial behaviour orders breached and number of community payback orders completed.

**32.** [Exhibit 6](#) shows performance against the three short-term priorities in the Single Midlothian Plan. The council has met more of its targets for reducing the gap in economic circumstances. The council has not met as many of its targets in the area of reducing the gap in learning outcomes, although it has improved in this area (see [paragraphs 46 - 51](#)).

## Exhibit 6

### Performance against the short-term priorities, 2017/18

The council is meeting more of its targets for reducing the gap in economic circumstances than for the other short-term priorities.

	Indicators with a target	On target
Reducing the gap in economic circumstances	7	71.4%
Reducing the gap in health outcomes	5	66.7%
Reducing the gap in learning outcomes	8	50.0%

Source: Audit Scotland analyses of Midlothian Council Balanced Scorecard 2017/18

**33.** The council tracks its performance against a wide number of indicators for information. There are a total of 139 indicators shared across the CPP (92 without targets) and 92 indicators for the council (46 without targets). The CPP and the council also consider updates against actions. These track progress against the actions which sit alongside corresponding performance indicators. It is not appropriate for all indicators to have targets but the council should consider whether it could provide greater clarity on its use of targets. It could more clearly

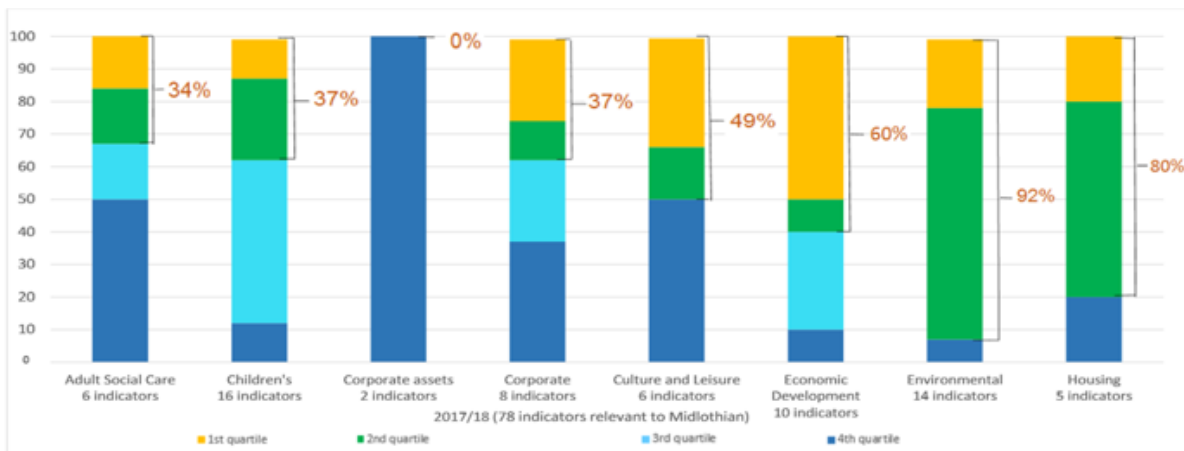
state which are its priority indicators against its five broad objectives. It could also state why some of its targets are only to maintain or reduce performance.

**National indicators show that the council’s overall performance across services is mixed.**

**34.** The council presents annual reports analysing the Local Government Benchmarking Framework (LGBF) indicators to Cabinet and to the Performance Review and Scrutiny Committee ([Exhibit 7](#)). The LGBF brings together information about how all Scottish councils perform in delivering services. The framework lets the council compare its performance against the Scottish average and other councils. Indicators are divided into service areas and performance relative to other councils can be seen by the proportion of indicators in each quartile.

**35.** For Midlothian Council, the majority of housing, environmental and economic development indicators are in the top two quartiles, indicating comparatively better performance in these areas. However, Scottish Housing Regulator (SHR) indicators for housing services do not show as positive a picture of performance. These show poorer performance with service quality and for services to homeless people and gypsy/travellers. The SHR has indicated that it will work more closely with the council because of these concerns.

**Exhibit 7  
Council’s own reporting on 2018/19 LGBF performance indicators, February 2019  
There is a spread of performance across council services**



Notes: 1. Children’s services includes education 2. Childrens’ services is missing 11 indicators which were not available at the time of publication 3. ‘Corporate’ includes indicators of sickness absence; council tax collection; spend on support services etc. Corporate Assets includes indicators on the suitability and condition of council buildings

Source: Midlothian Council’s analysis of 74 LGBF indicators based on 2017/18 data, February 2019

**36.** [Exhibit 8](#) shows our analysis of council performance since 2013/14, based on selected LGBF indicators which mostly relate to outcomes. This does not show an overall pattern of improvement, with the percentage of indicators in the top two quartiles fluctuating between 47 and 53 per cent. Midlothian has 51 per cent of selected LGBF indicators in the top two quartiles, ranked 13 out of 32 councils in Scotland in 2017/18.

**37.** Comparative performance can also be measured using the Community Planning Outcomes Profile (CPOP) data set. These indicators are relevant to the CPP as a whole, including the IJB and its delegated service areas. This shows a more positive picture, with improving performance in twelve indicators, decline in

The Community Planning Outcomes Profile is a tool that can assess if the lives of people in a community are improving, using a set of core measures on important life outcomes.

Source: Improvement Service

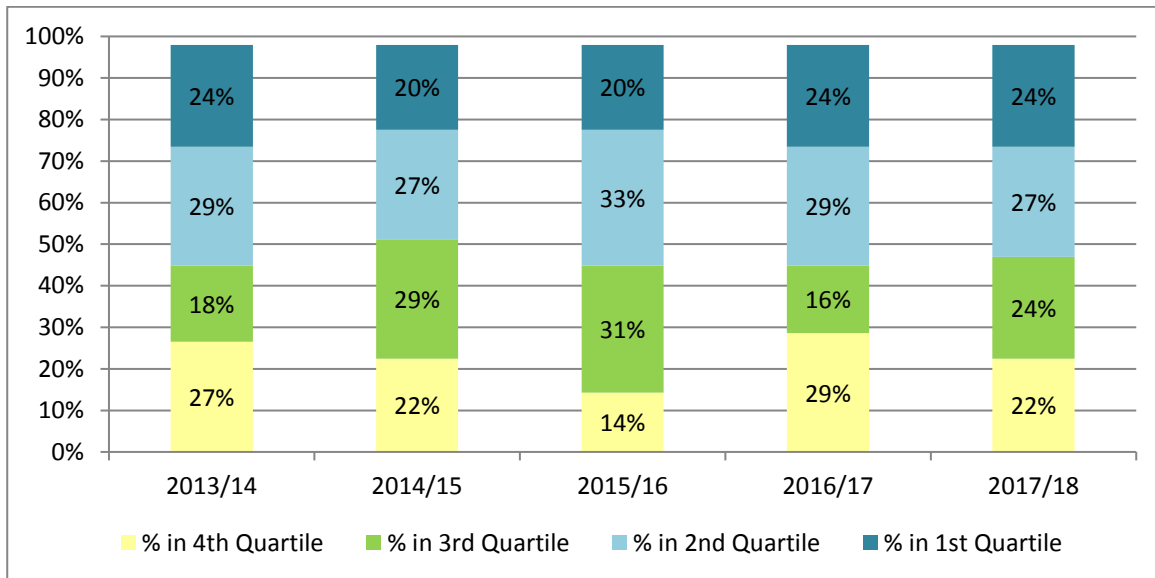
five and static performance in one indicator. Examples of improving and declining CPOP indicators are:

- Percentage of primary 1 pupils with a healthy Body Mass Index improved by 1.9 percentage points between 2007/08 to 2017/18.
- Early mortality reduced by 5.7 percent between 2007/08 and 2017/18.
- There were 4,740 more unplanned hospital attendances in 2017/18 compared to 2007/08.
- Emergency admissions increased by 1,098 between 2007/08 and 2017/18.

## Exhibit 8

### Analysis of LGBF indicators, 2013/14 to 2017/18

Audit Scotland's analysis shows that the number of indicators in the top two quartiles has fluctuated.



Audit Scotland LGBF performance analysis is based upon 49 single year, mainly outcomes based, indicators which were reported on as part of the LGBF every year within the five year period. Where a council did not supply data for one of the 49 indicators we have excluded this from our analysis and so reported totals may not equal 100 per cent.

Source: Audit Scotland

## The Integration Joint Board is taking action to address priority areas in adult health and social care services.

**38.** Midlothian Council receives performance reports from the IJB for adult health and social care. The IJB has acknowledged that performance is mixed. A major programme of service change is outlined in the Midlothian Health and Social Care Partnership's Adult Health and Social Care Strategy and Delivery Plan 2019-22. The changes are designed to promote prevention and recovery.

**39.** The IJB is taking action in the area of preventative services. It recently extended its Wellbeing Service to all 12 GP practices in Midlothian after a successful pilot. This service offers members of the public the opportunity of a 'good conversation' with a trained practitioner, exploring life issues that may be affecting health and wellbeing, such as family, relationships, money, housing and mental health. The aim is to support people to develop their own personal outcomes and methods of self-management and to be more able to live well.

**40.** An evaluation of the pilot demonstrated the positive impact the service was having on helping people to manage their wellbeing. This is the result of a partnership between the IJB and the Thistle Foundation, a charity supporting people living with long-term health conditions. In November 2018, partners were successful in securing funding until 2022 from a range of sources, including the Scottish Government.<sup>8</sup>

**41.** The IJB acknowledges that its biggest challenge is its capacity to provide care both at home and in care homes. One of the council's external care-at-home providers is facing continuing difficulties in delivering the service it is commissioned to deliver. The IJB is working with this provider to improve that service. It has also increased capacity through other external providers, by reorganising its in-house service and by working closely with the voluntary sector to see how it can provide alternatives to care at home. The IJB is monitoring the situation to determine whether it should consider further action.

**42.** The IJB is exploring options for providing extra care housing in Dalkeith and Bonnyrigg, following successful initiatives such as Cowan Court in Penicuik. This was opened in 2013 and provides 32 homes with extra-care housing support, designed for older people, with the option of co-habiting with their spouse/partner, sibling, parent or child. It received a positive inspection from the Care Inspectorate in March 2017. Teviot Court opened in 2017, providing specialist support services to people with autism, learning disabilities and complex support needs. It provides specialist 24-hour support, including overnight support staff provided by the Richmond Fellowship. As at March 2019, the IJB reported that no one with learning disabilities was being cared for in hospital, and all were being cared for within the community.

**43.** Work is also underway to develop models of support for homeless people with complex lives. Multi-agency meetings and a broader workshop have already taken place with the plan for homelessness support to be developed by June 2019.

**44.** Performance against national CPOP data, relevant performance measures for the IJB and other satisfaction-based indicators shows mixed performance. There has been a decline in some health indicators, for example, in unplanned hospital attendances and emergency admissions ([paragraph 37](#)).

**45.** Performance against key waiting time and service user satisfaction targets could be improved. Waiting times for occupational therapy and social work services are above target. Performance is below target for the time taken to deal with complaints. Adult health and social care services rank very low for LGBF satisfaction indicators related to people receiving any care or support who rate it as good or excellent; and people who agree that their services or support had an impact on maintaining or improving their quality of life. Despite a reduction in satisfaction, these services are ranked fifth in Scotland for the percentage of people aged 65 or over with long term care needs receiving personal care at home, increasing by four percentage points between 2011/12 and 2017/18.

### **The council has improved against most of its priorities for education and is aware of where further improvements are required.**

**46.** At the time of the last Best Value audit report, we reported that improvements were required in some areas of education. Since then the council has embarked on an ambitious Learning Estate Strategy, which we refer to in [Part 1](#). One significant project totalling £38 million has been the Newbattle Community Campus, which opened in June 2018 ([Case study 1](#)).

<sup>8</sup> Midlothian's Health and Social Care Delivery Plan 2018/19

## Case study 1

### Newbattle Community Campus – Digital Centre of Excellence

The campus is the result of a partnership between Midlothian Council and Edinburgh University. The Campus has a secondary school of around 850 pupils, a public library, a gym, sports facilities, a swimming pool and community meeting spaces. It also provides workspaces for self-employed businesses and provides access to and training in the latest technology. The partnership has links to the Data Driven Innovation Programme and the City Deal. The aim is to provide high quality, industry-led skills for learners, including digital skills. There are not yet performance measures to quantify the improvements that this facility has made to outcomes for pupils, and performance measures will likely be longer-term in nature by assessing school leaver destinations. However, school attendance has already improved from 85.3 per cent to 86.6 per cent, and exclusions have reduced from 56 to nine. Staff believe this to be the result of the better facilities offered by the Digital Centre of Excellence, as well as increased pupil engagement in learning.

Source: Audit Scotland

**47.** The council has worked with partners to improve against its priority that more pupils achieve positive destinations after leaving school ([Case study 2](#)).

## Case study 2

### Positive destinations

The CPP identified improving positive destinations for school leavers as a priority in 2013, to reverse the trend of five years of underperformance. Work began by establishing which council services (schools, children and families social work and economic development) and external partners (Skills Development Scotland, local colleges, universities) would be essential to a new approach. The council worked with partners to achieve:

- more flexible and practical skills and training for young people to help everyone achieve their potential
- closer working between parents, employers and further education establishments to help young people manage the change from school to their next step
- investing in individual school leavers who were considered at risk of not achieving a positive destination by identifying lead staff members to work directly with the at-risk young people, to help them achieve a positive destination.

School leavers who are engaged in higher education, further education, training, voluntary work, employment or activity agreements are classified as having a 'positive destination'

Source: Scottish Government

This collaborative approach has led to improved outcomes: the percentage of pupils entering a positive destination increased from 85.8 per cent in 2011/12 to 94.4 per cent in 2017/18. The percentage of 16 to 19 year olds participating in learning, training or work in 2017/18 was also 94.4 per cent, higher than the Scottish average.

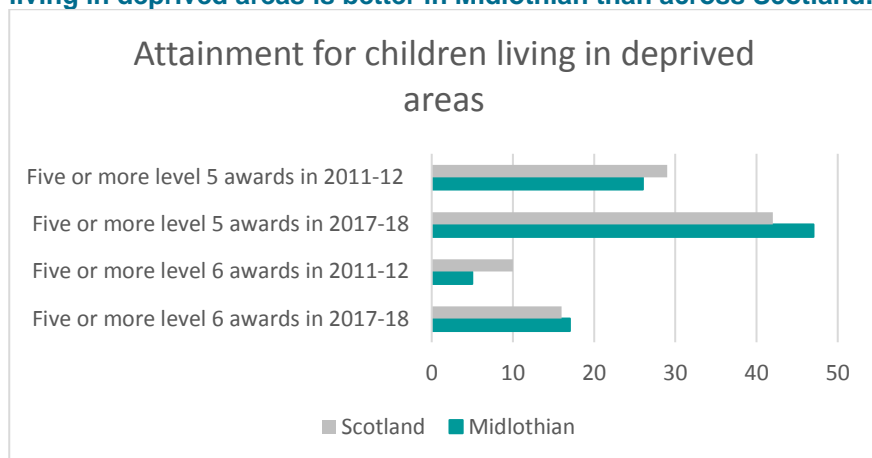
Source: Audit Scotland

**48.** The council has improved significantly for performance in the educational attainment of pupils living in areas of higher deprivation. Midlothian's rate of improvement for pupils living in the 20 per cent most-deprived areas is particularly good, with levels of attainment now above the Scottish average ([Exhibit 9](#)).

## Exhibit 9

### Improved performance in educational attainment for children living in deprived areas

The rate of improvement for pupils gaining five or more awards at Level 5 and Level 6 for children living in deprived areas is better in Midlothian than across Scotland.



Source: Audit Scotland using LGBF data

**49.** For nine of the 11 LGBF attainment indicators, Midlothian's rate of improvement is either in line with or exceeds the Scottish rate of improvement. This includes improvements in terms of positive destinations for pupils. The council's overall tariff scores have improved, as well as total tariff scores for pupils across all levels of deprivation. Tariff scores are calculated by accounting for the total number of tariff points for each award in education.

**50.** While Midlothian's rate of improvement for tariff score measures since 2011/12 is consistent with the trend across Scotland, the council still performed below the Scottish average for the total tariff score measures for most deprivation groupings in 2017/18. Insight data also shows that it performs less well than its virtual comparator for breadth and depth measures, which show the performance of S4 – S6 pupils in the range of qualifications taken and the level at which they are achieved.

**51.** The council is aware of where further improvements are required, including increasing attendance and reducing exclusions of pupils, including looked after and accommodated children. The council has appointed additional staff using its attainment fund for care experienced young people to support improved outcomes.

### Children's services was an improving area at the time of the last Best Value audit and it has continued to improve.

**52.** At the time of the last Best Value audit in 2012, we reported that there had been significant improvements to children's services. In January 2014, Midlothian's services for children and young people were inspected by the Care Inspectorate and Education Scotland. The report concluded that these services are having a largely positive impact on children and young people and their families. Particular strengths are the meaningful involvement of children and young people in shaping policies and services, and creative approaches to encouraging physical, social and emotional wellbeing. Planning and the leadership of improvement were identified as areas for further improvement.

**53.** In November 2017 the council introduced its Permanence and Care Excellence Programme with the aim that 75 per cent of children under the age of 12 would have a permanent care accommodation plan within 7.5 months of their first involvement with social services. Permanent care includes care with birth families, kinship care, foster care or adoption. Within the year, this target had been

Insight is an online benchmarking tool which provides schools with information about attainment outcomes in the senior phase. It uses a 'Virtual Comparator' which contains a sample group of school leavers from similar schools in other local authorities.

Source: Education Scotland

surpassed with 80 per cent of children receiving a decision on long-term care within that time-frame. By April 2019 that had risen to 95 per cent.

**54.** The council introduced the Mind of My Own app in April 2018 which has increased the level of feedback from young people with experience of living in care about the service they receive. Thirty-one young people are using this app to communicate with their workers in a way that better suits their needs. The council has also established a virtual headteacher, not attached to an educational establishment, but with responsibility for these young people, to focus on their educational outcomes.

### **The council has improved its overall approach to customer care but service user satisfaction is comparatively low.**

**55.** Customer care was an area that needed to improve at the time of the last Best Value audit. The council now has a much clearer focus on reporting feedback. Each service performance report has a section titled 'Valuing customer feedback', where complaints and waiting times are reported. The council's website is well laid out, with good customer accessibility and functionality. The Society of IT Practitioners (SOCITM) rated the council website as among the best performing in the UK in 2018, based on a continuous assessment during 2017/18.<sup>9</sup> Midlothian was one of only 40 of the 414 local authority websites to achieve the highest number of stars.

**56.** The council has introduced a self-service approach in the libraries in four of Midlothian's main towns. This allows libraries to remain open for longer periods but only staffed at allocated times. This approach has been adopted in the Loanhead Library facility, which operates as a multi-functional centre ([Case study 3](#)). Innovative developments such as this allow communities to become more involved in how services are delivered, helping to improve outcomes for local people.

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## **Case study 3**

### **The Loanhead hub offers frontline services and support to communities**

The Loanhead Centre has been developed through work with local communities to deliver services while making effective use of local assets. A budget of £15.4 million was allocated to create a multi-purpose hub for people in Midlothian. The project delivered one integrated building which contains a new primary school, GP practice, a refurbished library, leisure centre, after-school facilities, nursery and early years family support centre. This has allowed a variety of local services to be delivered using an efficient and integrated approach, bringing people together in one community space. Library visits have increased to 88,634 since opening in August 2017 compared with 30,665 over the same length of time in the previous building. There has also been an increase in GP registrations and leisure centre memberships. Positive feedback has further demonstrated the project's success, via the Loanhead and District Community Council forum.

Source: Midlothian Council / Audit Scotland

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**57.** National datasets have demonstrated a reduction in satisfaction across most services. Satisfaction in Midlothian is slightly higher for leisure facilities and street cleaning relative to the Scottish average. However it is lower than average for parks and open spaces, and museums and galleries, where the decline has been at a faster rate than Scotland. The council uses its citizen's panel, made up of 1,000 residents, to collect community satisfaction information. We have compared citizen panel results with LGBF results where there is some similarity between services ([Exhibit 10](#)). According to citizen panel results, satisfaction with the standard of education and library services is much higher than according to the

<sup>9</sup> Holyrood Report on Council Websites, June 2018



figures measured through the LGBF. The council should seek to understand these different results and work to improve user satisfaction.

## Exhibit 10

### Comparison of satisfaction measures between the citizen's panel and the LGBF indicators

Satisfaction with services is higher according to the citizen's panel indicators.

Comparative service satisfaction indicators	LGBF indicators					Citizen's Panel indicators	
	Name	2015-18 Results	Scotland results	% change from baseline	Scotland % change from baseline	Name	2017/18 results
Schools/education	% of adults satisfied with local schools	79%	72%	-3.3	-10	Satisfaction with standard of education	90%
Libraries	% of adults satisfied with libraries	66%	73%	-14.6	-9.5	Satisfaction with library service	92%
Refuse collection	% of adults satisfied with refuse collection	90%	79%	10.3	-3.6	Satisfaction with Council's refuse service	91%

Note: LGBF data is collected at three-year intervals and the most recent results are for the 2015–2018 period

Source: Audit Scotland using the Local Government Benchmarking Framework satisfaction measures from 2015-2018 and Midlothian Council Citizen's Panel Survey 2017/2018

### The council is committed to using evidence and provides comprehensive performance information to elected members and the public.

**58.** The council is committed to using evidence and provides comprehensive performance information to elected members and the public. The council performs well in relation to reporting performance to the public, with a good range of information in different formats. The council demonstrates a commitment to being open and transparent with a good balance between reporting areas of strength and areas for improvement.

### Elected member scrutiny is improving but officers should do more to help elected members with this role.

**59.** The level of scrutiny at the council has improved, as elected members have grown into their roles. With the major changes in political representation, it has taken time for members to understand all aspects of their role. Now members can be seen asking questions and seeking assurance around performance and council policy decisions. However, the level of scrutiny is not consistent and members need to ensure that they consistently exercise appropriate scrutiny.

**60.** Officers should improve this further by ensuring that all reports are of high quality and that elected members are clear on what they are being asked to decide on. Some committee reports can be very long. Reports are also sometimes issued late, reducing the time for elected member to read and understand them. Some reports presented as part of previous budget-setting processes did not contain a sufficiently thorough assessment of the level of savings that were achievable.

**61.** Officers and members need to work together to ensure that ongoing training and development are appropriate to meet members' needs, and members need to take up such opportunities. The attendance of elected members at training events is recorded via the council's website, providing a training history for each individual councillor. This approach to monitoring the uptake of training is limited, as it does not provide an overview of training and development. Moreover, a third of elected members have not recorded their uptake of the induction programme.

**62.** The council also organises seminars and informal briefing sessions on various topics, which are well received. Elected members should ensure that they take up the offer of such seminars, briefing sessions and training. The re-introduction of personal development plans would allow elected members to state the areas in which they want to improve their skills or knowledge, giving them something to work towards.

# Part 3

## Is the council using its resources effectively?



**The council faces significant challenges in achieving a sustainable financial position. It is facing a funding gap of £14.5 million between 2020/21 and 2022/23.**

**The council needs to end its reliance on reserves. Since 2016, it has used £16.1 million of reserves and they are now at a low level.**

**The new chief executive has made good progress with starting to address the council's financial position. She implemented a recovery plan for 2018/19, and the council has reduced the projected overspend from £3 million to nil.**

**The council recognises it needs to develop its medium and long-term financial planning processes. Progress has been slow but developing a medium-term financial strategy is now a priority.**

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**The council has faced substantial financial pressures over the past three years and faces significant challenges in achieving a sustainable financial position.**

**63.** A funding gap is the difference between the council's income and the amount it needs to spend. In its financial strategy paper to the council in February 2019, the council forecast a cumulative funding gap for 2020/21 to 2022/23 of £14.5 million. Since the council agreed its budget, officers have continued to update their projections of the funding gap and this will be shared regularly with members. The budget shortfall by 2022/23 equates to six per cent of the cost of providing services in the year (net cost of services). The council prepares its funding gap analysis with a range of scenarios: best case (£1.6 million) to worst case (£27.2 million).

**64.** For the past three years the council has not delivered on its approved budget. As part of the annual audit process, for the last two years the external auditor concluded that the council had failed to operate within established budgets and that this was predominantly through failing to achieve financial savings planned through its transformation programme ([paragraph 122 - 124](#)).

**65.** The council needs to make difficult decisions about its services and how they are provided to ensure it balances its finances. This is clear from the range of savings options approved and not approved by members as part of the 2019/20 budget process, where some difficult decisions about cutting services were deferred.

## The new chief executive has made good progress in starting to address the council's financial position.

66. Prior to 2018/19, these financial pressures had not been addressed and budgetary pressures were likely to increase. However during 2018/19 the council implemented a recovery plan. This reduced the anticipated overspend for 2018/19 from £3 million to nil. There is a strong tone from the chief executive in her message that overspending is an unacceptable position. She has instructed directors and heads of service to deliver within their set directorate budgets.

## The council needs to end its continued reliance on using reserves as part of the budget setting process.

67. Elected members have been unwilling to take potentially unpopular decisions which are necessary to balance its finances in times of extreme financial difficulty. Instead members and officers have been choosing to use reserves to balance the council's finances. In the last three years, members have approved the use of £11.1 million of general fund reserves. The council used £6.4 million to balance budgets, £1.4 million to fund additional expenditure, £1.2 million to support transformation and £3.1 million to fund voluntary severance costs, and used £1 million from other savings.

68. [Exhibit 11](#) shows use of general fund reserves of £16.1 million (projected to 31 March 2019), £5 million above approved usage). The external auditor noted in their 2017/18 audit report that the council could not continue to use the reserves to secure a balanced budget and the level of uncommitted general reserves pose a significant risk to the financial sustainability of the council.

69. The council has low uncommitted General Fund Reserves. Uncommitted reserves have depleted over the years with the council projecting, in their reserves strategy, an uncommitted reserves balance of £3.7 million at 31 March 2019, with an improvement projected to £4.3 million as at May 2019.

70. A prudent level of uncommitted reserves is seen by the sector to be between two and four per cent of net expenditure. Excluding the resources delegated to the IJB, this equates to between approximately £3.3 million and £6.6 million. The uncommitted reserves of £4.3 million projected is therefore within this range and above the two per cent set out in the council's reserves strategy.

71. There will be further risks around use of available reserves due to additional one-off costs associated with service transformation (in line with the new programme discussed in [Part 5](#)) and workforce reductions. The results of the 2019/20 budget setting process include a reduction in 136.84 full-time equivalent (FTE) posts at the council. The council has identified these costs and set out how they will be addressed in the reserves strategy.

## Exhibit 11

### Use of general fund reserves (committed and uncommitted), 2014/15 to 2018/19

General reserves have been depleted from 2016/17

	£'000	£'000	£'000	£'000	£'000
	31/03/2015	31/03/2016	31/03/2017	31/03/2018	31/03/2019*
General fund reserves	21,315	24,625	17,651	10,777	8,488
Use of reserves	-804	-3,310	6,974	6,874	2,289

\* projected at May 2019, finalised figures unavailable

Source: Audited financial statements

**72.** In response to the audit recommendation, elected members approved a reserves strategy in February 2019. This notes the need to maintain an adequate level of General Reserve to provide a contingency for unforeseen or unplanned costs and that in the current financial context two per cent of net expenditure should be considered a minimum. Members agreed that where projections indicate that the two per cent minimum balance will be breached, officers should implement an immediate plan to recover the position, failing which they would need to increase reserves by the next available budget.

### **The council is developing a medium-term financial strategy and will have approved it by the summer.**

**73.** The Accounts Commission's *Local government in Scotland: performance and challenges 2017* report highlights the importance of medium to long-term financial planning given the continuing pressures that councils will face in the future.

**74.** The new chief executive acknowledges this and has stressed the importance of a medium-term financial strategy and the need for all members to work together to develop and agree the strategy. The council is developing the medium-term financial strategy and plans to present it to full council by June 2019, before summer recess.

### **The council needs to do more to improve its financial reporting arrangements to better support budget holders and elected members in their roles.**

**75.** Historically, not all budget holders have been able to identify variations against budget soon enough during the financial year. Whilst budget holders, service managers and Strategic Leadership Group have access to online financial reports these do not always provide them with the financial management information they need or they have not used the available information to help them effectively manage their budget.

**76.** The usefulness of financial information was limited for a variety of reasons including information not being maintained accurately and delays in feeder systems data and other financial transactions being processed. This meant managers were over dependent on the finance team to interpret the available financial information and to explain the financial performance to them.

**77.** As a consequence, in some areas there was a lag in managers being able to take early action on projected overspends. This time lag, coupled with a complex financial framework with various savings and efficiency strands, makes it more difficult to assess the financial performance during the year. This in turn makes it more difficult for budget holders, officers and elected members to fulfil their duties with respect to financial management.

**78.** There have been signs of recent progress in this area with improvements in the completeness of financial information and plans to make it easier for both managers and elected members to have greater insight into the available financial data by introducing financial dashboards. There has been a clear message from the chief executive on the necessity of strict budget management. There is also a clear governance structure on the delivery of savings and in relation to the medium term financial plan.

**79.** The council still needs to do more, however, specifically around simplifying reports, improving the completeness and accuracy of financial information so that it can be relied upon throughout the financial year and so in turn enabling managers to make a timely response to variations.

## The council has a large capital budget reflecting the needs of its growing population, but it has experienced slippage on capital projects.

**80.** The council continues to under-deliver against its capital plans, due to recurring slippage in delivering various capital projects such as Cuiken Primary School and Sacred Heart Primary School extensions. For a number of years slippage, or “rephasing”, has occurred beyond what the council has forecast. This is due to a variety of issues including, but not limited to, supply chain pressures, issues arising during the consultation process, and internal capacity issues. In February 2019, the 2018/19 capital plan budget of £32.4 million was rephased to £28.4 million (a decrease of £4 million). The capital plan is a significant part of transforming the council and ongoing slippage or unrealistic budgets have the potential to impede delivery of change.

**81.** The 2019/20 Housing Revenue Account revised budget shows an average number of houses of 6,962, increasing from 6,864 in the 2018/19 budget, showing the increasing housing demands being faced by the council. Seventeen per cent of all dwellings in Midlothian are council housing stock, compared to 12 per cent for Scotland overall.<sup>10</sup> The number of houses is continuing to increase due to the growing population (see [paragraph 9](#)).

**82.** The council has a total borrowing requirement of £239.7 million to support its capital strategy in the period to 2022/23, reflecting the pressures on services due to the growing population ([Exhibit 12](#)). The 2018/19 - 2022/23 general services capital plan shows budgeted expenditure totalling £97.3 million for Education, Community and Economy, again reflecting the needs of the growing population and the increasing pressures.

## Exhibit 12 Borrowing requirements, 2018/19 to 2022/23

The treasury management strategy projects significant borrowing requirements over the next 5 years

Item	2018/19 £'000s	2019/20 £'000s	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s	Total £'000s
Total capital expenditure	43,126	99,892	156,893	89,852	48,424	438,187
Available financing	(38,410)	(38,799)	(59,851)	(45,462)	(37,947)	(220,469)
Loans	10,452	9,201	9,282	1,534	1,554	32,023
Borrowing secured	(10,000)	0	0	0	0	(10,000)
<b>Borrowing required</b>	<b>5,168</b>	<b>70,294</b>	<b>106,324</b>	<b>45,924</b>	<b>12,031</b>	<b>239,741</b>

Source: Treasury management strategy, presented to Council, February 2019

**83.** The council will benefit from funding as part of its involvement in the Edinburgh and South East Scotland City region deal (City region deal). Agreements were formally signed in August 2018. The UK and Scottish Governments will each invest £300 million over the next 15 years, with Midlothian Council and other regional partners investing an additional £700 million. The University of Edinburgh has a programme of development where city deal funding will contribute to a World Class Data Infrastructure Hub at Easter Bush, providing a key strand of innovation in Midlothian. The deal will also facilitate the development of the A701 and A702 road schemes, improving transport links in Midlothian. Midlothian will also benefit from

<sup>10</sup> Scottish Government Housing Statistics for Scotland and Scottish Housing Regulator Stock data

programmes within the City region deal, as it is within a ten-mile radius of other projects outwith the council area. The investment is expected to generate a £5 billion increase in Gross Value Added for the south east area's economy.<sup>11</sup>

### **A number of weaknesses in the systems of internal control relating to payments made procuring roads services were identified by the council.**

**84.** The external auditor reported in the 2017/18 Annual Audit Report, that the council had an effective governance structure in place overall. However, they noted a number of aspects of the internal control framework that required improvement. They highlighted the results of the investigation into the council's road division which identified a number of weaknesses in the systems of internal control at the council. Progress on the 14 internal control actions was reported to Audit Committee on 12 December 2018 and these matters have all been addressed accordingly. A police investigation into alleged fraud is currently being undertaken.

**85.** The council has a robust procurement strategy that is updated every three years. The strategy includes a review of progress from the previous strategy and sets out the council's strategic goals to be taken forward through their procurement activity over the next five years. In 2018 the council achieved F2 status on the new procurement improvement assessment which is carried out externally by Scotland Excel. Scoring can range from F1 (Highest) to F12 (Lowest).

### **The council recognises it needs to revise its workforce strategy to complement delivery of the medium-term financial strategy.**

**86.** The council currently has individual workforce plans for each service (2017-2022). Its workforce strategy 2017 – 2022 was approved at Council Committee in December 2017. It is aware it will need to revise its workforce strategy and individual service workforce plans to complement the new medium-term financial strategy that it is developing.

**87.** The council is committed to finding alternative roles for staff at risk of being displaced as a result of the budget changes and it has a policy framework in place that supports redeployment. A key part of this has been upfront and regular communication with staff. The reduction of 136.84 FTE posts at the council as part of the 2019/20 budget will be achieved through a combination of vacancy management and voluntary redundancy. In 2017/18 the council spent £853,000 on voluntary severance.

**88.** Midlothian experiences challenges in workforce as a smaller council but has developed some shared services and shared roles to help address this. The joint chief internal officer appointment with Scottish Borders Council in 2018 is an example of where this has operated successfully. The council should look at how it can expand the use of shared services/roles across the council.

### **The council has an effective approach to managing sickness absence.**

**89.** The council has an attendance management policy to reduce sickness absence in the workplace and help managers dealing with absence appropriately. It has also prepared guidance for managers on interventions to maximise attendance at work, to support them in difficult situations.

**90.** The council has a low sickness absence rate as a result of their effective approach to managing absence. As at quarter three of 2018/19, the council had lost 9,450 full time equivalent (FTE) days which equates to a sickness absence rate of 2.53 per cent. National data using the LGBF also measures sickness absence across councils. Midlothian performs well and is among the top five

<sup>11</sup> SPICe City Regions Deal Summary Paper, November 2017

ranking councils for both measures of sickness absence (teachers and non-teachers). In 2017/18 sickness absence days for teachers in Midlothian were 4.59 days, compared to the Scottish average of 5.93 days. Sickness absence for non-teachers was also below the Scottish average, at 8.59 days compared to the Scottish average of 11.41 days.

### **Staff feedback on the council is generally positive and it has a commitment to fair working practices.**

**91.** The council's most recent Employee Engagement Survey generated a 50 per cent response rate. The survey assessed a variety of key employee issues as well as views on the council. Out of 13 common questions between the 2016 and 2018 survey, the overall percentage of staff satisfied dropped in 11 questions.

**92.** Results show that there is a good appreciation for employee wellbeing, although this could be improved at senior management level. Generally, employees have a positive view of their roles, however only 44 per cent of respondents agree that they have enough time to carry out their work effectively. Employees' perceptions of Midlothian as an organisation are largely positive, however responses suggest that many staff do not feel that the council is reactive to staff feedback. As a result of the survey, officers produced and shared a managers' guide to action planning meetings in a bid to respond to the key issues and take timely action.

**93.** The council has been a living wage employer for three years and has achieved Living Wage employer accreditation through the Living Wage foundation in addition to being nominated for a national award. This is part of the council's commitment to fair working practices. It also promotes and encourages the payment of the Living Wage in all contracts. In addition to delivering on the Living Wage requirement, Midlothian developed a broader evaluation to ensure that a fit-for-purpose framework for the future was in place, for example by adapting terms and conditions. The positive approach taken by the council has been recognised by other local authorities, who have reached out to the council to share best practice.<sup>12</sup>

<sup>12</sup> Living Wage Foundation, May 2018



# Part 4

## Is the council working well with its partners?



**Partnership working was an area of strength in the 2012 Best Value audit and continues to be strong. The council and its partners are committed to a shared vision for the area.**

**The council works well across departments and with its partners to deliver improvements in services. It also works well with communities to deliver both large projects and local initiatives.**

**There is a good history of the council and the third sector working together. The council has taken steps to further improve how it works with the third sector so that it is more consistent.**

**The council and communities have developed neighbourhood plans for the three priority areas. It has struggled to build effective community oversight of progress across all neighbourhood areas.**

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### **Partnership working was an area of strength in the 2012 Best Value audit and continues to be strong.**

**94.** The council and its partners are committed to a shared vision for the area. Single Midlothian Plan priorities are agreed on at annual community planning development days, at which partner, third-sector and community views are represented. The event held in November 2018 was well attended, with 140 representatives from public and private sector agencies, the council, community councils, third sector organisations and approximately 50 young people, discussing the plan's priorities. These days are valued by all partners, particularly the third sector, for being inclusive and effective.

**95.** Other bodies responsible for scrutinising and auditing the council have also highlighted strengths in partnership working, including joint working with East Lothian Council on public protection.<sup>13</sup>

**96.** There continue to be positive signs around the operation of the IJB including:

<sup>13</sup> Midlothian Council Local Scrutiny Plan 2018-19, Audit Scotland.

- a strategic approach to planning from the previous Health and Social Care partnership's (HSCP) three-year strategic plan (2016–2019) to the current strategic plan (2019 – 2022)
- the three-year financial strategy for 2019 to 2022
- the delivery of a £1m underspend for the IJB in 2017/18 and projected £1.5m underspend in 2018/19
- investment in workforce planning since the establishment of the IJB
- extensive public consultation during 2018 to inform the HSCP's strategic plan 2019 – 2022. This used a wide range of methods including social media and community events. A total of 1,600 responses were received and fed into the strategic plan and related service plans. These have fed into strategies to support carers and on mental health, learning disabilities and autism.

**97.** In Part 2, we set out examples of how the IJB is improving outcomes for local people ([paragraphs 38 - 45](#)).

### The council has worked well across departments, with its partners and service users to improve services for young people.

**98.** There are good examples of some council services working effectively across departments and with partners. This had led to improved outcomes for service users, such as an increase in the number of young people moving on to positive destinations after they have left school ([Case study 2, page 21](#)).

**99.** Young people's mental health is another area where partners have worked together. More than 16 organisations from across the CPP and the third sector are now working together on a project to redesign mental health and wellbeing support services. The starting point was a survey of 374 young people carried out by the Midlothian Youth Platform in February 2018 ([Exhibit 13](#)).

## Exhibit 13

### Key themes from survey on young people's mental health, February 2018



Source: Midlothian CPP

**100.** This survey helped the council and its partners secure £836,000 of funding from the Big Lottery Early Action Fund over five years. A focus will be on testing

and learning from measures to prevent mental health issues. This could also help reduce pressure on Child and Adolescent Mental Health Services.

**101.** The outcome of Education Scotland's Community Learning and Development (CLD) inspection of Midlothian Council in 2016 was very positive.<sup>14</sup> CLD practice covers a range of activities such as youth work, adult learning, family learning and community development. The inspection findings highlight that both the council and its partners were taking an increasingly holistic approach to learning and this was having a positive effect on outcomes for young people, adults and communities in Midlothian. Across all four of the quality indicators, the council and its partners were assessed as 'very good'.

### **Engagement and partnership working with the third sector is effective at a community planning level. The council has recently taken steps to ensure a more consistent approach across the council.**

**102.** Engagement and partnership working with the third sector is good at a community planning level. The Third Sector Interface (TSI) is the representative body for over 700 third sector organisations in Midlothian. It works with and supports a broad range of organisations and volunteers that deliver services to communities across Midlothian. The TSI reports that it feels a valued member of the CPP and shares the vision and priorities in the Single Midlothian Plan. The TSI also values the support the council gives in terms of attending meetings, sharing information and facilitating links with wider partners. Individual staff within the council have contributed to positive relationships, helping to answer queries and give advice.

**103.** There is a strong, historical and supportive link between the council and the third sector in Midlothian. However, there have been some challenges in terms of the relationships between some third sector organisations and the council such as inconsistencies in communication and working partnerships, and the transparency of some decisions made by the council.

**104.** The chief executive recently met with the TSI and proposed working together to refresh the existing agreement between the council and the voluntary sector, the Compact, which defines the principles for joint working between the council and third sector partners. The council is aware of the benefits of working well with community organisations and is keen to further develop relationships and working partnerships.

### **The council is making progress putting in place what is needed to deliver the Community Empowerment Act.**

**105.** Midlothian Council has made progress in taking forward actions to deliver the requirements of the Act. In 2017 the council launched a social media campaign to raise awareness about the Act. To date, the council has received and processed two participation requests – that is requests by community bodies to take part in making decisions about council services. Prior to the introduction of the Act, the council had completed community asset transfers – that is where communities have taken responsibility for land or buildings. At the time of this audit work, the council was supporting communities with six asset transfer requests, which were at various stages of development or submission.

**106.** Midlothian Council has been piloting a participatory budgeting approach. For example, the council and NHS Lothian have jointly allocated £48,000 for the 'Food Glorious Food' project in the three priority community areas. The council has still to set out plans for participatory budgeting.

<sup>14</sup> [Inspection of Community Learning and Development in Midlothian Council, Education Scotland, December 2016](#)

**107.** The council has rolled out online training on the Community Empowerment Act across council staff, community councils, elected members and the third sector. The target was for 150 staff and volunteers to complete the training in 2018/19 and at May 2019, 108 staff had completed training. To demonstrate support for the voluntary sector, the council recently introduced a scheme where council staff can request between two to four days per year to volunteer with community groups that are tackling a local social issue or providing an entrepreneurial partnership.

**108.** Closely aligned to the Community Empowerment Act is the Scottish Government's intention that empowering communities will help reduce disadvantage and inequality and improve outcomes for communities. Since 2016/17 the council has had a strong focus on reducing inequalities and developing more preventative approaches through the Single Midlothian Plan ([Part 1, paragraph 14 and Exhibit 4](#)).

### **The council works with service users and community groups to improve services and build community capacity.**

**109.** Community empowerment is a gradual process that involves continual learning and the constant building of a community's capacity to articulate and address its priorities. There are good examples of where the council has involved communities and service users in the design of services. These include designing and developing the Loanhead hub ([Case study 3, page 23](#)) and Newbattle Campus ([Case study 1, page 21](#)).

**110.** There are also good examples of where the council has worked with communities to build capacity. These include the Mayfield and Easthouses Community Empowerment Project, funded by community planning partners between 2015 and 2017 and led by third sector organisation Midlothian Voluntary Action. It involved working with the community to explore local solutions to issues identified within the neighbourhood plan. This led to a number of initiatives including the Recovery Cafe and a wellbeing group. Some of this work is ongoing and provided helpful insight on how to build community capacity. In [paragraphs 39 - 40](#), we mentioned the roll-out of the wellbeing service.

**111.** Community empowerment also involves communities having greater influence on and input to decision-making. The council conducts or participates in a wide range of public engagement activities across Midlothian's communities. The public consultation for the 2019/20 council budget was, for the first time, led by elected members from the administration. Various events were held over a ten-week period for staff, voluntary groups and the wider public to explore the spending options for 2019/20. The council got more than 2,000 responses. However, the events were poorly attended by the public and the number of responses was down by a third from the year before.

**112.** The council has found it difficult to get communities to participate in a proactive way, although communities have responded to specific services affected by cuts. The council is attempting to change this and is planning to engage directly with those who criticised previous cuts to get their input on how to transform services in light of the council's financial position. It is important that elected members provide effective and consistent cross-party leadership when informing communities about the council's financial position and considering their views.

### **The council is working with its communities to deliver improvements. The council should encourage community ownership of these plans and improve how the community monitors progress.**

**113.** Communities within Midlothian have identified themselves into 15 areas that have their own sense of community. The council and local community groups have developed neighbourhood plans for these areas. The neighbourhood plans for the three priority areas of Dalkeith/Woodburn, Mayfield/Easthouses and Gorebridge

are the Locality Outcome Improvement Plans (LOIPs) required under the Community Empowerment Act 2015.

**114.** The absence of a formal mechanism for reporting performance against all 15 neighbourhood plans makes it difficult for us to assess what has been achieved overall. Community representatives can give examples of successes by community groups and local authority partners, including improving local spaces and services.

**115.** Community councils represent communities in the neighbourhood plans and coordinate and monitor actions alongside other partners. The council and communities acknowledge that progress has been slow for some actions as a result of small numbers of volunteers and limited resources. The council should encourage community ownership of these plans and work with communities to improve how they monitor progress. A wider approach to membership of community councils or formalising a wider network of community groups would be beneficial. The council has facilitated some very useful community networking events, which is a good step on which to build.

**116.** Midlothian Council uses a citizen's panel (see [paragraph 57](#)) to gather the views of communities, particularly on perceptions of community cohesion and influence. Results in 2018 show that 84 per cent of the 619 respondents agreed with the view that people help each other when there is a problem, compared with 70 per cent in 2016. However, the 2018 survey also highlighted that people in Midlothian feel less able to influence decisions (42 per cent) and feel less involved in their communities (48 per cent) than in 2016.

**117.** The council is clear on the benefit of involving communities further in designing and delivering services and is taking this forward through its transformation workstream, Services with Communities (see [paragraphs 125 - 126](#)). However, recent budget reductions across council services that work directly with communities may affect the future capacity of the council to provide sufficient support and expertise in this area.

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# Part 5

## Is the council demonstrating continuous improvement?

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**The council's overall pace of improvement is mixed. It still needs to focus on some of the key requirements for Best Value, including financial sustainability, financial management and transformation.**

**The council has made limited progress on its corporate transformation programme. This has contributed to its difficulties in reaching a sustainable financial position. Given the acute financial position facing the council there is a need for a significant improvement in the pace of transformation.**

**The council is aware of what it needs to do and the new chief executive is focused on key areas for improvement. There needs to be agreement and effective governance across the political parties to address the challenges.**

**The council has a lot to do and there are risks around its successful delivery of change due to its past track record and the scale of the challenge.**

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**The council has improved in a number of areas since the last Best Value audit and recognises that it urgently needs to make further progress given the scale of the challenges it faces.**

**118.** The council can demonstrate that it has improved in a number of areas such as children's services, educational outcomes, and lifelong learning and employability. It has maintained strong and effective partnership working. However, there are other areas where progress has been slow. For example, progress has been slow in establishing a longer-term financial strategy and delivering the council's corporate transformation programme. [Exhibit 14](#) shows what we reported in 2008 and 2012 and what we have found in this audit work. The council urgently needs to make further progress against the recommendations in this report, given the scale of the challenges it faces.

## Exhibit 14

### A comparison of selected Best Value judgements

The council has shown that it can deliver change and improvement when focused on initiatives and specific service areas. The rate of wider improvements has been slow.

2008 Controller of Audit judgement	2012 Controller of Audit judgement	2019 Controller of Audit judgement
<p><b>Leadership and strategic direction:</b> The council has an ambitious vision based on its understanding of the local needs and issues. Improvements in scrutiny need to be sustained to ensure that elected members are well informed about service weaknesses.</p>	<p><b>Leadership and strategic direction:</b> There have been significant improvement in corporate management, officer and elected member leadership and leadership development.</p>	<p><b>Leadership and strategic direction:</b> The council and its partners have a shared and well-supported vision that reflects local needs. Political leadership needs to improve through a shared responsibility for delivering Best Value and building on effective cross-party working. The new chief executive is focused on a number of key areas for improvement.</p>
<p><b>Service performance:</b> The council's service performance is mixed. It is investing heavily to improve the quality of its school estate and to build new affordable homes, but it still needs to improve below average educational attainment and weaknesses in housing and homelessness services. It is responding positively to serious weaknesses identified in its child protection services and social work services more generally. Customer care is inconsistent in delivering accessible services and requires significant improvement.</p>	<p><b>Service performance:</b> Council services are generally improving, although half the Statutory Performance Indicators still perform below the Scottish average. There have been some improvements in how the council provides its education service, particularly in pre-school and primary provision. However, there is room to increase the pace of improvement in some aspects of secondary. The council has been slow in developing its approach to responding to customer requests and enquiries.</p>	<p><b>Service performance:</b> Overall service performance remains mixed. However, the council has improved in its target service areas. The council tracks performance against its vision and short-term priorities effectively.</p>
<p><b>Use of resources:</b> The council's arrangements are generally effective in managing finances within budget and to support risk management, equalities and sustainability. Service improvements are needed in people management, medium term financial planning, asset management, procurement and in demonstrating competitiveness. The council generally knows where it needs to improve and has work under way in most of these areas.</p>	<p><b>Use of resources:</b> The council manages its budget well. Its Business Transformation Strategy provides a clear focus and direction for efficiency and improvement. There is a financial risk if its planned savings are not achieved. The council has improved its approach to how it manages its workforce. Although it is at an early stage, the council is progressing its proposals for a shared education and children's service with East Lothian Council.</p>	<p><b>Use of resources:</b> The council needs to put in place a sustainable and deliverable medium-term financial strategy. It needs to improve its financial management and financial planning. It faces significant challenges in terms of achieving a sustainable financial position.</p>
<p><b>Partnership working:</b> The council needs to take a more strategic approach to Community Planning. Partnership working has contributed to some positive outcomes for communities but a more coordinated approach to</p>	<p><b>Partnership working:</b> Partnership working is strong in Midlothian and the council and its partners are making progress in delivering their local outcomes. The council and its partners are good at consulting and involving</p>	<p><b>Partnership working:</b> Partnership working continues to be strong. There is solid evidence of involving communities in the redesign and delivery of services. More remains to be done to ensure</p>

2008 Controller of Audit judgement	2012 Controller of Audit judgement	2019 Controller of Audit judgement
working with partners is required. The council works effectively with the voluntary sector but this has not been the case with all partners across important areas of service delivery.	local communities and can demonstrate how this has contributed to service delivery. The partnership is committed to further increasing community involvement through its development of neighbourhood planning.	wider community participation and ownership in local neighbourhood planning.
<b>Customer focus:</b> The council revised its management structure in April 2007 with the aim of increasing customer focus, encouraging innovation, improving efficiency and productivity, and promoting joined-up working and strong accountability. However it was not able to demonstrate that the new structure represents the optimum arrangement for Midlothian.	<b>Customer focus:</b> The council has been slow in developing its approach to responding to customer requests and enquiries, but in the last year has put in place the building blocks to allow it to improve the way it delivers customer services. It now needs to increase the pace of change in this area.	<b>Customer focus:</b> The council's approach to its customer focus has improved. Further developments are planned through its workstream on digitally-led transformation but at this point these are not well progressed.
<b>Continuous Improvement:</b> The council has many processes in place to support performance management and continuous improvement but needs to apply these more rigorously if it is to deliver its priorities and improve services. It faces a challenging improvement agenda with limited resources. Past improvement plans have proved unrealistic and it now needs to set clearer priorities linked to available resources to meet its responsibilities to deliver Best Value.	<b>Continuous improvement:</b> Since 2010, the council has developed a prioritised business transformation savings (BTS) approach to address key improvement areas. Good progress has been made through this strategy in a short period of time – eg People Workstream. There remain a number of challenges to take forward its improvement agenda. The council now needs to ensure that these plans are implemented.	<b>Continuous improvement:</b> The council has delivered a number of significant projects but it has not yet made the progress needed on its transformation programme. It launched a new programme in 2018. The council is aware of where it needs to improve and it is focused key priorities.

### The council has completed some successful service reviews but has lacked a corporate approach to self-evaluation.

**119.** The Best Value report in 2012 noted the council's approach to self-evaluation. It recognised its intention to develop a programme of self-assessments, based on the Public Services Improvement Framework. The council did not implement this programme immediately, but carried out a programme of self-evaluation during 2014/15. The council introduced its 'Delivering Excellence Framework' in June 2015 and this included a corporate self-evaluation. In addition to stand-alone reviews, the council's service plans and service performance reports have a good focus on improvement activity. Performance is monitored on a quarterly basis by Cabinet and by the Performance Review and Scrutiny Committee.

**120.** Until recently, services took forward their own self-evaluation programmes. The chief executive has now introduced a more corporate approach. The Corporate Management Team now has oversight of the self-evaluation programme and senior officers are challenging each other on their performance, another element in one council working.



**121.** The council has improved in a number of areas, and this can be seen from the outputs of some successful service reviews. The council completed a review of its Life Long Learning and Employability service in November 2015. This clarified the scope of the service and the support it would deliver. As a result of the review, community development and capacity building have been moved to another team so that the Lifelong Learning and Employability service can focus on supporting people to build core skills for learning, life and work, including positive destinations (see [Case study 2, page 21](#)). This refocusing contributed to a very positive inspection of Community Learning and Development ([paragraph 101](#)). Other examples of successful service reviews include the children's service review in October 2016, which led to greater clarity in roles and responsibilities.

### **The council has made limited progress against its corporate transformation programme. This has contributed to its financial difficulties.**

**122.** The council has not fully delivered BTS, its previous corporate transformation programme. Some successes include: developing and launching a new responsive council website to improve customer accessibility and functionality; securing funding for the upgrade and extension of free public WiFi provision across libraries and hub buildings; and launching a new mobile library service into communities across Midlothian. However, the changes that the council has made have not transformed services, or how it delivers services, on the scale required.

**123.** The council spent £6.5 million on its transformation programme between 2011 and 2018 and delivered £14.9 million of the £16.1 million planned savings by March 2018. This shortfall has contributed to the council's financial difficulties.

**124.** Given the acute financial position facing the council there is a need for a significant improvement in the pace of transformation, supported by clear reporting and effective cross-party scrutiny. The council's budget report in February 2019 analyses the funding gap within the context of elements of the budget that are fixed or difficult to change. It estimates that this means the impact on other elements of the budget, such as less protected services, is significant. The council has estimated that the budget shortfall is 11 per cent of these other elements of the budget for 2019/20 and could increase to 45 per cent by 2022/23. It therefore needs to urgently transform how services are delivered for the future.

### **The council adopted a clearer approach to transformation in February 2018. Progress against the workstreams is mixed.**

**125.** The council adopted a clearer approach to transformation in February 2018. At that point it had five transformation workstreams as the Integrated Health and Social Care Transformation Programme was within its overall programme. In February 2019 it updated its programme to focus on the following four workstreams:

- Services with Communities – changing the council's relationship with communities from a paternalistic one focused on service provision to one based on partnership and co-production and working together.
- Entrepreneurial Council – covers property development, income generation, asset utilisation and energy. It focuses on the commercial opportunities associated with these. This includes the business plan for Destination Hillend, the council's snow sports centre.
- Digitally-Led Transformation/Customer Services – the council aspires to be at the forefront of digitally enabled change, which will support customer services transformation. This workstream builds on and refocuses the customer services strand of the previous transformation programme.
- Shared Services – focuses on service sharing and collaborative working as key considerations for sustaining services.

**126.** The council has made a good start with the Services with Communities workstream, evidenced through its clear commitment to engagement and co-production with communities. Across all the workstreams, it is at an early stage in making the cultural shift necessary to progress its transformation. There has been less progress against its digital transformation workstream. The current focus is on an on-line payment system and it is yet to propose more fundamental deliverables. The council should seek to learn from other authorities where it can and utilise support from the Improvement Service and other bodies where appropriate.

### The council is aiming to make £21 million of savings through its new transformation activity and savings plans.

**127.** In February 2018, as part of its budget setting process, the council set out its Change Programme. This identified the savings it planned to achieve from five transformation programmes and additional saving streams. At that time the council identified it needed to make £32.4 million of savings by 2021/22 with £11.4 million of savings in 2018/19. The council updated these saving plans as part of the budget setting process in February 2019 ([Exhibit 15](#)). These revised figures show the council is seeking to save £21 million, with £9.2 million coming from its transformation programme and £9.7 million coming from other council service savings. Officers are continuing to develop and update the savings projections.

## Exhibit 15

### Savings from new transformation programme and additional savings streams, projected at February 2019, cumulative totals

The council has set out savings plans to the end of 2022/23.

Programme name	2019/20 £ million	2020/21 £ million	2021/22 £ million	2022/2023 £ million
Reduced IJB allocation and efficiency target	1.51	1.51	1.51	1.51
Previous transformation programme	0.98	1.13	1.22	1.22
Transformation- Services with Communities	0.0	0.10	1.10	1.10
Transformation- Entrepreneurial Council	0.12	1.72	4.03	4.13
Transformation- Digitally Led /Customer Services	0.05	0.15	0.65	0.65
Transformation- Shared Services	0	1.06	2.06	2.06
Resource allocation changes	7.25	9.79	9.71	9.71
Income from fees and charges	0.15	0.30	0.45	0.6
Totals	10.06	15.76	20.73	20.98

Source: Appendices to Financial Strategy 2019/20 (including projections to 2022/23). Midlothian Council, February 2019

**128.** The council's savings include what it terms resource allocation changes. These involve:

- reviewing the services currently delivered by the council and considering options for future delivery, including whether services could be outsourced or transferred
- savings from efficiency targets for services.

**129.** For 2019/20 the Education, Communities and Economy directorate needs to make £2.67 million of savings, Customer and Housing Services and non-delegated health and social care services £0.59 million and the Resources directorate £2.49 million. The council plans to deliver savings of £4.13 million by 2022/23 through its Entrepreneurial Council Programme, a combination of past and current transformation programmes. The council reports variations from budget each quarter. In order to help elected members scrutinise performance against the council's transformation and savings plans, officers should provide a report summarising what has been achieved for 2018/19.

**130.** Officers should ensure that savings proposals are robustly forecasted. Recent monitoring has shown that this is still an issue, such as the delivery of savings from lifeguard reduction and reducing housing voids standards. These have been reported as unachievable. Forecasting savings obviously involves staff spending a great deal of time working through the implications of savings proposals. Moving to a three-year financial strategy should help ensure that staff time can be spent on strategic, rather than reactive, planning.

### **There needs to be effective cross-party governance arrangements to agree and implement the medium-term financial strategy and streamlined transformation programme.**

**131.** The cross-party Business Transformation Steering Group (BTSG) has not worked effectively. Different political parties have been unwilling to participate in the group at various times. There is frustration among elected members across all political parties that the group does not have a clearer focus on transformation. The detail of papers is more concerned with progress against savings rather than how to generate the ideas and actions needed to transform. Although this is the reality for the council at the moment, it must continue to look forward. The BTSG has been a difficult forum. It has not allowed the frank and open exchange of views, needed to better equip the council for meeting its financial challenge – either through difficult savings decisions or by transforming so that the council does less or generates more income.

**132.** It is essential that effective cross-party governance arrangements are put in place to enable the council to agree and implement its medium-term financial strategy and have honest conversations regarding how to transform. All elected members have a responsibility to contribute constructively. It is for the council to determine the best governance arrangements to support this, but a greater role for elected member leads in a particular service or outcome area, within cross-party forums, as now happens for education, may help support this. The council may wish to refer to Audit Scotland's guidance on openness and transparency to help work through its governance arrangements.<sup>15</sup>

### **The council is focused on key areas for improvement. However, there are risks around the council's successful delivery of change due to its past track record and scale of the challenge.**

**133.** The council is aware of the difficulties it will have in truly transforming what it currently delivers. It has identified the opportunities and risks for each of the

<sup>15</sup> Audit Scotland, 2017/18 Audits: Notes for guidance, Openness and Transparency

transformation workstreams. These are regularly monitored by senior officers and by the cross-party BTSG, and with reports shared with the Audit Committee to note as deemed necessary.

**134.** The council is aware of the risks that it may not have the skills or capacity needed to transform how it operates. The council has assessed the savings it plans to achieve from the transformation of education, children's services, and housing and customer care as lower risk than those within commercial operations, finance integrated service support and property and facilities management. It is essential that services respond to the challenges set out within their transformational workstreams.

**135.** The council recognises that it needs to take urgent attention given the scale of the challenge it faces, and the new chief executive is taking appropriate action. The Corporate Management Team and elected members from across political parties will need to work together, collaboratively and constructively, to make the changes required. The council has successfully delivered a number of large projects, but it has not yet been able to make the transformation required. There are risks due to the council's capacity to deliver the changes required at this time given the scale of these challenges.

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# Recommendations

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**Recommendation – As a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the council’s transformation plans (see paragraphs 28, 64 – 65, 73 – 74, 130 – 132).**

**Recommendation - The council needs to develop and sustain more constructive relationships between members and between members and officers. It needs to implement effective cross-party governance arrangements to ensure that it delivers the medium-term financial strategy and transformation plans (see paragraphs 22 – 25, 28, 74, 131 - 132).**

**Recommendation - The council needs to ensure that workforce planning reflects the medium-term financial strategy (see paragraphs 76 - 88).**

**Recommendation – The council should undertake a review of its capital programme, to ensure that the timeframes for delivery are achieved going forward and that monitoring and reporting mechanisms are enhanced to drive more accurate analysis and planning around capital work (see paragraphs 80 – 82).**

**Recommendation – The council need to continue to implement financial planning arrangements to address budget gaps, underpinned by robust financial budgeting and monitoring arrangements (see paragraphs 75 – 79).**

**Recommendation - The council should refine its vision in light of the outcome of consultation work through the Services with Communities transformation workstream and to ensure that it focuses its activity most effectively (see paragraph 19).**

**Recommendation - Elected members need to exercise appropriate scrutiny at all times, take ownership for personal development plans and take up relevant training opportunities (see paragraphs 25, 59 – 62).**

**Recommendation - The council should continue to build on positive elements of community empowerment. It should look to increase community ownership of local neighbourhood plans and work with communities to improve how they monitor progress (see paragraphs 113 – 117).**

# Appendix 1

## Best Value audit timeline



# Midlothian Council

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**MEETING: 13 JUNE 2019**

**REPORT BY: SECRETARY TO THE COMMISSION**

**BEST VALUE ASSURANCE PROGRESS REPORT: CLACKMANNANSHIRE COUNCIL**

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### **Purpose**

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

### **Background**

2. A key objective of the approach to auditing Best Value is to allow the Commission to provide more regular assurance to the public about how councils are performing in relation to their Best Value statutory duties. It is intended that this will be achieved by the Controller of Audit submitting a Best Value Assurance Report (BVAR) on each council at least once during the five-year audit appointment and by Best Value being reported in annual audit reports in all councils.
3. The attached report (Appendix 1) is a progress report on the previous BVAR, which the Controller of Audit reported to the Commission in [January 2018](#), upon which the Commission published findings (Appendix 2). This followed on from a Controller of Audit Best Value report on the council published in [September 2007](#) (findings in Appendix 3).
4. In its January 2018 findings, the Commission required the Controller of Audit to report on the progress made by the council in June 2019 or earlier if the Controller identifies concerns that he considers should be brought to our attention before then.

### **The Controller of Audit report**

5. The Best Value Assurance Progress 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).
6. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
  - the accounts of local authorities audited under the Act;
  - any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and
  - the performance by a local authority of their statutory duties in relation to best value and community planning.
7. A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member of the Council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Council it is effectively in the public domain.
8. The report concludes with a series of recommendations proposed by the Controller of Audit which are to be part of the Commission's considerations.



## **Procedure**

9. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
  - direct the Controller of Audit to carry out further investigations
  - hold a hearing
  - state its findings.
10. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.
11. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence and judgements presented in the report. This is done in the public part of the Commission meeting.
12. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform the council of its decision, which the Commission does before making the decision public.

## **Conclusion**

10. The Commission is invited to:
  - a) consider the Controller of Audit's Best Value Assurance Progress Report follow-up report on Clackmannanshire Council; and
  - b) decide in private how it wishes to proceed.

**Paul Reilly**  
**Secretary to the Commission**  
**4 June 2019**

**APPENDIX 1:**

**BEST VALUE ASSURANCE PROGRESS REPORT: CLACKMANNANSHIRE COUNCIL**

See separate paper.

## **APPENDIX 2:**

### **AUDIT OF BEST VALUE - CLACKMANNANSHIRE COUNCIL: COMMISSION FINDINGS: JANUARY 2018**

1. The Commission accepts the Controller of Audit's report on Best Value in Clackmannanshire Council. We endorse the recommendations set out by the Controller of Audit in his report and expect the council to act upon them.
2. We are seriously concerned about the council's financial position. The Controller of Audit reports the need for savings of £29 million over the next three years, from an annual budget of £118 million. We underline the Controller of Audit's view that urgent and decisive action is needed by the council to address these required savings.
3. The council previously agreed a new strategic model for providing services and this now needs to be taken forward. In doing so, the council must consider carefully a balance between finding savings and ensuring it has the officer capacity and time to identify those savings and deliver change, while still maintaining the performance of its services.
4. To do so, clear political leadership is needed. This was not in evidence in the political instability in recent years. The duty of Best Value is the responsibility of the whole council: this needs to be fulfilled by members working collectively. Combined leadership between members and officers is also vital.
5. The need to ensure sustained effective leadership and improvement is substantial. The design and implementation of transformational change in a complex organisation is demanding, and more so when carried out under time and resource pressure. The task of securing the necessary changes to sustain services and demonstrate Best Value is urgent. It is our view therefore that the council should seek external assistance of appropriate quality and experience.
6. The challenges faced by the council and its partners in improving outcomes and reducing inequalities for the people of Clackmannanshire are significant. The local outcome improvement plan provides an important vehicle for the council and its partners to help prioritise resources. We encourage the council to build on this partnership working, and its good record of engaging with communities, to deliver the required change.
7. We require a further report by the Controller of Audit on the progress made by the council in June 2019 or earlier if the Controller identifies concerns that he considers should be brought to our attention before then. In line with our new approach to auditing Best Value, the annual audit process will be used to monitor and report such progress.

## **APPENDIX 3:**

### **AUDIT OF BEST VALUE AND COMMUNITY PLANNING: CLACKMANNANSHIRE COUNCIL – SEPTEMBER 2007**

#### **COMMISSION FINDINGS**

1. The Commission accepts this report on the performance of Clackmannanshire Council's statutory duty to secure Best Value and to initiate and facilitate the Community Planning process. The Commission recognises that the report gives a broad picture of the council's performance based on the work of Audit Scotland and the findings of other scrutiny bodies such as inspectorates, and that it does not attempt a comprehensive review of all service delivery. We acknowledge the co-operation and assistance given to the audit process by members and officers of the council.
2. The council faces a number of significant challenges which are specific to its situation. They arise from the scale of the council, the social and economic circumstances of its area and its geographical location and transport links. The council's progress towards Best Value has not matched its aspirations due to its limited capacity, high numbers of priorities and lengthy improvement agenda.
3. To achieve Best Value the council needs to improve aspects of its corporate activity, including:
  - effective leadership by elected members
  - sharper prioritisation and clearer articulation of vision, priorities and policies with resource decisions
  - consistent vision in corporate and community plans
  - political structures which give clarity on roles and responsibilities
  - a coherent approach to competition in relation to service delivery mechanisms
  - development of a Human Resources strategy.
4. The council has successful achievements to its name in a number of areas of service provision such as child and adult care, recycling, traffic light repair and dealing with planning applications and noise complaints. There are areas where it needs to improve, including educational attainment, aspects of housing, respite care, food hygiene and trading standards inspections, cultural and community services and refuse complaints. It also needs to make urgent progress in implementing Single Status for its workforce and in the collection of council tax.
5. The council has shown that it can work with others, particularly in the development of its community planning partnership. Because of issues of scale and capacity, it is vital that it now places the highest priority on more joint working, sharing management and service delivery arrangements with others, particularly other councils. We look forward to receiving an improvement plan from the council which addresses the questions raised in the Best Value report and these findings and sets realistic timescales for developing the joint working referred to above.

# Clackmannanshire Council

## Best Value Assurance Progress Report

ACCOUNTS COMMISSION 

Prepared for the Accounts Commission by the Controller of Audit

June 2019

# The Accounts Commission

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

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

Our work includes:

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

You can find out more about the work of the Accounts Commission on our website:

[www.audit-scotland.gov.uk/about-us/accounts-commission](http://www.audit-scotland.gov.uk/about-us/accounts-commission)

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

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# Contents

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Controller of Audit report	4
Appendix 1	11

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# Controller of Audit report

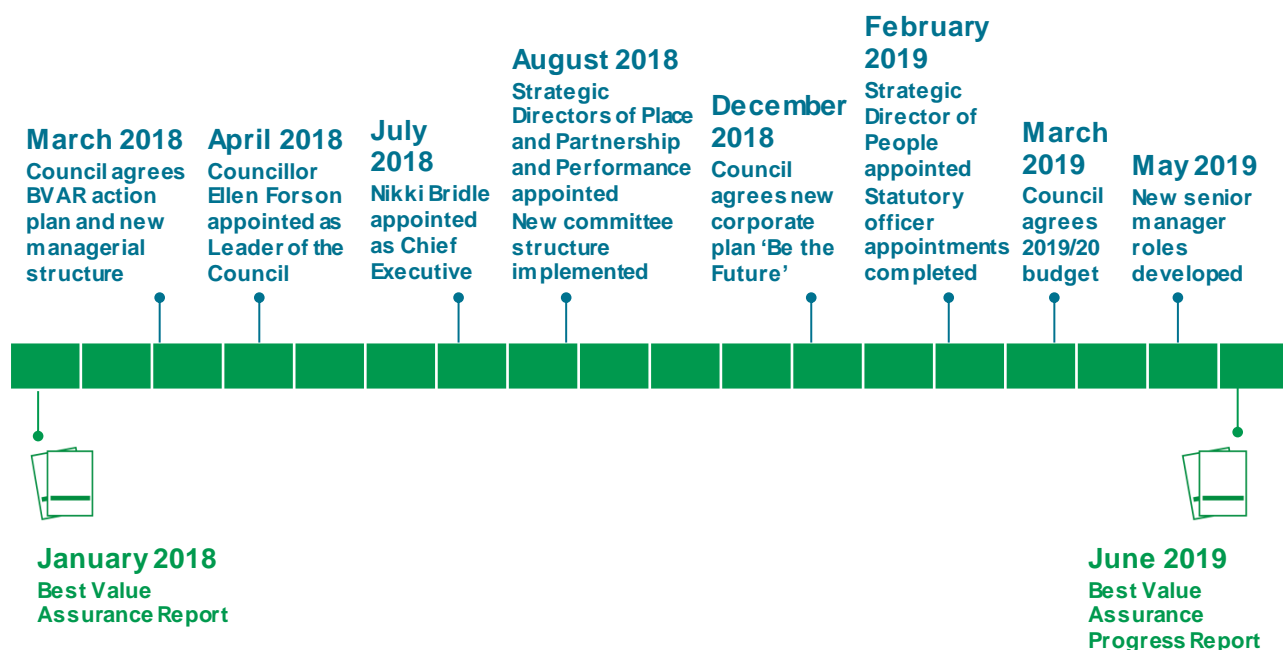
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**The council's financial position remains very challenging. Against that backdrop, it is making the investment necessary to create the conditions for change. The pace of change has increased significantly since August 2018 and the council is taking steps to secure the capacity it needs to maintain this momentum. The council still has much to do to implement and embed the changes required for service and financial sustainability.**

1. The council made limited progress in the period from the Best Value Assurance Report (BVAR) in January 2018 up to August 2018. This was due mainly to the delay in recruiting the new Chief Executive and appointing the council's new senior management team.
2. The pace of change has increased significantly since August 2018. The council has responded positively to the Accounts Commission's findings and has:
  - achieved savings to improve its financial position.
  - agreed a new corporate plan which provides a clear focus for improvement based on collaboration, inclusive growth and innovation.
  - developed arrangements for debate and scrutiny of options, involving councillors and officers and more cohesive leadership of change through its change programme board.
  - made progress in securing capacity for improvement through the appointment of a new senior management team and statutory officers.
  - secured a range of external assistance to support improvement, including leadership training and development.
  - explored alternatives for delivering services, recognising that working with other councils must be part of its approach to financial sustainability.
3. [Exhibit 1](#) outlines the key events and the decisions that have taken place since the BVAR in January 2018.



## Exhibit 1 Timeline



Source: Audit Scotland

4. The work the council has done since January 2018, and particularly since August 2018, has laid the foundations for improvement. It still has much to do to implement and embed the changes required for service and financial sustainability.
5. This report updates the Accounts Commission following the [Best Value Assurance Report](#) in January 2018. I have prepared the report in response to the Commission's request for a further report on the progress made by the council in June 2019, or earlier if required.
6. In January 2018, the Commission endorsed the recommendations in my report (see [Appendix 1](#)) and said it expected the council to act upon them. [Exhibit 2](#) sets out the Commission's findings at that time.

## Exhibit 2 January 2018 Commission findings

We are seriously concerned about the council's financial position. The Controller of Audit reports the need for savings of £29 million over the next three years, from an annual budget of £118 million. We underline the Controller of Audit's view that urgent and decisive action is needed by the council to address these required savings.

The council previously agreed a new strategic model for providing services and this now needs to be taken forward. In doing so the council must consider carefully a balance between finding savings and ensuring it has the officer capacity and time to identify those savings and deliver change, while still maintaining the performance of its services.

To do so, clear political leadership is needed. This was not in evidence in the political instability in recent years. The duty of Best Value is the responsibility of the whole council: this needs to be fulfilled by members working collectively. Combined leadership between members and officers is also vital.

The need to ensure sustained effective leadership and improvement is substantial. The design and implementation of transformational change in a complex organisation is demanding, and more so when carried out under time and resource pressure. The task of securing the necessary changes to sustain services and demonstrate Best Value is urgent. It is our view that the council should seek external assistance of appropriate quality and experience.

The challenges faced by the council and its partners in improving outcomes and reducing inequalities for the people of Clackmannanshire are significant. The local outcome improvement plan provides an important vehicle for the council and its partners to help prioritise resources. We encourage the council to build on this partnership working, and its good record of engaging with communities, to deliver the required change.

Source: Best Value Assurance Report Clackmannanshire Council, January 2018

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7. My report is based on audit work carried out in March and April 2019. It builds on the annual audit work reported by the external auditor in the September 2018 [Clackmannanshire Council 2017/18 Annual Audit Report](#). My report covers:

- the council's progress in securing its financial position
- how effectively councillors and officers are leading action to address the financial position, organisational change and transformation
- an assessment of the council's capacity for improvement, including its use of external assistance and partnership working.

### **The council's financial position has improved but remains very challenging. It recognises its finances are not sustainable in the longer-term without transformation and decisions on services**

8. In January 2018, the council was forecasting a three-year cumulative funding gap of £28.7 million. As a proportion of net expenditure this was among the highest funding gaps of any Scottish local authority.
9. The council regularly reviews its financial position. It has longer-term plans that include best, most likely and worst-case scenarios. Following its 2019/20 budget, it is now forecasting most likely funding gaps of £10.1 million, £6.7 million and £6.5 million for the three years to 2023. This is a cumulative gap of £23.3 million.
10. The council has a track-record of managing its finances year-on-year. The council reported in its budget consultation document that it had made savings of over £43 million since 2011. In addition, it is forecasting it will achieve 86 per cent of the £7.2 million savings planned for 2018/19. The council's financial position has improved because it has sustained savings and because of wider changes in council funding. In particular, the Scottish Government provided councils with funding to cover increases in teachers' pay and pensions in its revised settlement in January 2019.
11. The council agreed a balanced budget for 2019/20 in March 2019. Councillors across political parties worked to form a budget which the majority of the council supported. It agreed a four per cent increase in council tax. Through the budget, the uncommitted general fund balance is maintained at £4.8 million, £0.8 million (0.6 per cent) above the minimum set in the council's reserve strategy. The budget includes further recurring savings of £4.8 million and the council will use one-off savings and a contribution from its capital receipts reserve. The council knows this approach is not sustainable and accepts that the £10.1 million funding gap for 2020/21 is very challenging.

12. The combination of savings, ongoing organisational redesign, increased council tax, use of reserves and increased grant funding meant that the council was able to avoid difficult budget decisions. The budget consultation document clearly set out the challenges the council faces and the difficulty in finding savings that will not impact individuals and communities. Officers presented a range of savings proposals.
13. Residents raised concerns about the savings options. Petitions were presented to council committees objecting to proposed school closures, the ending of the Alloa Leisure Bowl contract, and stopping funding to the Citizens Advice Bureau. Councillors agreed not to proceed with these options. Earlier, in December 2018, the council reversed previously agreed changes to staff terms and conditions which would have resulted in savings of £0.4 million. The council's very challenging financial position means it cannot continue to avoid or defer difficult decisions about the services it can afford to deliver.
14. The council acknowledges that it needs to demonstrate better the link between decisions on how it uses its resources and its priorities. Actions include earlier consideration of savings proposals through the change programme board and more targeted engagement with individuals and communities which will be affected, as part of the council's wider commitment to community engagement.
15. Funding the Clackmannanshire and Stirling Integration Joint Board (IJB) is also creating uncertainty about the council's longer-term financial position. In April 2019 the council agreed to make an additional payment of £0.6 million to the IJB as its contribution to resolving the IJB's projected £2.5 million deficit. The IJB is considering the council's proposal.
16. The council is working with the University of Stirling to determine whether existing central government funding reflects the level of vulnerability in its area. The university considered indicators including childcare and education. It concluded that, relative to the levels of deprivation in its area, the funding the council receives is disproportionately low. The council is planning further research. The council has also agreed to create a funding officer post to identify sources of additional income and develop funding proposals.

**The new corporate plan provides a clear focus for improvement, based on collaboration, inclusive growth and innovation. Councillors and officers are working together to deliver change**

17. The council agreed its new corporate plan 'Be the Future' in December 2018. The plan, which covers the period to 2022, sets out a clear vision for the council based on collaboration, inclusive growth and innovation. The plan aligns with the strategic outcomes of the Clackmannanshire local outcome improvement plan (LOIP).
18. The council consulted with residents and communities on its new priorities. Respondents generally agreed with the council's priorities of:
  - inclusive growth, jobs and employability
  - raising attainment
  - empowering families and communities
  - reducing child poverty
  - sustainable health and social care
  - organisational transformation.

19. The corporate plan is supported by the budget strategy, transformation programme, workforce plan and digital transformation strategy. The council's budget strategy is well established, and the digital transformation strategy was agreed by the council in April 2019. The council is working at an increased pace to develop its transformation programme and workforce planning initiatives. The council also consulted its staff during 2018 and worked with them to develop new corporate values.
20. There is evidence of improved working relationships between councillors and officers and a stronger commitment to work collectively in the best interests of the council. This is apparent in the way in which business is conducted at council meetings and further evidenced through the work of the change programme board.
21. The change programme board includes representation from each of the political parties and the council's senior management and first met in November 2018. The board oversees the council's transformation programme. It reviews and supports the development of business cases before these are referred to the council for approval.
22. There are signs that councillors and officers support a more collaborative approach and have a shared understanding of the need to do things differently. The party leaders have worked to develop more constructive working relationships and, along with their deputies, now meet monthly. These improved working relationships will be further tested as the council works to deal with its financial challenges and implement its transformation programme.

**The pace of change has increased significantly since August 2018. There are signs of progress and the council is taking steps to secure the capacity it needs to maintain this momentum**

23. The council appointed a new Chief Executive in July 2018. At that point, she started to implement the council's new strategic model which has three broad categories of service: people, place, and partnership and performance. The council appointed strategic directors for place and partnership and performance in August 2018. It appointed a strategic director of people in February 2019, on secondment from the Scottish Fire and Rescue Service.
24. The pace of change has increased significantly since August 2018. The council implemented a new committee structure to reflect its strategic model. Three service committees, for people, place, and partnership and performance were formed and are now well established. A new audit committee replaced the audit and finance committee and the scrutiny committee. The new committee is chaired by a member of the opposition, in line with accepted good practice. Councillors have contributed to the pace of change by supporting these new arrangements and working collectively to provide political leadership.
25. The new Chief Executive has had significant influence and is the driving force for change. She recognises the need to ensure the council has the necessary senior management skills and capacity to maintain the momentum and has prioritised the new management structure and leadership development. The extended senior leadership group includes the Chief Executive, strategic directors and the statutory officers for finance, legal, social work and education. This is designed to widen senior officer involvement in strategic decision-making and to increase the focus on managing risk alongside operational delivery.
26. The strategic directors have reviewed the range of services within their portfolios to identify opportunities for integrating services and models to sustain statutory and priority services. This resulted in proposals for new management structures in the partnership and performance and place portfolios. The council is consulting with managers and trade unions on these options. Redesign proposals for the people portfolio were delayed due to the later appointment of the strategic director. The strategic director of people has proposed a transitional

model involving an evaluation of risk and sustained service delivery, and the redistribution of tasks to create capacity for change in her portfolio.

- 27.** Alongside structural change and the review of portfolios, the council is working with external specialists to provide leadership development and training. The council also has plans for a corporate forum of managers to support capacity for further change across council services.
- 28.** Organisational redesign includes the appointment of a transformation project manager, recruited in partnership with the Improvement Service. The manager's priorities are to promote visibility of change, provide cohesiveness across change initiatives and integrate City Region Deal activities. Taken together, these developments are intended to support further progress in the pace and depth of change.
- 29.** As part of wider initiatives to develop additional capacity and support, the council has worked to re-establish its profile with external partners, including the Improvement Service, Scottish Enterprise and COSLA. For example, Scottish Enterprise is helping the council to develop a strategic framework for local tourism.
- 30.** In summary, the council has taken steps to build the capacity needed to support organisational change and service redesign. Further work is required to secure the skills and capacity needed to maintain momentum and to embed change throughout the council.
- 31.** We previously reported that over a period of budget reductions and service cuts, the council had maintained service performance and customer satisfaction in key areas but that the pace of improvement was slow in some areas and not evident in others. The Improvement Service's 2017/18 Local Government Benchmarking Framework (LGBF) data showed that this continued to be the case. Information is not yet available to measure the impact recent changes are having on council service performance. The council will need to monitor this closely. It is looking at how it can get real-time information on service performance. The council's focus is on maintaining performance in priority areas rather than across all services.
- 32.** The council remains the worst performing local authority for teachers' and non-teachers' sickness absence according to the LGBF data. The council is taking a range of actions to look behind the data and to manage sickness absence, including holding all-staff events to explore the issue.
- 33.** The council's October 2018 staff survey indicated that it was making progress in some areas but communicating the council's vision across the organisation was challenging. It is developing a joint action plan among management, trade unions and staff to address the issues in the staff survey. This was the first staff survey since 2014 and management will use the results as a baseline to assess the impact of the changes the council is implementing.
- 34.** The Care Inspectorate and Education Scotland published inspection reports on the council in 2018. The Care Inspectorate produced a joint report with Healthcare Improvement Scotland on the effectiveness of strategic planning in the Clackmannanshire and Stirling Health and Social Care Partnership. The report focused on the partnership but found that the council has consistently performed at or above the Scottish average across several social care indicators. The report recommended that the partnership improves the effectiveness of collaborative working.
- 35.** Education Scotland reported on the progress being made by the council in improving learning, raising attainment and closing the poverty-related attainment gap. It found that the council has a clear vision and well-defined set of priorities for this aspect of its work, but this has not yet reached all staff.

## The council is prioritising collaborative working in its efforts to improve service and financial sustainability

36. The council has secured a range of external assistance to support improvement. This includes its work with the University of Stirling on its finances and advice from the Improvement Service on setting-up its transformation programme management function. The council has also engaged external specialists to strengthen collective leadership of change and to support staff engagement. The council views collaboration as critical to achieving financial sustainability, consistent with its corporate plan.
37. The council has agreed that business cases for collaborative arrangements with local partners should be developed. It is in discussions with councils in Forth Valley, Fife and Tayside to explore opportunities to develop joint arrangements in areas including waste management, road services, facilities management and support services. The council shares a trading standards service with Stirling Council and is looking to extend the arrangement to include environmental health. The council also has a joint working agreement with Falkirk Council for internal audit services.
38. The chief executives and political leaders of the Forth Valley councils meet regularly to discuss options for collaboration, which is a constructive development. From a Clackmannanshire perspective, this is about what the council can both gain itself and offer others in terms of resilience and sustainability.
39. Digital transformation is a significant element of the council's transformation programme. The council aims to redesign its services to take advantage of digital technologies, to improve outcomes for residents and communities. In September 2018 it joined the Digital Office for Scottish Local Government, which leads and facilitates digital transformation for a partnership of 31 Scottish councils. The council has approached other councils to identify ways they can collaborate digitally.
40. The council recognises that to transform services it also needs to increase collaboration with community planning partners, third sector organisations and its communities. This includes developing and co-producing local solutions with communities that meet the needs of local people. The council engages with residents on major decisions, such as the corporate plan and budget, but it could do this earlier in the process and more clearly.
41. The City Region Deal involves Clackmannanshire and Stirling councils. They are working together to deliver the programme, with Stirling Council acting as the lead authority. A governance framework is in place, including a joint committee as the decision-making forum for all City Region Deal matters. The council is working with the University of Stirling to develop a significant City Region Deal project to develop an environment and innovation centre in Alloa. The council is managing the pressures on its capital programme associated with the City Region Deal projects.

## Recommendations

- Councillors and officers should build on recent progress and work collaboratively to agree initiatives which secure transformational change, long-term savings, and service and financial sustainability.
- The council should work urgently to finalise its new management structure and proceed with organisational redesign, and ensure that initiatives that are in train provide the necessary capacity to support and embed change.
- The council should further develop its working relationships with local councils and others and use these to secure efficiencies in services.

# Appendix 1

## January 2018 Controller of Audit recommendations and progress

Controller of Audit recommendation	Progress at the council
<p>Councillors and officers should build on their constructive working relationships to provide the coherent, combined leadership necessary to secure the council's financial position.</p>	<p>There is evidence of improved working relationships between councillors and officers and a stronger commitment to work collectively in the best interests of the council. (Paragraph 20)</p> <p>There are signs that councillors and officers support a more collaborative approach and have a shared understanding of the need to do things differently. (Paragraph 22)</p>
<p>The council should consider savings options and decide how best to direct resources to priorities. It should work with communities to develop options and prepare for the difficult decisions it has to make.</p>	<p>The council acknowledges that it needs to demonstrate better the link between decisions on how it uses its resources and its priorities. Actions include earlier consideration of savings proposals through the change programme board and more targeted engagement with individuals and communities which will be affected, as part of the council's wider commitment to community engagement. (Paragraph 14)</p>
<p>The council should further develop its working relationships with community planning partners to ensure their combined resource is directed towards the strategic local outcomes.</p>	<p>The council recognises that to transform services it also needs to increase collaboration with community planning partners, third sector organisations and its communities. (Paragraph 40)</p>
<p>The council should balance the drive for savings with the need for sufficient officer time and skills to support change. It should also consider how it could make more use of external assistance to support improvement.</p>	<p>The council has taken steps to build the capacity needed to support organisational change and service redesign. Further work is required to secure the skills and capacity needed to maintain momentum and to embed change throughout the council. (Paragraph 30)</p> <p>The council has secured a range of external assistance to support improvement. (Paragraph 36)</p>

# Clackmannanshire Council

## Best Value Assurance Progress Report

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