

477th meeting of the Accounts Commission for Scotland

**Thursday 11 March 2021, 9.30am
by video conference**

Agenda

1. **Apologies for absence**
2. **Declarations of interest**
3. **Order of business**

The Chair seeks approval of business, including proposing taking items 15 to 19 in private (* see note).

Business requiring decisions in public

4. **Minutes of meeting of 11 February 2021**
5. **Minutes of Financial Audit and Assurance Committee of 25 February 2021**
6. **Minutes of Performance Audit Committee of 25 February 2021**
7. **Annual Assurance and Risks Report**
Report by the Secretary.
8. **Briefing: Scottish budget**
Report by the Audit Director, Performance Audit and Best Value.
9. **Strategic Alliance between the Accounts Commission and the Improvement Service**
Report by the Secretary
10. **Financial devolution and constitutional change update**
Report by the Audit Director, Audit Services and Performance Audit and Best Value.

Business for information in public

11. **Secretary's update report**
Report by the Secretary.
12. **Interim Chair's update report**
Report by the Interim Chair.
13. **Controller of Audit's update report**
Verbal update.

Any other public business

14. **Any other public business**

The Interim Chair will advise if there is any other public business to be considered by the Commission.

Business requiring decisions in private

15. Audit quality developments update

Report by the Associate Director, Audit Quality and Appointments.

16. Best Value update

Report by the Secretary.

17. New audit appointments update

Report by the Interim Chair.

18. Appointment of Interim Controller of Audit

Verbal update by the Interim Chair.

Any other private business

19. Any other private business

The Interim Chair will advise if there is any other business to be considered by the Commission in private.

* It is proposed that items 15 to 19 be considered in private because:

- Item 15 requires the Commission to consider a confidential legal matter and proposes a draft policy which the Commission is to consider before publishing.
- Item 16 requires the Commission to consider confidential policy matters.
- Item 17 requires the Commission to consider confidential appointment and staffing matters.
- Item 18 requires the Commission to consider confidential commercial and contractual matters.
- Item 19 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Interim Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

The following papers are enclosed for this meeting:

Agenda item	Paper number
Agenda item 4: Minutes of meeting of 11 February 2021	AC.2021.3.1
Agenda item 5: Minutes of Financial Audit and Assurance Committee of 25 February 2021	AC.2021.3.2
Agenda item 6: Minutes of Performance Audit Committee of 25 February 2021	AC.2021.3.3
Agenda item 7: Report by Secretary to the Commission	AC.2021.3.4
Agenda item 8: Report by Audit Director, Performance Audit and Best Value	AC.2021.3.5
Agenda item 9: Report by Secretary to the Commission	AC.2021.3.6
Agenda item 10: Report by Audit Director, Audit Services and Performance Audit and Best Value	AC.2021.3.7
Agenda item 11: Report by Secretary to the Commission	AC.2021.3.8
Agenda item 12: Report by Interim Chair	AC.2021.3.9
Agenda item 15: Report by Associate Director, Audit Quality and Appointments	AC.2021.3.10
Agenda item 16: Report by Secretary to the Commission	AC.2021.3.11
Agenda item 17: Report by Interim Chair	AC.2021.3.12

MEETING: 11 MARCH 2021

MINUTES OF PREVIOUS MEETING

Minutes of the 476th meeting of the
Accounts Commission held via online meeting
on Thursday 11 February 2021, at 10.15am.

PRESENT: Elma Murray (Interim Chair)
Andrew Burns
Andrew Cowie
Sheila Gunn
Christine Lester
Tim McKay
Stephen Moore
Sharon O'Connor
Pauline Weetman
Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Gemma Diamond, Audit Director, Performance Audit and Best Value
(PABV) (Item 6)
Jillian Matthew, Senior Manager, PABV (Item 6)

Item Subject

1. Apologies for absence
2. Declarations of interest
3. Order of business
4. Minutes of meeting of 14 and 28 January 2021
5. Audit Scotland Board update
6. Community empowerment: briefing
7. Secretary's update report
8. Interim Chair's update report
9. Controller of Audit's update report
10. Scottish Government consultation on Code of Conduct for councillors – draft response (in private)
11. Scottish Government consultation on Code of Conduct for members of public boards – draft response (in private)
12. Best Value update (in private)
13. New audit appointments update (in private)
14. Any other business

1. Apologies for absence

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

2. Declarations of interest

No declarations of interest were made.

3. Order of business

It was agreed that items 10 to 14 be considered in private because:

- Items 10 and 11 propose draft responses to consultation exercises which the Commission is to consider before publishing.
- Item 12 requires the Commission to consider confidential policy matters.
- Item 13 requires the Commission to consider confidential commercial and contractual matters.
- Item 14 may be required if there are any confidential matters that require to be discussed outwith the public domain.

The Interim Chair advised that there was no business to be considered in private for item 14.

4. Minutes of meeting of 14 and 28 January 2021

The minutes of the meeting of 14 and 28 January 2021 were approved as a correct record.

Arising therefrom, the Commission:

- In relation to item 5 (fourth bullet point), noted advice from the Secretary that the stakeholder consultation on the Commission's draft work programme had been launched on 9 February, and the Commission would consider the outcome of the consultation at its April meeting.
- In relation to item 5 (fifth bullet point), noted advice from the Secretary that the stakeholder consultation included a community roundtable event in early March, to which members would be able to attend.

5. Audit Scotland Board update

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

During discussion, the Commission:

- Noted advice from the Secretary, in response to a query from Tim McKay relating to item 8 of the minutes of Audit Scotland Board of 25 November, that the Commission would be considering its own annual governance review at its April meeting.
- Noted advice from the Interim Chair, in response to a query from Sheila Gunn relating to item 12 of the minutes, that the Director of PABV would be taking forward the development of Audit Scotland's Strategic Improvement Programme.
- Noted advice from the Secretary, in response to a query from Tim McKay

relating to item 13 of the minutes, that he would liaise with the Director of PABV to agree an update report to the Commission on EU withdrawal.

Following discussion, the Commission agreed to note the report.

6. Community empowerment: briefing

The Commission considered a briefing paper by Audit Director, PABV, on proposals for community empowerment audit work in the short, medium and longer-term.

During discussion, the Commission:

- Noted advice from the audit team, in response to a query from Tim McKay, that it would consider how to ensure appropriate prominence in this work to matters relating to asset transfers.
- Agreed further to this end that the audit team provide further information on the volume and progress of asset transfers.
- Agreed, in response to a point made by Geraldine Wooley, to note the importance of case studies and identifying good practice in this area of work.
- Agreed, in response to a point from Andrew Cowie, that the proposed work and case studies reflect different types of community (such as remote and rural communities, and not necessarily geographically-based) in identifying and reporting good practice and challenges in effective community-based responses to the Covid-19 pandemic.
- Agreed, in response to a point raised by Paul Reilly on behalf of Sophie Flemig, that the proposed work make appropriate distinction between (a) community empowerment in the specific context of the requirements of the Community Empowerment Act and (b) the wider policy and practice environment relating to community empowerment.
- Agreed that the Commission's work programme proposals – to be considered by the Commission in April – set out clearly how proposed individual pieces of work feature matters on community empowerment.

Actions: Director, PABV

- Noted advice from the Interim Chair that the Commission would be considering at its Strategy Seminar how to further develop the service user, citizen and community perspective in its audit reporting.
- Noted advice from the audit team, in response to a point by Andrew Burns, that the timing of future work in community empowerment – such as national performance audit work or through the annual integrated audit of councils and health and social care integration joint boards – would be agreed by the Commission in the context of other priorities in its annually refreshed work programme.

Following discussion, the Commission:

- Noted the briefing paper.
- Endorsed the general proposed approach subject to the points above.
- Noted that the audit team would take forward further development of the approach with the Commission's sponsors for this area of work, Sophie Flemig and Geraldine Wooley.

7. Secretary's update report

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, in relation to paragraph 44, the Commission noted advice from the Secretary, in response to a point by Stephen Moore, that:

- The Performance Audit Committee would be considering at its February meeting an updated position on the ongoing performance audit of social care sustainability, which will include how the audit reflects the outcome of the Scottish Government commissioned Independent Review of Adult Social Care in Scotland.
- Based on the Performance Audit Committee's considerations in this regard, the Commission will consider any further implications for its work programme.

Following discussion, the Commission noted the report.

8. Interim Chair's update report

The Commission considered and noted a report by the Interim Chair providing an update on recent and upcoming activity.

9. Controller of Audit's update report

The Commission noted advice from the Interim Chair that:

- She had agreed arrangements with the Secretary and Audit Scotland to ensure that Controller of Audit support for the Commission continues in the period up to the appointment of a new postholder.
- Accordingly, there were no Controller of Audit matters requiring the Commission's attention at this time.

10. Scottish Government consultation on Code of Conduct for councillors – draft response (in private)

The Commission considered a report by the Secretary proposing the Commission's response to a consultation by the Scottish Government on proposed changes to the Code of Conduct for councillors.

Following discussion, the Commission approved the proposed response, subject to minor revisions agreed during the discussion.

Action: Secretary

11. Scottish Government consultation on Code of Conduct for members of public boards – draft response (in private)

The Commission considered a report by the Secretary proposing the Commission's response to a consultation by the Scottish Government on proposed changes to the Model Code of Conduct for members of devolved public bodies.

Following discussion, the Commission:

- Approved the proposed response, subject to minor revisions agreed during the discussion.

Action: Secretary

- Noted the progress of discussion with the Scottish Government, Ethical Standards Commissioner and the Standards Commission on the Commission's own Code of Conduct.
- Noted that the Commission will consider this matter further at a forthcoming meeting.

Action: Secretary

12. Best Value update (in private)

The Commission considered a report by the Secretary providing an update on matters relating to Best Value.

The Commission:

- Noted the report, including the latest conclusions of the Best Value Working Group.
- Noted in particular the progress of the stakeholder engagement plan in this regard.

13. New audit appointment update (in private)

The Commission considered a report by the Interim Chair providing an update on the progress made with new audit appointments.

The Commission noted the report.

14. Any other business

The Commission noted advice from the Secretary that it would be considering at its next meeting its proposed equalities outcomes for 2021 onwards, based upon work by Audit Scotland's Diversity and Equalities Steering Group, in advance of which there would be an opportunity for members to contribute informally to the matter.

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

Close of meeting

The meeting closed at 12.15pm.

MEETING: 11 MARCH 2021

MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF 25 FEBRUARY 2021

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held via online meeting on Thursday 25 February 2021 at 9.15am.

PRESENT: Tim McKay (Chair)
Andrew Burns
Elma Murray
Sharon O'Connor
Pauline Weetman
Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Michelle Borland, Business Manager, Performance Audit and Best Value (PABV) (Item 4)
Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) (Item 6)
John Cornett, Audit Director, Audit Services (Item 5)
John Gilchrist, Manager, AQA (Item 8)
Fiona Kordiak, Director of Audit Services (Item 5)
Anne MacDonald, Senior Audit Manager, Audit Services (Item 5)
Mark Roberts, Audit Director, PABV (Item 4)
Owen Smith, Senior Manager, AQA (Item 6)

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 26 November 2020
4.	Work programme update
5.	Current audit issues in councils
6.	* Audit delivery and quality update
7.	Any other business

* This item was considered in a joint session with the Performance Audit Committee. Only points raised by members of the Financial Audit and Assurance Committee are contained in this minute.

1. Apologies for absence

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

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 26 November 2020

The minutes of the meeting of 26 November 2020 were noted, having previously been approved as a correct record by the Commission.

4. Work programme update

The Committee considered a report by the Audit Director, PABV, providing an update on the progress of the local government annual audit programme, the joint Commission and Auditor General for Scotland short-term work programme for 2020/21, Best Value assurance work, and wider Covid-19 development work.

During discussion, the Committee:

- Noted advice from the Director Audit Services on progress with the two outstanding local government financial statements audits (namely Falkirk Council and the West of Scotland Archaeology Service), meaning that all audits will have been signed off by the end of February.
- Noted advice from the Committee Chair that the Best Value Working Group had agreed at its 16 February meeting to recommend to the Commission a revised schedule of Best Value Assurance Reports taking account of continued restrictions and operational challenges.

Following discussion, the Committee noted the report.

5. Current audit issues in councils

The Committee considered a report by the Director of Audit Services on emerging issues and recurring themes across local authorities in Scotland.

During discussion, the Committee:

- Noted advice from the Director, in response to a point made by Stephen Moore to the Committee Chair, on the close monitoring of an ongoing investigation into allegations of bullying within East Dunbartonshire Health and Social Care Partnership (i.e. the Integration Joint Board), upon which further progress would be reported to the Committee as appropriate.

Action: Director of Audit Services

- In response to a point by Andrew Burns, agreed that the Secretary liaise with the Electoral Management Board for Scotland to establish their views on relevant matters in relation to council capacity in connection with the forthcoming Parliamentary elections.

Action: Secretary

- Noted advice from the Director, in response to a point by Geraldine Wooley, that she would provide further information on ongoing CIPFA consultations on updates to the Prudential Code and the Treasury Management Code.

Action: Director of Audit Services

- In response to a query from Elma Murray, agreed that the Director provide further information on numbers of recipients of council tax reduction.

Action: Director of Audit Services

- Noted advice from the Director, in response to a query from Pauline Weetman, that close monitoring would continue of ongoing equal pay claims in Dundee City Council, reporting to the Committee as appropriate.

Action: Director of Audit Services

- Noted advice from the Director, in response to a query from Tim McKay, that she would consider the scope for councils learning from Dumfries and Galloway Council's review of its termination of its trunk road maintenance management contract which had been in place between 2013 and 2018.

Action: Director of Audit Services

- Noted advice from the Director, in response to a query from Pauline Weetman, that she would provide further information on the extent, understanding and use of loan repayment 'holidays'.

Action: Director of Audit Services

Following discussion, the Committee noted the report, taking assurance that the auditors' responses detailed in the report recognises the scope of the risk identified and reflects the impact on planned audit work.

6. * Audit delivery and quality update

The Committee considered a report by the Associate Director, Audit Quality and Appointments (AQA) on audit delivery for 2019/20 audit work and progress by AQA on actions agreed at previous Accounts Commission meetings.

During discussion, the Committee:

- Noted advice from the Associate Director and the Director of Audit Services on ongoing consideration of revised annual audit deadlines to reflect pressures associated with the Covid-19 pandemic, which the Commission will consider further in due course.
- Noted advice from the Associate Director that she would be proposing to the Commission at its March meeting a draft audit quality complaints procedure and reporting on ongoing audit quality development work.
- Noted further advice in this regard from the Associate Director, in response to a query from Pauline Weetman, that she would include in her report any legal or regulatory matters associated with the proposed procedure.

Action: Associate Director AQA

- Noted advice from the Associate Director that she would be reporting to the Commission at its May meeting on the annual audit quality report, as well as further updates on audit quality development work.
- Noted advice from John Gilchrist, in response to a query from Geraldine Wooley, that further consideration would be given to how new audit appointment tender evaluation can address contextual matters relating to audit service providers' conduct in the audit market.

Action: Associate Director AQA

- Noted advice from the Associate Director, in response to a query from Pauline Weetman, that her assessment of audit quality would cover matters beyond timescale and completion of audit work.

Following discussion, the Committee noted the report, including:

- The results of audit delivery for 2019/20 audits.
- The updated position on AQA actions arising from previous Commission consideration of AQA business.

7. Any other business

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

Close of meeting

The meeting finished at 11.40am.

MEETING: 11 MARCH 2021

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 25 FEBRUARY 2021

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held via online meeting on Thursday 25 February 2021, at 11.45am.

PRESENT: Christine Lester (Chair)
Andrew Cowie
Sophie Flemig
Tim McKay
Elma Murray
Stephen Moore

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Michelle Borland, Business Manager, Performance Audit and Best Value (PABV) (Item 4)
Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) (Item 8)
Antony Clark, Audit Director, PABV (Items 5, 6 and 7)
John Gilchrist, Manager, AQA (Item 8)
Christopher Lewis, Senior Auditor, PABV (Item 7)
Carolyn McLeod, Audit Director, PABV (Item 5)
Mark MacPherson, Senior Manager, PABV (Item 5)
Jillian Matthew, Senior Manager, PABV (Items 6 and 7)
Tricia Meldrum, Senior Manager, PABV (Item 5)
Mark Roberts, Audit Director, PABV (Item 4)
Rebecca Seidel, Senior Manager, PABV (Item 5)
Kathrine Sibbald, Audit Manager, PABV (Item 7)
Owen Smith, Senior Manager, AQA (Item 8)

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 26 November 2020
4.	Work programme update
5.	Policy briefing: Justice, Education and Lifelong Learning cluster
6.	Policy briefing: Health, Care and Communities cluster
7.	Social care sustainability – update
8.	* Audit delivery and quality update
9.	Any other business

* This item was considered in a joint session with the Financial Audit and Assurance Committee. Only the points raised by members of the Performance Audit Committee are contained in this minute.

1. Apologies for absence

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

2. Declarations of interest

No declarations of interest were made.

3. Minutes of meeting of 26 November 2020

The minutes of the meeting of 26 November 2020 were noted, having previously been approved as a correct record by the Commission.

Arising therefrom, the Committee noted advice from the Committee Chair, in relation to items 5 and 6, that arising from the ongoing Commission review of its committees, the Secretary was discussing with the Performance Audit and Best Value team options for future briefing of policy cluster business to the Committee, to be considered further by the Committee in due course.

4. Work programme update

The Committee considered a report by the Audit Director, PABV, providing an update on the progress of the local government annual audit programme, the joint Commission and Auditor General for Scotland short-term work programme for 2020/21, Best Value assurance work, and wider Covid-19 development work.

During discussion, the Committee:

- Noted advice from the Director of Audit Services on progress with the two outstanding local government financial statements audits (namely Falkirk Council and the West of Scotland Archaeology Service), meaning that all audits will have been signed off by the end of February.
- Noted advice from the Committee Chair that the Best Value Working Group had agreed at its 16 February meeting to recommend to the Commission a revised schedule of Best Value Assurance Reports taking account of continued restrictions and operational challenges.
- Noted advice from the Secretary, in response to a query from Andrew Cowie, that he would update the Committee on progress with the ongoing housing benefit audit on the impact of Covid-19 on benefit services.
- Noted advice from Mark MacPherson, in response to a query from Andrew Cowie, that he would update the Committee on the outcome of the consideration by Edinburgh Partnership on 15 December of the published Best Value Assurance Report on City of Edinburgh Council.

Action: Director of PABV

Following discussion, the Committee noted the report.

5. Policy briefing: Justice, Education and Lifelong Learning cluster

The Committee considered a report by the Senior Managers, PABV, introducing a briefing for the Justice, Education and Lifelong Learning policy cluster.

During discussion, the Committee:

- Noted advice from Mark MacPherson, in response to a point by Stephen

Moore, that he would prepare a paper for the Commission on proposals for future work on community justice matters.

Action: Director of PABV

- Noted advice from Elma Murray that she would expect work programme development proposals and Commission strategic messages to incorporate clear acknowledgement of:
 - growing evidence of increasing inequalities – such as child poverty – caused by the Covid-19 pandemic.
 - the Commission’s strategic interest in the wellbeing of young people, including in relation to matters such as employability and mental health.

Action: Director of PABV

- Noted advice from Elma Murray that future development of the work programme will require to reflect on the strategic priorities of a new Parliament and Government following the May 2021 parliamentary election.
- Noted further advice in this regard from Elma Murray that she was progressing the development of the Commission’s approach to Parliamentary engagement, thus being related to an ongoing review by Audit Scotland to the tripartite parliamentary engagement strategy in this regard (i.e. Accounts Commission, Auditor General and Audit Scotland), upon which she would report further to the Commission in due course.
- Noted advice from Tricia Meldrum, in response to a point by Sophie Flemig on the sustainability of private and third sectors providers of funded early learning and childcare, that data on early learning and childcare availability and take-up would be important considerations in work programme development, and reported appropriately to the Committee to assist its deliberations in this regard.

Action: Director of PABV

Following discussion, the Committee noted the briefing.

6. Policy briefing: Health, Care and Communities cluster

The Committee considered a report by the Senior Managers, PABV, introducing a briefing for the Health, Care and Communities policy cluster.

During discussion, the Committee:

- Noted advice from Antony Clark, in response to a query from Andrew Cowie, that PABV would continue to monitor the impact of city and growth deals, with a view to informing future proposed work and reporting in this regard.

Action: Director of PABV

- Noted advice from Antony Clark, in response to a query from Andrew Cowie, that PABV would provide disaggregated statistics on deaths caused by suicide, assault and self-harm.

Action: Director of PABV

- Noted advice from Antony Clark, in response to a query from Elma Murray, that he would continue to monitor and report appropriately to the Commission on additional costs incurred by public bodies as a result of the Covid-19

pandemic.

Action: Director of PABV

- Noted advice from Jillian Matthew, in response to a query from Elma Murray, that PABV would be reviewing the implications for work programme development of the recently published reports by the Citizens Assembly Scotland and the Social Renewal Advisory Board.

Action: Director of PABV

- Noted, in relation to a point by Stephen Moore, that work programme activity in relation to care services should reflect that such matters extend beyond the care of older people.

Action: Director of PABV

- Noted, in relation to a point by Stephen Moore, the importance that a new approach to auditing Best Value in integration joint boards reflect the need for regular public assurance.

Following discussion, the Committee noted the briefing.

7. Social care sustainability – update

The Committee considered a report by the Audit Director, PABV providing an update on current activities to scope work on social care sustainability.

During discussion, the Committee:

- Agreed, in response to a point by Elma Murray, that the Commission maintain a close interest in the proposed review by the Care Inspectorate of the oversight of the social care market, including commissioning and procurement matters.

Action: Director of PABV

- Noted advice from Elma Murray on discussions that she had with Alan Miller, Independent Co-Chair of the Scottish Taskforce for Human Rights Leadership, the report of which would be published in coming weeks, which would inform further engagement in this regard with the Strategic Scrutiny Group as well as informing the Commission's new equality outcomes, to be considered at its April meeting.

Following discussion, the Committee:

- Noted ongoing document review and engagement work by the audit team.
- Noted that the team is considering with the sponsors, Christine Lester and Stephen Moore, the implications of the report of the Independent Review of Adult Social Care report and the Scottish Parliament's Health and Sports Committee inquiry report into adult social care.
- Noted that the team will work with the sponsors and Auditor General to consider the potential options for the work and bring a further paper to the Committee for consideration.
- Noted the report.

8. * Audit delivery and quality update

The Committee considered a report by the Associate Director, Audit Quality and

Appointments (AQA) on audit delivery for 2019/20 audit work and progress by AQA on actions agreed at previous Accounts Commission meetings.

During discussion, the Committee:

- Noted advice from the Director of Audit Services, in response to a point by Andy Cowie on revised audit deadlines to reflect pressures associated with the Covid-19 pandemic, that any proposal to the Commission in this regard would include reflection of matters such as quality of audit, stakeholder acceptability, timeousness and public assurance.
- Noted advice from the Director of Audit Services, in response to a query from Sharon O'Connor, that she would keep the Committee updated on matters associated with key staff leave arrangements in councils and other public bodies.

Following discussion, the Committee noted the report, including:

- The results of audit delivery for 2019/20 audits.
- The updated position on AQA actions arising from previous Commission consideration of AQA business.

9. Any other business

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

Close of meeting

The meeting finished at 1.05pm.

MEETING: 11 MARCH 2021

REPORT BY: SECRETARY TO THE COMMISSION

ANNUAL ASSURANCE AND RISKS REPORT

Purpose

1. This paper introduces the Annual Assurance and Risks Report by the Controller of Audit.

Background

2. Local authority external auditors are appointed by the Commission under the Local Government (Scotland) Act 1973. The [Code of Audit Practice](#), approved by the Accounts Commission and the Auditor General for Scotland, requires auditors at the conclusion of the annual audit to issue a report summarising the significant matters arising from the year's audit. In local government, these reports are addressed to elected members and the Controller of Audit, and are usually submitted by 30 September each year (although this year the Commission agreed to an extension of this timescale to 30 November). The reports are public and are available on the websites of the audited bodies and [Audit Scotland](#).

Controller of Audit review of annual audit reports

3. The Controller of Audit reviews the annual audit reports to:
 - Identify high-level issues and themes for inclusion in the Commission's annual local government overview reports.
 - Identify specific issues that he may wish to report to the Commission under his statutory reporting powers. In short, these powers are reporting about any matters arising from the accounts of local authorities, or the auditing of those accounts, and in certain specific situations involving illegality or loss.
4. In practice, significant findings from the audits will be known to auditors in advance of the annual audit reports, and reported to the Commission by the Controller of Audit via the Financial Audit and Assurance Committee. Statute allows the Controller of Audit to report formally to the Commission - or the Commission can direct the Controller to report - at any point throughout the audit year.
5. The Controller reports to the Commission early in each calendar year a summary of his review through his Annual Assurance and Risks Report (AARR).
6. In 2019/20, annual audit reports were published for:
 - 32 councils (including comment, if applicable, on 201 registered charities within 66 sets of charity accounts)
 - 30 integration joint boards
 - 11 pension funds
 - 32 other small boards and partnerships.
7. These have all been reviewed as part of this exercise.

Integrated audit

8. An important principle underpinning the Commission's framework for auditing and reporting Best Value is an integrated approach, in which Best Value is assessed over a five-year audit appointment as part of the annual audit. A Best Value Assurance Report (BVAR) is published by the Commission for each council at least once in this five year period, and progress against BVAR findings and recommendations reported each year in the annual audit report.
9. The Controller of Audit reports on the progress made by council against their Best Value obligations – including BVAR findings and recommendations and progress as reported in the annual audit report - through his AARR.

Statutory Performance Information Direction

10. The Commission has a statutory power to define the performance information that councils must publish for performance reporting and benchmarking purposes. It fulfils this power by issuing a Statutory Performance Information (SPI) Direction to councils. The Commission published the [current SPI Direction](#) in December 2018. The Direction covers a period of three years and applies to reporting performance for the three years from 1 April 2019.
11. In recent years the Commission has used the power to emphasise the prime importance of councils reporting performance to their citizens and communities. The Direction sets out the performance information that the Commission requires councils to publish.
12. The Commission will in coming months be reviewing the current Direction with a view to publishing a new Direction at the end of 2021. Further reports to this end will be considered by the Commission, but meantime, the Commission may wish to note the Controller's assessment of the performance of councils against the requirements of the Direction in paragraphs 151 and 152 of the AARR.

Strategic audit priorities

13. In its [Strategy and annual action plan - 2019-24](#), the Commission sets out an overall aim of holding councils to account for their pace, depth and continuity of improvement facilitated by effective governance. The Commission set out its expectation that councils show how they are making the best use of their resources and improving their performance and highlighted that by applying rigorous self-evaluation, councils can focus on where improvement is most needed to help them deliver on their priorities. Within this, the Commission also sets out five strategic audit priorities (SAPs). These are issues that the Commission considers particularly important to report through audit work. The Commission states that it will use its approach to auditing Best Value to assess how councils are progressing in relation to the following SAPs:
 - Having clear priorities with a focus on outcomes, supported by effective leadership and long-term planning.
 - The strategic appraisal of options to re-shape services in line with priorities. This should consider good practice, innovation and collaborative working with partners.
 - Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.
 - Empowering local communities and involving them in the design and delivery of local services and planning for their local area.

- Reporting councils' performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.
14. The SAPs are considered by all auditors involved in local government work, both locally and nationally. They are considered as an integrated part of the risk assessment, five-year Best Value and annual planning processes. Annual audit reports provide an assessment of the council's performance against the SAPs across the five-year audit appointments.
 15. The Controller of Audit uses his AARR to provide the Commission with assurance over the progress made by councils against the Commission's SAPs. This is summarised in Exhibit 1 of the AARR.
 16. In the planning guidance for auditors for the current audit year (thus reporting in late 2021 and by the Controller in the 2020/21 AARR), which the Commission approved at its October meeting, auditors will not be required to specifically consider and report on the SAPs. It is however expected that the Controller will be able to use information reported elsewhere in annual audit reports to report progress against SAPs in the 2020/21 AARR.
 17. Further, the Commission has agreed previously that SAPs would not feature in a new Code of Audit Practice from 2022 (thus covering annual audit reports in late 2023 onwards), which will incorporate a more flexible approach to identifying audit priorities on an annual basis.

Annual Assurance and Risk Report: Controller of Audit's conclusions

18. The Controller reports that overall he is assured that audit work is providing good coverage of the Commission's SAPs in councils and that the increasingly integrated approach to auditing Best Value in councils is effective. He is also confident that areas of risk are well understood and there are plans in place to cover these areas through our audit work. The BVARs are having an impact, with all councils implementing improvements in response to the reports. The Best Value approach will change under the next audit appointments from 2022/23 when it will become fully integrated into the annual audit. The new approach will include national thematic work on topics decided by the Commission. This AARR is intended to help the Commission to decide which themes are of highest priority.:

Annual Assurance and Risk Report: lines of enquiry

19. The AARR helps the Commission to:
 - Consider the messages it wishes to convey in its overview reports. The draft local government overview report will be considered by the Commission at its April meeting.
 - Consider progress being made against its SAPs, in turn allowing it to consider any implications for its strategy (to be considered by the Commission at its May meeting) or next year's planning guidance (to be considered by the Commission in late 2021).
 - Consider any implications for its wider work programme. The Commission is considering at its April meeting the outputs from its ongoing consultation with stakeholders on the refreshed work programme, with a view to publishing a refreshed programme in May. It will then consider a draft work programme at its March meeting.

20. In considering these, the Commission may in particular wish to consider:

- The progress against individual SAPs (part 3 of the AARR and summarised in Exhibit 1).
- The key risks identified by auditors and summarised by the Controller in Exhibit 2.
- The progress made by councils against their statutory duty of Best Value (part 2 of the AARR).
- The impact of Covid-19 on local government bodies, particularly on:
 - Finance (paragraph 16)
 - Governance (paragraph 22)
 - Integration joint boards (paragraph 32)
- Performance of local government as reported in national performance audits (paragraph 52).

Conclusion

21. The Commission is asked to:

- a) Consider and note the attached Annual Assurance and Risks Report, in particular the Controller's conclusions set out in paragraph 12 above.
- b) Consider any implications for its:
 - i. overview reporting
 - ii. SAPs and strategy
 - iii. work programme.

Paul Reilly
Secretary to the Commission
3 March 2021

Annual assurance and risks report

Local government

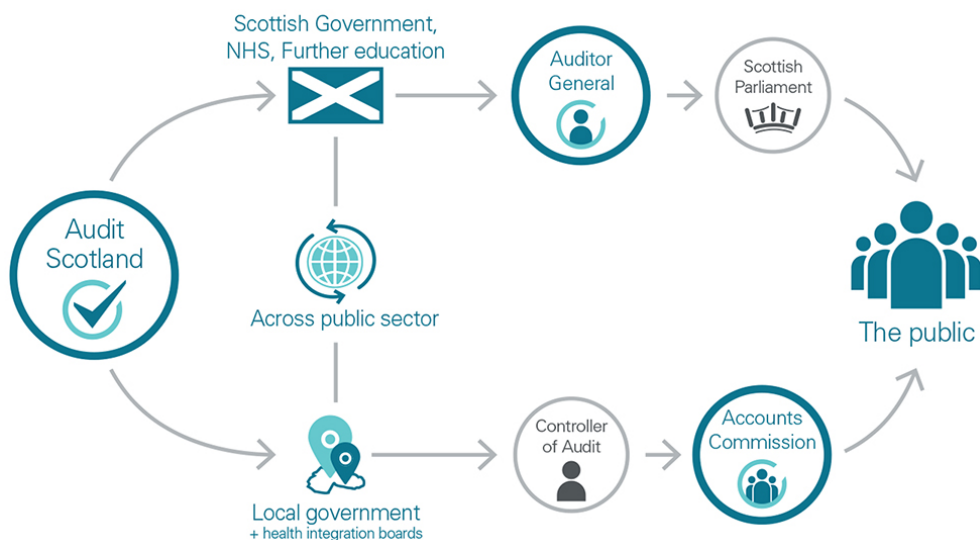
Report by the Controller of Audit

March 2021

Who we are

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

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



About us

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

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

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

Contents

Summary	4
Introduction	9
Part 1 Work completed on behalf of the Accounts Commission in 2020	10
Part 2 The pace and depth of continuous improvement in councils in 2020	23
Part 3 Progress against the Commission's strategic audit priorities in 2020	27
Part 4 Looking forward	51
Appendix 1 Information sources used	55
Appendix 2 Summary of progress against the SAPs; comparing 2018, 2019 and 2020	56

Summary

- 1** The 2019/20 audit year has been a year like no other. It is hard to overstate the enormous efforts councils have made in leading and supporting local communities through the Covid-19 pandemic, and the adaptability, professionalism, and commitment of councils for helping us get through an enormously challenging audit year, which, among many other things, involved auditing remotely for the first time. Covid-19 is having a profound impact on all aspects of society, including the economy, jobs, the physical and mental health of the public, and other wider societal issues. Councils have been at the centre of the response to the pandemic, supporting communities through these difficult times. They responded quickly and placed initial focus on maintaining service delivery and protecting communities.
- 2** Councils were already working in an environment of reducing budgets, rising demand for services and the delivery of an increasingly complex range of national policies. Then, in March 2020, the world began to experience the global Covid-19 pandemic which has had an unprecedented impact on councils, their partners, and the communities they serve. The immediate negative impacts of the pandemic on people's health, the economy and communities have already been profound. They have been (and are likely to continue to be) borne unequally and are expected to widen many existing inequalities and produce disproportionate impacts for some groups that already face particular challenges. The longer-term impacts remain uncertain and councils and their partners will be dealing with these for many years to come.
- 3** This report draws on 2019/20 annual audit reports and BVARs, where much of the audit evidence was collected prior to the pandemic. The timing of the outbreak of Covid-19 is such that its impact on councils' accounts was limited in 2019/20. This is an issue I anticipate reporting on further to the Commission in next year's AARR, by which time the early financial impacts of Covid-19 on councils will have filtered through to their financial statements.
- 4** Although the financial impacts of Covid-19 remain unclear, the scale of the challenge is likely to be considerable. The Accounts Commission and I, as Controller of Audit, believe that the fundamentals of Best Value matter now more than ever. Councils which can demonstrate that they are meeting the Commission's five SAPs will be better placed to face the current challenges.
- 5** A summary of progress made by councils against the Commission's five SAPs is set out in [Exhibit 1](#).

Exhibit 1**Key findings on progress against the Accounts Commission's five strategic audit priorities (SAPs) in 2020****SAP 1: Clear priorities with a focus on outcomes, supported by effective leadership and long-term planning**

- The quality of councils' strategies and plans that support the delivery of the vision vary.
- Most of the 2020 BVARs report that it is difficult to demonstrate progress against the strategic objectives.
- Many councils have made changes to their management teams and there continues to be significant change to IJB's leadership. This can be a catalyst for improvement but can also present some risks.
- Most councils are making good progress towards their statutory equality responsibilities. Reports highlight some good examples of councils' work to address inequalities in their communities.
- Councils have made good progress on medium term planning however most councils will need to rework their medium- and longer-term financial plans in light of Covid-19.

SAP 2: The strategic appraisal of options to re-shape services in line with priorities. This should consider good practice, innovation and collaborative working with partners

- Councils need to be more systematic in appraising options for service redesign.
- Covid-19 has delayed some transformation work, and this has increased financial pressures and future service development. It has also led to re-assessment of transformation plans and presented some new opportunities for transformation.
- The use of digital technology, to support changes to service delivery and councils' governance arrangements, has accelerated at a greater pace than many councils had planned for.
- There is evidence of strong partnership working across Scotland.
- Some community planning partnerships are successfully delivering improved outcomes.
- Councils continue to work well with partners to develop and deliver city region and growth deals.
- IJBs face significant financial challenges and more needs to be done to accelerate service redesign.

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

- Good training programmes on a range of topics are provided for elected members but attendance could improve.
- Councils are developing organisation-wide workforce plans but Covid-19 has had a significant impact on workforce planning.
- Councils are engaging with staff, but response rates are low.

SAP 4: Empowering local communities and involving them in the design and delivery of local services and planning for their local area



- There is evidence of councils engaging well with their communities but there is scope for more involvement in working together in the development of policies and services.
- There is evidence of progress against the Community Empowerment (Scotland) 2015 Act but more needs to be done to deliver on the full ambitions of the Act.

SAP 5: Reporting councils' performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.



- A small number of councils use self-evaluation effectively to drive improvements, but more systematic self-evaluation is required in many councils.
- While there has been improvement in performance reporting, it will be increasingly important to ensure that performance reporting remains focussed on key priorities. At the same time this needs to assess both the qualitative and quantitative impact of Covid-19 on council/service performance.
- Auditors concluded that 25 councils met the requirements of the 2018 SPI direction.

Source: Audit Scotland

6 Appointed auditors are identifying key risks facing the councils they audit and are targeting their audit work appropriately in response to those risks. The impact of Covid-19 will continue to be felt in councils for many years and turns up the temperature on all the risks we highlight in this report. However, our audit work will continue to monitor these risks and I am satisfied the audit work this year does not highlight any new risks that would require the SAPs to be changed. The Commission agreed previously that SAPs would not feature in a new Code of Audit Practice, which will incorporate a more flexible approach to identifying audit priorities on an annual basis.

7 [Exhibit 2](#) sets out what our review highlights are the key risks to councils from our audit evidence ([Part 3](#) sets out in detail the key risks for each SAP). It does not cover the wider context risks such as digital inclusion, the long-term economic shock of the pandemic, impact on equalities gaps and educational attainment which also have significant implications for local government.

Exhibit 2**Summary of key risks**

Key risk areas	Risks identified in councils from 2020 audit evidence
Challenging and uncertain financial outlook	Long-term financial planning is not developed, contributing to financial sustainability risks in councils and integration joint boards.
	Medium to long term financial planning is not developed to take account of impact of Covid-19.
	Full potential of collaborative working is not maximised in Covid-19 recovery.
	Pace of change of service redesign in post-Covid-19 recovery is not adequate to address future budget gaps.
	The financial sustainability of local community groups is at risk following the Covid-19 emergency impacting the council's ability to improve outcomes.
Ability to deliver better outcomes	Councils' plans and performance reporting fail to support delivery of their visions.
	Strategic appraisal of options is not systematic when making decisions about service redesign.
	Community empowerment is not developed so opportunities for communities to influence decision making are not made.
	Self-evaluation is not used systematically to drive improvement.
	Councils cannot demonstrate performance against key priorities and outcomes and provide transparent reports to the public.
	The financial sustainability of local community groups is at risk following the Covid-19 emergency impacting the council's ability to improve outcomes.
Progress with public service reform	Councils cannot demonstrate that the work they are doing on community empowerment is improving outcomes for their citizens.
Leadership, governance and organisational capacity	Changes in leadership and senior management teams can be a catalyst for improvement but can also have a negative impact on capacity and momentum to deliver the transformation required for financial sustainability.
	Elected member engagement with training and development is low and they do not have the skills required to effectively fulfil their scrutiny and challenge roles.
	Workforce planning fails to deliver the staff, skills, and leaders to deliver change and needs to develop further and take account of changes to service delivery and digital progress as a result of Covid-19.
	Low response rates to staff surveys mean that councils do not understand the views of their staff, making it harder for the council to make improvements.

Source: Audit Scotland

- 8** Overall, I am assured that our audit work is providing good coverage of the Commission's SAPs in councils and that the increasingly integrated approach to auditing Best Value in councils is effective. I am also confident that areas of risk are well understood and there are plans in place to cover these areas through our audit work. The BVARs are having an impact, with all councils implementing improvements in response to the reports. The Best Value approach will change under the next audit appointments from 2022/23 when it will become fully integrated into the annual audit. The new approach will include national thematic work on topics decided by the Commission. This AARR is intended to help the Commission to decide which themes are of highest priority.

Introduction

Background

1. The Annual Assurance and Risks Report (AARR) is my annual report, as the Controller of Audit, to the Accounts Commission about the work undertaken by auditors over the past year, on the Commission's behalf. Its purpose is to provide assurance to the Commission that the range of work we undertake provides effective coverage of local government, its performance, issues, and risks. It is also intended to help inform the future work programme, the Commission's discussions at its strategy seminar and its consideration of the draft *Local government in Scotland 2021* report at the May Commission meeting.
2. Although local government has faced severe pressure from the Covid-19 pandemic this year the Commission believes firmly that the principles of sound financial management, good governance, public accountability, and transparency remain vital for councils. In many ways these fundamental building blocks of Best Value are more important now than ever, given the unprecedented challenges councils now face in repairing the economic and social damage wreaked on communities by the global pandemic.
3. As well as setting out the work that the Commission and I have overseen during 2020 and early 2021, this report also explains how the Commission and Audit Scotland balanced their responsibilities for continuing to discharge their responsibilities effectively during the pandemic with the need to recognise and reflect the significant impact responding to Covid-19 was having on councils and other public bodies. This had implications for the timing of and approach to our work which are set out in the report.
4. This report summarises progress, good practice, areas for improvement and risks identified through our audit work. It also looks at the pace and depth of continuous improvement in councils and provides an assessment of the extent to which councils are progressing with the Commission's five strategic audit priorities (SAPs).

Strategic audit priorities

5. In its *Strategy and annual action plan - 2019-24*, the Commission sets out five strategic audit priorities (SAPs). These are issues that the Commission is particularly interested in at present and require to be reported through annual, Best Value and performance audit work. The SAPs are considered by all auditors involved in local government work.
6. The five SAPs, along with this year's key findings against each, are set out in [Exhibit 1](#). High level messages for each SAP identified over the last three years are set out in [Appendix 2](#).

Part 1

Work completed on behalf of the Accounts Commission in 2020

7. This section provides further information on the range of audit outputs produced over the last year as well as our work in responding to correspondence and updates and reports provided to the Accounts Commission and its committees.

Impact of Covid-19 on the Accounts Commission's work

8. Covid-19 has had, and continues to have, a massive impact across the country. Future Local Government and Financial Local Government Overviews will continue to report on the ongoing impact of Covid-19 over the medium-term.
9. Audit Scotland reacted quickly to the pandemic and staff were able to work remotely, however they were also juggling commitments at home and managing challenges associated with not being in the office or in audited bodies. Some audit processes took longer as we became more reliant on staff in our audited bodies collecting and transferring data and evidence electronically.
10. Council staff were also adapting to working from home with some facing an initial lack of software licenses, equipment, and IT capacity. Council officers had to manage additional working pressures caused by Covid-19 whilst maintaining essential services during lockdown. Overall staff at Audit Scotland and in audited bodies across Scotland managed incredibly well in very difficult circumstances but there was an impact on the annual audit process and our performance audit programme.
11. The Scottish Government wrote to all local government bodies in May 2020¹ to set out its expectations for the annual accounts and audits. It set out a two-month relaxation to the timetable, with the aim to publish unaudited accounts online by the 31 August (usually 30 June), to meet to consider them within two months of publication and to publish the audited accounts by the 30 November (usually 30 September). The majority of local government bodies produced their accounts by the original deadline of 30 June - three councils (Glasgow, Moray and Clackmannanshire), two integration joint boards (Scottish Borders and Moray) and one pension fund (Strathclyde) took advantage of the extended timescales. However, the audit process tended to take longer due to the

¹ Finance circular 10/2020, 21st May 2020

challenges of remote working. As noted above, some auditors could not access all the systems remotely and had to rely on the bodies providing evidence electronically.

12. The change of timings to the accounts has had an impact on the publication of the Accounts Commission's overview reporting. The [financial overview](#) was published in January 2021, compared to December in 2019. The Local Government in Scotland report will consider councils' initial response to the pandemic rather than its planned review of councils progress in the year. This report will publish in May 2021. The local government overview is usually reported in April each year but was paused in 2020 as the pandemic hit and was subsequently published in June of that year.
13. The pandemic also impacted on the Accounts Commission's schedule of performance audits.
 - Some were almost ready to be published as the country went into lockdown. The Commission took the decision that the work and conclusions remained relevant.
 - Some reports were published as planned eg, the Affordable Housing report, although it was published without the usual media launch.
 - Some were delayed later into the summer including the Local Government in Scotland 2020 report.
 - The educational outcomes report was delayed so that audit work on the impact of the Covid-19 lockdown, home learning and ongoing public health measures that are impacting on children's school education and outcomes could be undertaken alongside the earlier audit work. The new audit report bringing together these two pieces of audit work will now be published on 23rd March 2021.
14. The strategic scrutiny group published a report in November 2020. This sets out the key risks facing public bodies, how the scrutiny bodies have responded and how they plan to include some of lessons learnt within their work. The report found that the pandemic has accelerated change in public services and allowed good progress on difficult issues which will bring efficiencies. However, the rapid pace of change brings some new risks and existing risks such as financial sustainability and inequalities have been magnified. Throughout the pandemic scrutiny partners have been working more closely at a strategic level and they have committed to continuing to do so in the coming years.

Impact of Covid-19 on local government bodies

15. The lockdown associated with the UK emergence of Covid-19 cases did not happen until March 2020 and the impact on councils and other bodies' financial accounts in 2019/20 is relatively small. The major impact is on 2020/21. This report draws on 2019/20 annual audit reports and BVARs published in 2020, where much of the evidence was collected prior to the pandemic. So, the extent of reporting on the response and impact of Covid-19 is limited. The annual accounts and annual audit reports (AARs) have reported on the financial impact for 2019/20 and an expected impact for 2020/21 as well as the initial governance changes made in response to the pandemic. I have summarised these below. Our Local Government in Scotland

Financial Overview, published in January 2021 and Local Government in Scotland 2021 report, due to publish in May 2021, contain more information. The impact of the pandemic will be felt for many years, we intend to monitor it and the recovery through our overview reporting, BVARs, annual accounts and performance audit reports.

Financial impact

16. Most councils reported budget pressures associated with Covid-19, mainly focused on 2020/21 rather than incurred in 2019/20. These included a mix of increased spending, reduced income and planned savings which could no longer be realised; the impact of administering assistance schemes, providing support to people who were shielding; and costs of social distancing and additional cleaning measures in services such as education.
17. East Lothian Council and Inverclyde Council both took out additional loans towards the end of March 2020 to ensure sufficient liquid funds to address the expected consequences of Covid-19.
18. Councils reported the negative impact of the pandemic on their arms-length organisations. This included significant impact on Edinburgh City Council's ALEOs with a projected loss of income of around £27 million for 2020/21 - Lothian Buses (loss of dividend of £6 million), Trams, Edinburgh Leisure and Capital theatres.
19. Dundee, Edinburgh, South Lanarkshire, and West Lothian councils have provided financial assistance to their leisure providers; and Aberdeen City, Falkirk, Highland and Inverclyde councils highlighted the financial risks to their leisure ALEOs.
20. Covid-19 impacted many councils' capital programmes, for example the annual audit reports note that:
 - Aberdeenshire council suspended its capital programme for 3 months with a phased restart.
 - North Lanarkshire council's capital expenditure was limited due to Covid-19 uncertainties.
 - Comhairle nan Eilean Siar and Inverclyde councils reported that there were additional costs associated with securing sites through lockdown and restarting work with social distancing measures.
 - East Ayrshire and North Lanarkshire are re-profiling or revising their capital programmes.
21. Most annual audit reports for IJBs reported additional costs. These relate to additional Personal Protective Equipment, increased prescribing costs and resource to manage additional demand, for example in social care. The pandemic impacted IJBs' ability to make savings and some face significant financial sustainability risks. The Scottish Government has committed to providing additional funding to IJBs, but it is not yet clear if that will cover all costs.

Changes to governance structures

22. All bodies made immediate and significant changes to their governance arrangements in March 2020. These changes were set out in the governance statements of their accounts. Although the approaches varied, in almost all cases (other than some smaller bodies and pension funds) auditors concluded that the changes were reasonable and appropriate.
23. Aberdeenshire council was the only council that did not suspend meetings during the initial stage of the pandemic and was able to move to virtual meetings very quickly. All other councils suspended meetings from around the 20 March when the first national lockdown started and the Chief Executive, often alongside their senior officers, received delegated authority for decision making. Our Local Government Overview 2021 has found that many councils created ad hoc Covid-19 committees to manage relevant or urgent business. Some councils provided briefings to members from the Chief Executive or senior management team while meetings were suspended, and some recorded all key decisions for circulation to members. Council meetings resumed virtually through the summer with most operational by September. The pandemic has prompted more councils to stream meetings or provide video links online to allow for the public to 'attend'.
24. The Improvement Service recognised good practice at Aberdeenshire Council with their ability to move online in March and stream meetings to the public with minimal disruption. All council and committee meetings continued by Skype and no additional powers were necessary beyond existing Standing Orders.
25. IJBs were similarly affected with meetings cancelled and authority delegated to Chief Officers. Some boards were able to meet virtually from early in the pandemic. The planned review of many Schemes of Integration was delayed as IJBs focused on the immediate requirements of the pandemic. These set out how the IJB will function and should be reviewed every five years.

Annual audit reports

26. Local authority external auditors are appointed by the Commission under the Local Government (Scotland) Act 1973. The Code of Audit Practice requires auditors at the conclusion of the annual audit to issue a report summarising significant matters arising from the audit. In local government, these reports are addressed to councillors and to me as Controller of Audit. The reports are public and are available on the websites of the audited bodies and Audit Scotland. The reports are reviewed by myself and my team to:
 - identify high-level issues and themes for inclusion in the Commission's annual local government overview reports.
 - identify specific issues that I may wish to report to the Commission under my statutory reporting powers.

27. In practice, significant findings from the audits will be known to me in advance of the AARs and reported to the Commission via the Financial Audit and Assurance Committee (FAAC). Statute allows me to report formally to the Commission - or the Commission to direct me to report - at any point throughout the audit year. However, including such issues in the AAR is the formal starting point for any statutory reporting.
28. In 2020, AARs were prepared for:
- 32 councils (including comment, if applicable, on 201 registered charities within 66 sets of charity accounts)
 - 30 integration joint boards
 - 11 pension funds
 - 32 other small boards and partnerships.
29. As previously mentioned, the timescales for these reports were extended because of Covid-19 and the impact on the accounts preparation and audits. While five councils did not meet the end of November target, all were complete by the end of February 2021.
30. There were no qualified audit opinions within these reports, but many council and pension fund accounts included an emphasis of matter reflecting the material uncertainty around property and investment valuations because of the pandemic.
31. I have recently written to all council chief executives and chief officers of the IJBs, as I do every year after AARs are published. This year I highlighted that the 2019/20 audit year has been a year like no other. It is hard to overstate the enormous efforts councils have made in leading and supporting local communities through the Covid-19 pandemic, and the adaptability, professionalism, and commitment of councils for helping us get through an enormously challenging audit year, which, among many other things, involved auditing remotely for the first time.
32. In IJBs, AARs provide an opinion on the financial statements, comment on financial sustainability and will increasingly present a comprehensive picture of Best Value. Auditors are asked to confirm that there are organisational arrangements in place for Best Value when planning and reporting on the audit dimensions. Auditors may also carry out specific audit work covering the BV characteristics, the nature and extent of this work determined by the annual risk assessment carried out by auditors.
33. This year's AARs reported that:
- 19 IJBs were found to have appropriate arrangements for Best Value.
 - Six IJBs needed to improve their arrangements for demonstrating Best Value.
 - Auditors of two IJBs were unable to consider Best Value arrangements as performance reporting was delayed due to Covid-19.
 - Three IJBs' AARs did not have a clear judgement about Best Value arrangements. Auditors have been asked to report on this in 2020/21.

34. The Commission is committed to developing an approach to auditing Best Value in integration joint boards to gain assurance on how each IJB is delivering its duty of BV, and drive improvement locally and across the sector.
35. I highlight some specific issues arising from the 2019/20 Local Government AARs below:

McCloud pension judgement

36. The McCloud court case involved a complaint against the UK government that the change to public sector pension schemes when they moved to the career average scheme from a final salary scheme was unfair. In June of 2019, the Supreme Court handed down a judgement on the McCloud case and the transitional arrangements of the scheme were judged to be discriminatory, favouring older staff nearer retirement. The effect of this judgement was to increase the liability of public sector defined benefit schemes. On 14 August 2020, member bodies were advised that following a government announcement on the McCloud remedy consultation, there was a potentially material impact on the calculated McCloud liability previously provided for in the 2019/20 financial statements. This meant pension liability estimates were overstated at 31 March 2020 and required an adjustment in the accounts where the impact on the financial statements breached the auditor's materiality tolerance. 29 annual audit reports highlighted the McCloud implications.

Material uncertainty in respect of the valuations

37. Many councils' independent valuers included a 'material uncertainty' in their revaluation of council property. This is because the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book') requires a material uncertainty to be disclosed '*where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted*'. Uncertainty arising from Covid-19 meant that the valuations met this requirement. Valuations at March 2020 can be relied on but should be considered with a high degree of caution. Of the 30 available annual audit reports, 21 explicitly disclosed that the valuer had declared a material uncertainty. However, this is not a qualification to the accounts.
38. Pension funds invest in many different asset types (including equities, bonds etc). Level 3 investments are those investments which do not have an active market so are valued more subjectively by investment managers. Each pension fund has a different exposure to these types of investment. These are usually valued on the basis of future cash flows from rentals. Due to Covid-19 many investment managers determined that there was material uncertainty surrounding these assets and highlighted this in their valuation reports. This uncertainty was disclosed in the pension fund accounts. In five councils (Fife, Inverclyde, Moray, North Lanarkshire and Western Isles), auditors noted the uncertainty of this asset type to the individual pension funds, but none warranted an Emphasis of Matter in the auditor's report.

Orkney Island Council's prior year adjustment

39. The council had ear-marked a proportion of the Harbour Reserve to ensure it can meet its contractual obligation to contribute a set amount towards the decommissioning costs of the Flotta Oil Terminal. As part of a review in 2019/20, the council considered the decommissioning agreement. The council's contribution to the decommissioning costs is based on a legal agreement from 1999 outlining an obligation to pay £16.4 million uprated annually for inflation. The balance of the costs of decommissioning is to be met by the operator. In preparing the 2019/20 accounts the council recognised its contractual obligation to contribute a set amount towards the costs associated with the decommissioning of the Flotta Oil Terminal as a provision, in line with IAS 37 and an adjustment of £29.9 million has been made, including a reduction to the Strategic Reserve Fund, from £247.8 million to £218.0 million.

Falkirk council

40. In October 2020, the external audit team became aware of whistleblowing complaints in relation to procurement activity within the Corporate and Housing Directorate. The auditors identified a number of gaps in the subsequent investigation undertaken by the council's Counter Fraud Team and so undertook additional audit work.
41. The audit team found no direct evidence of collusion but concluded that:
- Urgent work should be undertaken to address the lack of segregation of duties identified within one team.
 - The control environment within the service does not adequately mitigate the risk of manipulation and collusion with sub-contractors.
42. It was necessary to manually link invoices to related contracts during the investigations as this link was not undertaken as a matter of course. The inability to reconcile actual spend to contract awards creates a risk of error and could result in the council being unable to monitor that contractual spend is in line with agreed values. This presents a weakness in financial and contract monitoring arrangements.
43. The 2020/21 audit will further consider the effectiveness and appropriateness of the council's arrangements for the prevention and detection of fraud and corruption in the procurement function. It will include a focused review covering:
- on the overall management of the risk of procurement fraud, including internal audit coverage
 - and the appropriateness of policies and controls around the procurement process including segregation of duties and training to identify risks.

Highland council

44. Following the approval of the restructuring of the council's senior management team in 2018/19, the council has sought to embed the new structure including the recruitment of the eight permanent chief officer roles. Whilst most posts have been successfully filled, two posts remain interim appointments – Education and Learning and Transformation

and the Economy. In addition, one permanent appointment, the executive chief officer for Health and Social Care left the council within six months of their appointment and since April 2020 this role was filled on an interim basis until a new Chief Officer started in January 2021. Overall, the level of turnover across senior officer positions within the council, including interim appointments to Executive Chief Officer roles creates a risk of instability across senior leadership. Given the financial and operational challenges facing the council, it is important that there is a stable, effective leadership team in place to support the organisation in the future.

Wider audit dimensions

45. The Code of Audit Practice ('the Code') outlines the responsibilities of auditors. The Accounts Commission, the Auditor General and Audit Scotland have agreed four audit dimensions that frame the wider scope audit into identifiable audit areas. These are set out in [Exhibit 3](#). Best Value sits at the heart of the four dimensions. The Code is currently being reviewed in advance of the next five-year appointment of auditors in 2022.
46. Where appropriate, all AARs include comment on each audit dimension. These generally detail the audit work conducted and provide judgements, conclusions and recommendations on the effectiveness and appropriateness of the arrangements in place. Across the five-year audit appointment these conclusions will provide an assessment of whether the audited body is demonstrating it is securing best value through continuous improvement in the performance of its functions. By reporting against each of the four audit dimensions, auditors discharge their wider responsibilities under the Code. I am satisfied that all auditors have done this.

Exhibit 3

Audit dimensions



Source: Code of Audit Practice 2016

Statutory reports

47. Section 102 of the Local Government (Scotland) Act 1973 allows me, as the Controller of Audit, to make reports to the Accounts Commission about any matters arising from

the accounts of local authorities, or the auditing of those accounts, that I think should be considered by the local authority or brought to the attention of the public.

48. Statutory reports on the accounting issues related to the 2018/19 audit were published in 2020 on Renfrewshire Council and Fife Integration Joint Board. An update on the equal pay settlement at Glasgow City Council was also published in 2020. No statutory reports have been published so far in connection with the 2019/20 audit.
- Auditors in Renfrewshire Council reported a modified audit opinion in 2018/19 relating to issues arising from the implementation of a new business accounting system at the council. This year's AAR concluded that the council had appropriately addressed the matters arising out of the 2018/19 audit.
 - Auditors of Fife IJB highlighted serious financial sustainability concerns after the board had been slow to implement plans to address significant shortfalls and missed its 2018/19 financial targets. This year's AAR concluded that the council had made some progress on prior year audit recommendations with actions not yet implemented informing the 2019/20 recommendations, with revised responses and timescales.

Best Value Assurance Reports

49. Best Value in councils is assessed over the audit appointment (usually five years, this year extended to six as a result of the pandemic), as part of the annual audit work. The Commission will also consider a Best Value Assurance Report (BVAR) for each council at least once in the appointment period. 2019/20 was the fourth year of this approach. The Commission has agreed that from 2022/23, Best Value will be assessed entirely through the annual audit and it will produce annual thematic reports arising from this work. Future Annual Risk and Assurance reports will help the Commission in choosing these themes by highlighting the key risks facing local government.
50. Between January 2020 and January 2021, I produced six BVARs and the Commission made findings on each of them ([Part 2](#)). To a varying extent the work for the 2020 BVARs was undertaken prior to the Covid-19 emergency. As a result, the BVARs do not all consider the additional pressure that Covid-19 has placed on the councils. However, the issues arising from the reports are more important than ever in helping councils deal with the significant challenges they face.
51. A summary of the pace and depth of continuous improvement identified across the four years of BVARs published to date, is set out in [Part 2](#). Aspects of the Best Value arrangements in the remaining councils have been reported in AARs. Based on the risk assessment at each council, a Best Value Assurance Plan (BVAP) ensures all Best Value characteristics are covered by audit work in every council over a five-year period.

National reports

52. The Auditor General and the Accounts Commission's programme of national performance audits was affected by the Covid-19 pandemic. Its report on educational

outcomes was delayed until 2021 and other audits published later than planned. A summary of the reports produced by Audit Scotland on the behalf of the Accounts Commission is set out in [Exhibit 4](#).

Impact reports

53. The equal pay in councils impact report was published in June 2020. It found that the number of live equal pay claims in Scottish Councils had reduced by 82.5 per cent since the last report published and that by the end of December 2019 Scottish Councils had spent £1.3 billion in settling equal pay claims, a large proportion of which was from Glasgow City Council.
54. The impact report also highlighted that in Scotland, the median pay gap between male and female employees in all sectors had fallen from 16 per cent in 2017 to 14 per cent in 2019 and in Councils by 0.5 percent between 2015/16 and 2018/19. The report included questions to help councillors with their scrutiny of how their council is meeting its public sector equality duties and local progress in relation to equal pay.

Exhibit 4

Summary of findings from national reports published on behalf of the Accounts Commission in 2020 and January 2021

Name of report	Date	Report type	Key messages
Early learning and childcare – follow-up	March 2020	Follow up	<p>Scottish Government and councils are making steady progress towards delivering the target of expanded funded early learning and childcare by August 2020 but there is much that needs to be done in a short time. The Scottish Government, COSLA, Councils and other stakeholders continue to work well together at a national level although there are some guidance issues affecting some private and third sector providers. Workforce continues to be a serious challenge to delivering the expansion and is threatening the sustainability of private and third sector providers. Delivering over half the infrastructure work in the final months poses a major risk and councils have begun contingency planning. The SG have well advanced plans to evaluate the expansion of funded ELC, but it is not yet clear how the long-term economic benefits or impact on family wellbeing will be assessed.</p> <p>Update: This target has now been delayed and with the financial flexibility package announced by the Scottish Government, this allows councils to divert funding from this to deal with Covid-19.</p>

Name of report	Date	Report type	Key messages
Affordable housing	April 2020	Performance Audit	<p>Good progress has been made towards the Scottish Government's target for 50,000 affordable homes. But serious risks remain in meeting the target by March 2021, including the capacity of the construction sector and council services. Councils are working well with their partners, but improvements are needed in the involvement of health and social care and tenant engagement needs to be more consistent. Although there is evidence of some positive benefits of the investment it is not possible to demonstrate value for money. A lack of information on funding post 2021 is now affecting council's ability to plan and may slowdown future supply.</p> <p>Update: Councils' capital programmes could be significantly affected by Covid-19.</p>
Local government in Scotland: Challenges and performance 2020	June 2020	Overview	<p>The pressure of demographic and social change, strained budgets and national policy initiatives is beginning to show on service performance and the use of financial reserves. Long-term financial planning is not well enough developed and the use of reserves by councils and IJBs is not sustainable. More radical change is required, and this will need time and capacity from leaders. In making these changes councils need to work with communities and partners more and be more flexible in their workforce planning.</p> <p>Update: Covid-19 has meant that councils need to revisit medium- and longer-term financial plans. Reserves positions in councils stabilised in 2019/20 but the impact in 2020/21 is likely to create further pressures on reserves. Financial sustainability issues continue in IJBs and are likely to increase due to Covid-19.</p>
Digital progress in Local Government	January 2021	Performance audit	<p>Councils are at different stages of digital transformation. Progress is strongest where councils have focused on how digital technology can deliver better outcomes for people. The pace of change has increased as digital technologies have played a vital role in the public sector's response to the Covid-19 pandemic. It has also heightened the awareness of digital exclusion.</p>

Source: Audit Scotland

Briefings and guides

55. Audit Scotland has produced six briefing papers and guides during the year:

- [Scotland's economic growth: The role of councils](#) (February 2020). This briefing sets out some background information on councils' economic development activity, summarises previous audit work and other research on economic growth, and invites the Committee to consider options for taking the Commission's interests forward.

- [Covid-19: emerging Fraud risks](#) (July 2020). This briefing sets out a range of fraud risks emerging from the Covid-19 crisis, and what public bodies might do to help reduce these risks. It aims to raise awareness of these new fraud risks with public bodies and their auditors; and support them in identifying and managing these risks and ensure that sound governance and controls are in place.
- [Covid-19 Implications for public finances](#) (August 2020). This briefing sets out the additional devolved public sector spending and the measures announced by the Scottish Government to tackle the pandemic up to the end of July 2020. A number of these measures will be administered by councils. The briefing paper found that decisions are being taken in a fast-paced environment, which makes it more difficult to demonstrate how measures have been chosen and how overall spending is being managed.
- [Covid-19 a guide for audit and scrutiny committees](#) (August 2020). This briefing includes questions for committee members to consider during scrutiny of the pandemic response. It sets out four main risks: internal controls and assurance, financial management, governance and risk management.
- [Balancing the budget in councils](#) (December 2020). This guide sets out the key features related to the requirement for councils to balance their budgets. It also sets out what steps a council may take if it cannot balance its budget. It complements the more detailed operational guidance on financial sustainability that supplements the Code of Audit of Practice and applies that guidance to a council's balanced budget requirements in the context of Covid-19.
- [Going concern in the public sector](#) (December 2020). This guide explains auditors' responsibilities and differentiates going concern considerations from financial sustainability. It complements the more detailed operational guidance on financial sustainability that supplements the Code of Audit of Practice.

Correspondence

56. Audit Scotland handles a wide range of correspondence from members of the public, elected representatives and organisations, with concerns about an issue within a public body. Neither the Commission nor Audit Scotland has a statutory duty to consider issues of concern or respond to correspondence, but we do so under our Code of Audit Practice and the Financial Audit and Assurance Committee of the Commission is updated every six months on correspondence received.
57. During 2019/20, we received 70 issues of concern about local government bodies; this includes whistleblowing disclosures and objections to accounts. The councils with the highest proportion of concerns raised in 2019/20 were Glasgow City (13 per cent), Scottish Borders (13 per cent) and City of Edinburgh (10 per cent).
58. There are some recurring themes in the correspondence we received about local government, including procurement and management of contracts, grant funding, housing services, capital projects and governance of ALEOs.

59. We use correspondence to add to our knowledge of audited public bodies, and most issues of concern informed audit work in some way. Issues raised in almost three-quarters (73 per cent) of local government in 2019/20 were used as audit intelligence or were included in planned audit work or auditors did additional audit work to examine the issue.

Accounts Commission committees

60. The Accounts Commission's two committees support the work of the Commission:
- The Financial Audit and Assurance Committee (FAAC) reviews matters arising from the annual audit process in each council and joint board. It also reviews intelligence from other bodies concerned with local government such as the Ombudsman, Standards Commission, and Information Commissioner.
 - The Performance Audit Committee (PAC) reviews policy issues affecting local government. It also oversees scopes and draft reports of individual performance audits, as well as reviewing progress across performance audits.
61. In 2020, the committees met four times, the April and June meetings were suspended due to the Covid-19 emergency and the September and November meetings were held remotely. [Exhibit 5](#) shows what the committees considered in 2020.

Exhibit 5

Business of the Accounts Commission's committees in 2020

Financial Audit and Assurance Committee	Performance Audit Committee
Work programme	Work programme
Three current issues reports	Briefing: Scotland's economic growth: the role of councils
Two intelligence reports	Two Health, care & communities (HCC) cluster briefings
Audit and accounting update report	Justice, Education and Lifelong Learning (JELL) cluster briefing
Audit quality interim report 2020/21	Public Finances, Investment and Economic Development (PIE) cluster
	Improving outcomes for young people through school education: scope – update following Covid-19
	Digital in local government update
	Audit quality interim report 2020/21

Source: Audit Scotland

Part 2

The pace and depth of continuous improvement in councils in 2020

Councils with BVARs in Year 4

62. All BVARs include judgements on the pace and depth of continuous improvement. Auditors form these judgements based on the evidence available to demonstrate improvement by the council in relation to Best Value characteristics and service performance. Key messages from the six councils for which BVARs were completed between January 2020 and January 2021 (Year 4) are set out in [Exhibit 6](#).
- The pace of continuous improvement has been mixed. North Ayrshire Council has shown good progress while in Argyll and Bute and City of Edinburgh councils the progress has been mixed and in Moray and Aberdeenshire councils the pace of improvement has been too slow.
 - Depth of improvement (impact, extent, and coverage) has, in the main, not been council-wide or shown substantial improvements, except in North Ayrshire. But most councils could demonstrate that some improvements have been made in some areas.
 - North Ayrshire and Dundee City councils have a clear focus on continuous improvement across their activities, while elsewhere it is more mixed, and Aberdeenshire Council needs decisive action to make a more consistent culture of improvement.
 - Although all councils use self-assessment to some extent, only North Ayrshire and Dundee City councils can demonstrate that the results are used to inform policies and plans.

Exhibit 6

Summary of findings on pace and depth of continuous improvement from the six councils subject to BVARs in 2020 (Year 4)

Progress made in pace and depth of improvement has been mixed.

Best Value Assurance Reports 2020/21

Aberdeenshire Council

Since the last Best Value report in 2013, the pace of change has been slow in some key aspects of Best Value. In particular, the council has not used performance and benchmarking data effectively and its approach to self-evaluation has been inconsistent.



Despite this, the council's monthly reputation tracker regularly shows high public satisfaction with most services. Decisive political and managerial leadership is needed to increase the pace, depth and continuity of improvement needed to demonstrate Best Value.

Argyll and Bute Council

The council is not yet in a position to demonstrate that it is achieving all aspects of Best Value. In some key areas the pace of improvement has been slow since the previous Best Value report in 2015. There is limited evidence of the council using performance information to drive improvement. The council's performance reporting makes it difficult to conclude what progress has been made against its six corporate outcomes.



Moray Council

The council has received six Best Value reports since 2006 consistently highlighting Best Value issues and slow progress in addressing these. This has continued, since 2015, with political instability and lack of focus resulting in a slow pace of change. Recent progress is now being made toward some significant strategic decisions.



North Ayrshire Council

The council has a strong culture of continuous improvement. It has significantly improved and continued to make progress since the last Best Value report in 2011. Council priorities, plans, actions, and outcomes are clearly linked. Staff play an active role in identifying and driving improvement. The council is delivering improvements for communities and residents.



Dundee City Council

The council has demonstrated a steady pace of improvement since the last Best Value audit. Council services are improving but it recognises the pace of improvement needs to accelerate if some priorities are to be delivered, particularly its aspiration to tackle poverty and inequality. The council uses self-assessment effectively, the results inform its plans. There are some areas; workforce planning and performance management where further development is required. The council has innovative ideas and there is a large volume of improvement activity taking place. The council needs to ensure it has the capacity and skills to deliver its aspirations.



City of Edinburgh Council

The City of Edinburgh Council has made mixed progress since its 2016 Best Value report. While it has maintained and improved aspects of leadership and service performance, its pace of change in community planning and empowerment, continuous improvement and public reporting has been slow. The council's new workforce plan is not as detailed as its 2016 plan.



Source: Audit Scotland

Follow up of Year 1, 2 and Year 3 BVARs

63. A further nineteen councils have already had a BVAR published as part of the five-year programme. Auditors are required to follow-up on the previous Best Value audit findings in the 2019/20 AARs.
64. All councils have produced improvement plans in response to the Commission's findings and the recommendations in the BVARs. The timescales for responding to the

actions will vary depending on the council and type of recommendations. Auditors report that most councils are making good progress in addressing the recommendations, with only Fife Council's auditors highlighting that the council has been too slow to implement them. East Renfrewshire and Highland councils did not comment on progress against recommendations. This was due to the impact of Covid-19 and the timing of the BVAR.

Part 3

Progress against the Commission's strategic audit priorities in 2020

65. The Commission set out five strategic audit priorities (SAPs) in its *Strategy and annual action plan - 2019-24*². These cover the expectations that the Commission has for councils in the way that they should make best use of their resources and continue to improve. The SAPs are considered by all auditors involved in local government work, both locally and nationally, as an integrated part of the risk assessment and five-year Best Value and annual planning processes. Auditors assess councils' performance against the SAPs across the five-year audit appointment and report on each of them in BVARs and annual audit reports.
66. Audit findings reported this year on councils' performance against each of the Commission's SAPs are set out below. As a reminder and for comparison purposes, the findings from the annual assurance and risks reports published in 2018 and 2019 have been outlined at [Appendix 3](#) under each SAP.

SAP 1 - Having clear priorities with a focus on outcomes, supported by effective leadership and long-term planning.

67. Councils need to have in place clear priorities, effective leadership, and long-term planning to support effective decision-making, to drive improvement and maintain a focus on delivering outcomes for the community. For councils to know they are making a difference, they must link their local priorities to measurable outcomes.

The quality of the underlying council strategies and plans that support the delivery of the vision vary. Most of the 2020 BVARs report that it is difficult to demonstrate progress against the strategic objectives.

68. This year's BVAR councils all have a strategic plan or vision, but the quality and content of the plans supporting these vary. As does the extent to which they align with their community planning partnerships (CPPs) local outcomes improvement plans (LOIP).
- Edinburgh council approved its 2050 city vision in June 2020, it is a one-page document with no supporting information or performance measures. In the

² This was not updated in 2020 due to Covid-19

absence of an overarching vision the council has been working from three plans; the change strategy, the business plan and the CPP's community plan. These have similar themes but do not refer to each other.

- Aberdeenshire Council sets out 11 priorities in its council plan, these are vague and not sufficiently focused. It is difficult to demonstrate what the plan intends to achieve. The priorities also do not align with the CPP's LOIP.
- Argyll and Bute Council adopted the LOIPs six priorities. These are clearly set out in the council's plans and documents.
- North Ayrshire Council have had the same three strategic priorities for several years despite changes in the administration. This reflects the commitment of members to tackling the big issues facing the council. They are aligned with the LOIP.
- The city plan in Dundee is the council's LOIP and it sets out an ambitious plan for the city supported by five strategic priorities. The council plan sets out how it will play its part in delivering the outcomes in the city plan. It assigns service leads to each priority.

69. The priorities set out in councils' plans are usually outcome based and cover similar themes based on the National Performance Framework outcome areas. For example, health and wellbeing, education, the economy, community safety and involving communities. Comhairle nan Eilean Siar's AAR states that the council has reviewed its priorities and included one related to recovery from Covid-19. It is likely we will find that other councils will do something similar in our future reports.

70. Most of the 2020 BVARs report that it is difficult to demonstrate progress against strategic objectives.

- For Aberdeenshire Council this is because the priorities are not sufficiently focused and in the City of Edinburgh Council the vision has no supporting measures.
- In Moray and Argyll and Bute Council the performance management reports vary in quality and are not focused on overall priorities. Both councils are reviewing their performance management arrangements, but it is too early to conclude on the impact of these reviews.
- Dundee City Council and North Ayrshire Council have service or directorate level plans which include how to monitor progress against outcomes. North Ayrshire's performance management is strong, while Dundee has been slow to develop regular real time reporting for councillors on all services.

Most councils are making good progress towards their statutory equality responsibilities and reports highlight some good examples of councils' work to address inequalities in their communities.

71. Tackling poverty, reducing inequality, and promoting fairness, respect and dignity for all citizens should be key priorities for local authorities and their partners, including local communities. In achieving Best Value, a local authority will be able to demonstrate that equality and equity considerations lie at the heart of strategic planning and service delivery.
72. The Dundee City Council BVAR says that the council and its partners have a clear and ambitious vision for Dundee. They understand that the key to this is addressing Dundee's high levels of poverty and inequality and this is reflected across the City Plan's strategic priority outcomes. Council services are improving, but the council recognises the pace of improvement needs to accelerate to reduce poverty and inequality.
73. The Accounts Commission's reported that despite progress, Dundee continues to face complex and deep-rooted challenges. It needs to understand, and demonstrate more clearly, the social impact of its capital investment and prevention and early intervention initiatives on inequality and poverty, particularly in the less advantaged areas of the city. It also needs to move from incremental to transformational change across all its services, and in particular, in education, make quicker progress in narrowing the attainment gap for more vulnerable or disadvantaged children.
74. Aberdeenshire Council's BVAR found that the council is improving educational attainment when compared to other councils with similar levels of deprivation. It is above the Scottish average for pupils gaining 5+ awards at Level 5 and fifth out of eight in its family group. However, although the council has relatively low levels of deprivation, attainment in areas of deprivation is poor, with the council ranking as one of the lowest in Scotland for pupils from deprived areas gaining 5+ awards at Level 5. The council is also below the Scottish average on the average tariff score and ranks seventh out of eight councils with similar levels of deprivation.
75. The council's performance is lower on the priority indicators to 'provide the best life chances for all our children and young people by raising levels of attainment and achievement' and 'work to reduce poverty and inequalities within our communities'.
76. Moray Council BVAR found that the proportion of people earning less than the living wage has increased. Increasing 4.9 percentage points to 27.4 per cent since 2014/15, Moray is ranked 26th (out of 29) in mainland Scotland. However, the 2018/19 LOIP performance report identified the following progress:
 - Moray Poverty Strategy Action Plan was approved in April 2019.
 - A reduction in the gender pay gap. However, there is limited explanation of the initiatives contributing to this.

- Moray Skills Investment Plan was developed which aims to provide better access to skills pathways for 3–24-year-olds.
 - Modern apprenticeships were promoted, acting on evidence of a reduction in uptake among the 16 to 19-year age group.
 - Baby Steps Programme which promotes healthy living among expectant and new mothers received excellent feedback from those participating and won the Young Peoples Improvement Collaborative award in 2018 for excellence in early year's provision.
 - Improved support provided to children identified as having development concerns at their 27 to 30-month review.
- 77.** North Ayrshire Council BVAR found that North Ayrshire has one of the highest rates of deprivation in Scotland. It also has a shrinking population, particularly among the economically active. These factors present significant challenges for the council. Despite this, the council is performing well.
- 78.** North Ayrshire has one of the highest rates of child poverty in Scotland. To tackle this issue, the CPP and the council have increased their focus on child poverty in recent years. In 2017/18, the council led the way in becoming a 'Child-Centred' council and celebrated the Year of Young People in 2018, which was aimed at giving young people new opportunities, celebrating their achievements, and giving them opportunities to influence decision making on issues affecting their lives. Young People were included in developing the Year of Young People activities. The council and the CPP have focused their efforts across a range of services, in the short and longer term, to address child poverty. Research conducted by the End Child Poverty Coalition indicates that the number of children living in poverty in North Ayrshire fell from 30.4 per cent of children in 2016/17 to 26.6 per cent in 2017/18.
- 79.** Argyll and Bute Council BVAR reported that the council has demonstrated a commitment to incorporating equalities throughout its work and demonstrates examples of good practice. There is clear evidence of strategic collaborative working between the council and third sector organisations. External partners' participation in the Equality Forum facilitates the continuous sharing of good practice and allows various groups to be better represented.
- 80.** The council has a comprehensive process for carrying out equality impact assessments on how projects or service changes affect those with protected characteristics. The impact assessments incorporate the Islands Act and the Fairer Scotland Duty Act and have been shown to genuinely affect final decisions where there is an impact on equalities. This practice has recently been shared with the Scottish Government and the Improvement Service as an example of good practice.
- 81.** City of Edinburgh Council BVAR noted that not all residents have benefited from the city's success and there are pockets of severe deprivation in the city: nearly one in four

of Edinburgh's children live in poverty, which is similar to the national average, and this increases to just over one in three in the most deprived areas.

82. The council set up the Edinburgh Poverty Commission in 2018 to recommend how the council and its partners can develop policies and services to reduce poverty. The commission carried out additional work looking at the impact of Covid-19 on poverty and published an interim report in May 2020. The commission published its final report in September 2020, setting out seven areas of action for the council, the Scottish Government, and other partners. Specific actions for the council to help tackle poverty include simplifying and improving how people access support; working with young people to improve attainment; and accelerating digital inclusion.
83. Eleven auditors commented on equalities through AARs. The majority of these were making good progress towards their equality considerations. For example:
 - Angus Council has an established approach to mainstreaming equalities and progress is publicly reported. One of the council's strategic priorities is to "maximise inclusion and reduce inequalities". Their Equalities Mainstreaming and Equality Outcomes Report 2019-2021 shows clear progress has been made against Equality Outcomes and includes summary information on actions planned for the next 3 years.
 - North Lanarkshire's 2019 equality outcome report showed the council has established equality arrangements and reporting in place.
 - Aberdeen City Council has considered the impact of Covid-19 on its most vulnerable citizens.
 - South Lanarkshire Council has addressed concerns about digital exclusion in last year's BVAR by producing a digital inclusion strategy.
84. In two councils' auditors highlighted some improvements required in equalities work:
 - Angus Council has scope to increase the detail of equality impact assessments and increase staff equalities data.
 - East Dunbartonshire Council did not publish its planned equality outcomes report in 2019 due to staff shortages, there is also no pay gap information online.
85. The BVARs for Argyll and Bute and Dundee City councils comment on how they carry out EIAs on any saving proposals or changes. This ensures the full impact of service changes including socio-economic impacts before a decision is taken. In Argyll and Bute these EIAs have *"been shown to genuinely affect decisions where there is an impact on equalities"*.
86. City of Edinburgh Council's BVAR commented on the gender imbalance in its senior management team as there is only one female member. The wider management team is more balanced, and the council is working to address this.

Many councils made changes to their management teams and there continues to be significant change to IJB's leadership.

87. Effective leadership is key to a council delivering its objectives, BVARs reported a mixed picture across Scotland. The auditors reported that Dundee council's Leader, Chief Executive along with other councillors and senior officers provide clear, focused strategic leadership for the council. While it was reported in Aberdeenshire Council's BVAR that "*decisive political and managerial leadership is needed to increase the pace, depth and continuity of improvement needed to demonstrate best value.*"
88. Changes to senior management teams provide an opportunity for councils to do things differently. Restructuring continues to be a way for councils to make efficiency savings, this often follows the appointment of a new Chief Executive. It can be positive as it aligns the council structure to its priorities and can make significant savings. However, there are risks involved including the loss of experience and the impact on capacity.
- Argyll and Bute, Moray and North Ayrshire councils have restructured their management teams following the appointment of a new Chief Executive in 2019 and 2018 respectively. Moray Council worked with the Improvement service and contracted the former chief executive of Inverclyde Council to review its existing arrangements prior to restructuring.
 - Highland Council undertook a major restructure following the appointment of a new Chief Executive. There have been difficulties in filling posts with some departures from the new structure after a short period in post. Various interim arrangements have been made.
 - In its 2016 Best Value report, we highlighted concerns with City of Edinburgh Council's management capacity. Although there have been no changes to its tier one leadership, since then the council has recruited several tier 2 leaders to address these concerns.
89. We have previously reported significant changes to IJBs leadership and while this can be a good thing bringing new skills and experience, it can also pose a risk. This continues to be an issue. We reported in the *Local Government in Scotland: Financial overview 2019/20* that there had been a change of Chief Officer in 40 per cent of IJBs in 2019/20 (30 per cent in 2018/19). This continues to impact on the functionality of these bodies:
- The Western Isles strategic planning has been delayed in the absence of a Chief Officer.
 - Only three members of Perth and Kinross board remained through 2019/20, this has had implications for its strategic planning.
 - In South Ayrshire leadership capacity has improved but is not sufficiently focused. South Lanarkshire and North Lanarkshire share a Chief Financial

Officer which has several advantages. However, the South Lanarkshire IJB auditor has reported that this brings capacity risks, and the Joint Board is now considering options to provide support to the Chief Finance Officer.

- Moray IJB's Chief Officer of the IJB was seconded to NHS Highland in April 2020, and a new Interim Chief Officer was appointed. In October 2019, the positions of Chair and Vice-Chair rotated as planned, but in October 2020 the Chair resigned and a new one appointed.

Councils have made good progress on medium-term planning however most councils will need to rework their medium- and longer-term financial plans in light of Covid-19.

90. Medium and long-term financial planning is important to help councils manage the financial challenges they face and to make well-informed decisions aligned to council priorities. This is ever more important as councils attempt to recover from the immediate impacts of Covid-19, although financial plans are subject to greater uncertainty than would have been the case pre-Covid-19. Our Local Government in Scotland: Financial overview 2019/20 reported that *“medium term financial plans will now require revision at all councils to take into account additional financial pressures and updated funding arrangements, as well as consideration of updated savings requirements and financial assumptions.”* Four councils' AARs mention that this has already happened but West Dunbartonshire Council report that the pandemic has delayed work to its medium-term financial plan. North Ayrshire IJB auditors report that it has not yet updated its financial planning to take account of Covid-19.
91. This year's BVARs also show a mixed picture in terms of financial planning before the impact of Covid-19:
- North Ayrshire Council, Argyll and Bute Council and Dundee City Council have financial plans to at least 2027/28. These include forecasts, sensitivity analysis and potential savings. The funding gaps by the end of this period will require difficult decisions for all three councils, especially Argyll and Bute.
 - Aberdeenshire Council's five-year medium-term financial strategy *“provides a good basis for financial sustainability”* but the council does not have a longer-term plan.
 - Moray and City of Edinburgh councils only plan three years in advance. Moray Council's plan lacks significant savings plans, and existing projects will not be enough to meet the funding gap. Edinburgh council agreed a three-year balanced budget in February 2020, this is *“at the lower end of what Audit Scotland would consider as adequate medium-term financial planning”*.
92. Our review of AARs show that there were some improvements to IJBs' financial planning, but again this was prior to Covid-19 which will have a significant impact on these plans now. North and South Lanarkshire IJBs now have a financial plan to

2029/30 and West Dunbartonshire has a high-level long-term financial plan. Auditors reported that 26 IJBs have a medium-term financial plan.

- Edinburgh's IJB does not have a medium-term financial plan. Work on it was delayed due to Covid-19 and the IJB cannot demonstrate how it will make the required savings, auditors conclude this is now urgent.
- East Dunbartonshire IJB is not planning adequately over the medium to long term. The draft 5-year financial plan needs to be presented to the Board.
- Perth and Kinross IJB's medium-term financial plan does not allow for the achievement of the reserve strategy.

SAP 2 – The strategic appraisal of options to re-shape services in line with priorities. This should consider good practice, innovation, and collaborative working with partners.

93. We reported in last year's Local Government in Scotland 2019: Challenges and performance report that *"change is needed in how councils and IJBs serve their communities. More radical thinking is needed for longer-term solutions."* In doing this councils will need to consider what services to provide and how to deliver them. They must assure themselves the services they are providing are value for money, efficient and effective and demonstrate Best Value through continuous improvement. They can do this by critically assessing the current arrangements and by looking at how services are provided by other councils and other organisations.
94. A robust options appraisal helps councils make important decisions and provides assurance that all the relevant issues, including quality, cost and risk have been considered. It also helps to ensure decisions are transparent and based on solid information. The Accounts Commission's report, [*How councils work – Options appraisal: Are you getting it right?*](#) from 2014 set out the importance of options appraisal.

Many councils need to be more systematic in appraising options for service redesign.

95. This year nine AARs referred to how councils appraise options for service redesign but only two councils had established processes.
- Aberdeen City Council's business case template includes a requirement to undertake an options appraisal. Any committee report seeking decisions includes the implications of the recommended option, including its impact on LOIP themes. Auditors concluded that the arrangements are robust and appropriate.
 - Shetland Island Council's auditors conclude that *"the council makes appropriate use of business cases and options appraisals in considering investment proposals."*
96. The BVARs for Argyll and Bute Council and Dundee City Council recommend making improvements to the options appraisal and business case processes. Argyll and Bute Council have already taken this forward. City of Edinburgh Council's Best Value self-assessment found that options appraisals were a weakness in the council. In North Ayrshire, any savings proposals put forward are aligned with council priorities and transformation themes.

Covid-19 has delayed some transformation work, and this will affect longer term service provision and development. It has also led to re-assessment of transformation plans and presented some new opportunities for transformation.

97. In 2019/20, councils had an initial budget gap of £0.5 billion (£0.4 billion in 2018/19), most of this would be met through planned savings. The financial overview found that of a sample of 14 councils, 84 per cent of savings had been met but there was significant variation. The financial and demand pressures mean that efficiencies are no longer enough, and the redesign of service delivery is needed for councils' services to be sustainable in the long term.
98. Covid-19 has forced councils to reconsider how they deliver services in ways that had not seemed possible before the pandemic, for example in digital and partnership working. Our [Digital Progress in Local Government](#) report noted that the pace of change has increased as digital technologies have played a vital role in the public sector's response to the Covid19 pandemic.
99. The pandemic has also meant that some transformation work has not gone ahead, for example East Lothian and East Dunbartonshire council's AARs recognised that 2020/21 savings were unachievable due to the crisis. Our Local Government overview reporting will continue to consider the impact of Covid-19 on councils' finances and performance over the coming years.
100. This year's BVARs found some areas of good practice but overall, the pace and scale of savings needs to increase if future funding gaps, ambitious visions and improved outcomes are to be met.
- North Ayrshire Council *“still faces a significant shortfall and savings plans fall short of the estimated funding gap”* despite making *“good progress with its transformation agenda”*.
 - Dundee City Council's 'changing for the future' transformational programme has a wide range of projects, some quite innovative and will be critical to meet future funding gaps. But *“given the extent of the current and predicted financial challenges facing the council the pace of transformation needs to increase”*.
 - Although Argyll and Bute Council has achieved financial balance, it remains focused on cost reductions and the transformation project has only achieved small savings. It now needs *“new and innovative ways of working”* to address future budget gaps and deliver its vision.
 - Moray and City of Edinburgh councils have relied on reserves to meet budget gaps, this is not sustainable. Moray Council continues *“to rely on lots of small savings”*. However, the subsequent AAR for 2019/20 reports that the council achieved a surplus and added to its reserves.

- City of Edinburgh Council has not reported progress of its transformation plan since 2017.
- Aberdeenshire Council will require “stronger leadership from elected members” to address the rising cumulative funding gap.

101. A review of the AARs also shows that many councils are not doing enough. Eleven AARs raised risks relating to financial sustainability or level of reserves. It appears that council savings are still mostly directed at cost cutting and staff reduction rather than transformational change. Although the BVARs do give some examples of innovation.

- North Ayrshire Council's BVAR highlights the council's community wealth building approach, this is an innovative approach to economic development centred around anchor institutions in the area who can contribute to improving wellbeing and inclusion in the area.
- Dundee City Council is part of the Smart City programme, which works to make cities more attractive, liveable, and resilient. The council, with other Scottish cities, is involved in four phase one projects. The projects are smart service mobility, smart public safety, smart waste, and the open data platform. The council hopes this will help deliver the city priorities through improved community engagement, integration of service delivery and innovation.

There is evidence of strong partnership working in several councils.

102. Partnership working is becoming more important as councils and other bodies make the best use of resources to provide better services and outcomes to citizens by focusing on the outcome rather than who delivers it.

103. Addressing some of the challenges of the Covid-19 pandemic, especially during the lockdown periods necessitated significant partnership working. A round table of our community empowerment advisory group found that council areas with existing partnerships were in the best place to meet the challenges, while the pandemic also highlighted existing issues. East Renfrewshire Council's AAR highlighted the positive response to Covid-19 which was helped by existing partnerships through the Greater Glasgow Local Resilience Partnership.

104. The BVARs in 2020 included some good examples of strong partnership working making a difference to councils and their citizens.

- North Ayrshire Council's “Team North Ayrshire” approach provides local businesses tailored support from the council or its partners through a single point of contact. A review in 2018 showed it had delivered 590 jobs and £19 million additional wages.
- The Dundee City Partnership has successfully delivered regeneration projects including the £1 billion Dundee Waterfront project. This has *“reinvigorated the city and changed perceptions of Dundee.... Making it easier to attract further*

investment". This work continues with a Michelin innovation centre to address the global climate emergency.

105. There are also examples of councils making savings through joint working, such as:

- Aberdeenshire council has made £5.6 million in three years in efficiency savings from sharing a procurement service with Aberdeen City and Highland councils (£21 million across the three councils).
- Moray Council is developing an energy from waste plant with Aberdeenshire and city councils to make savings in landfill tax. It is contributing £25 million to the £150 million cost.
- Collaboration on investment management between Falkirk, Lothian and Fife Pension Funds to improve resilience, generate efficiencies and deliver better outcomes for stakeholders.

106. Our performance audit of affordable housing and the follow-up audit of early learning and childcare highlighted the good collaboration with partners:

- Councils are working well with registered social housing landlords to deliver affordable housing, but improvements are needed for the involvement of health and social care partners.
- The Scottish Government, COSLA, councils and other stakeholders are continuing to work well together at a national level to deliver the early learning and childcare target.

Some community planning partnerships are successfully delivering improved outcomes.

107. The BVARs councils with successful partnership working had established strong community planning partnerships (CPPs) with a shared vision, clear responsibilities and established locality planning.

- North Ayrshire's CPP have "*a clear sense of ownership of the vision and an established culture of working together to address priority areas*". Senior officers use an activity tracker so that responsibility for each priority is clear and are subject to appropriate scrutiny and review. The CPP has successfully delivered jointly agreed outcomes.
- All members of the City Partnership in Dundee "*demonstrate a genuine commitment and enthusiasm to working together to help improve outcomes for citizens of Dundee*". The partnership has strong partnerships with the third and private sector and recognise how they can help deliver the ambitious city plan.
- Argyll and Bute Council has made good progress with partnership working and there are clear structures to support this. It is open to feedback to improve the existing arrangements.

- Partnership working is a strength at Aberdeenshire Council and significant work is taking place both strategically and within communities. However, the CPP is unable to demonstrate the impact it is having on outcomes.

108. The pace of development of the CPP in Moray and Edinburgh has been slow. Neither council can demonstrate improvements as a result of their work.

Councils continue to work well with partners to develop and deliver city region and growth deals.

109. Last year we reported the findings of our Scotland's City Region and Growth Deals performance audit which found that city region and growth deals arrangements have led to an increase in joint working between councils with external bodies, such as the UK and Scottish Governments, national agencies, councils, universities, and business representatives. This continues to be the case with AARs and BVARs commenting on the positive impact that city and regional growth deals have had on collaboration between councils.

- The Ayrshire Growth deal represents £253 million of investment across the Ayrshires to address the region's economic challenges through inclusive growth. The deal was developed by the Ayrshire Regional Economic Partnership where there is a strong collaborative ethos. The deal was officially signed in November 2020 and so it is still too early to comment on progress.
- The Tay cities deal will deliver at least £700 million funding. It was signed in December 2020 after delays caused by the UK general election and pending budget announcements, and it was then delayed further because of Covid-19.
- Argyll and Bute Council and its partners signed the Heads of Terms for the Regional Growth Deal (RGD) in February 2021. The deal is expected to bring a total £50 million of Scottish Government and UK Government funding over 10 years with the council and its partners bringing an additional £20 million. The RGD steering board has limited representation from the commercial sector who will be important for developing projects.
- Funding has been agreed for the Falkirk Growth Deal with both governments committing £20 million to the deal. The Scottish Government has committed a further £10 million for green recovery projects. All partners continue to work towards agreeing Heads of Terms.
- The Aberdeen City Region Deal was signed in December 2016 and will invest £826 million in the north east over the 10-year period to 2026. While Aberdeenshire and Aberdeen City Councils will each contribute £10 million, the major projects in the deal, the development of the oil and gas technology centre and the extension of Aberdeen harbour, are private sector led projects intended to support economic recovery and growth. Although some slippage was reported

on several projects, by December 2019, 40 per cent of the agreed investment had been received.

- Heads of Terms were signed for the Moray Growth Deal in August 2020, with the UK and Scottish governments each committing £32.5 million to the deal, with a further £35.8 million committed by other partners. The council has engaged positively with the two governments and partners during the development of the growth deal.
- The Edinburgh city region deal was signed in August 2018. It involves a total £1.3 billion investment to improve the region's economic performance and is expected to deliver 23,368 permanent jobs. The council has committed £269 million to three projects, two of which are on track, but one is delayed due to a developer challenge during planning. City of Edinburgh Council has taken a lead role in the city deals governance structure and chaired the joint committee for two years. By August 2020, overall progress was classed as amber with 55 per cent of funding approved through the business case process. The integrated regional employability and skills programme of the deal has launched a Covid-19 jobs support portal which has had 300 employers post 800 job vacancies since the start of the pandemic.
- The Borderlands Inclusive Growth Deal awaits final sign off after Heads of Terms were signed in July 2019. The deal involves five councils working together in a cross-border partnership with total funding of £345 million, £150 million of which will be spent in Scotland.
- The Islands Growth Deal has secured funding commitments of £50 million each from the UK and Scottish Governments and work is underway to agree Heads of Terms.
- The Stirling and Clackmannanshire City Region Deal was signed in February 2020. This will see the UK and Scottish Government each invest £45.1 million with additional partner funding of £123.8 million bringing the total to £214 million.

IJBs face significant financial challenges.

110. Our *Local Government in Scotland: Financial overview 2019/20*, highlights the worsening financial situation for IJBs. Despite an overall increase in funding to IJBs of £0.5 billion (or six per cent), sixteen boards recorded a year-end deficit totalling £32 million, compared to eight boards reporting a total deficit of £11 million in 2018/19. A further six boards that broke even or recorded a surplus only did so because of additional funding from their partners. Overall, 13 boards needed additional funding of £50 million. We reported that there has been mixed performance against savings targets. Of a sample of 22 IJBs, only four delivered 100 percent savings in 2019/20,

savings achieved ranged from 37 per cent at Aberdeen City IJB to 100 per cent at Inverclyde IJB.

- 111.** Introducing or maintaining long term transformation is harder in an environment of budget pressures and increased demand due to Covid-19, but even more important if services are to recover and develop in future. Of the £185 million budget gap, 62 per cent (59 per cent in 2019/20) was anticipated to be met by identified savings and 25 per cent (30 per cent in 2019/20) by unidentified savings plans. Five IJBs planned to cover part of the estimated funding gap from reserves.
- 112.** Cost pressures have increased since Covid-19. NHS boards reported to the Scottish Government that the total mobilisation costs of Covid-19 to health and social care partnerships in 2020/21 is estimated to be £422 million. It is not yet clear the extent to which the Scottish Government will fund these additional costs although some IJBs have assumed they will receive full funding. This poses a significant risk for these IJBs if that is not the case. Financial planning will need to be updated to reflect the impact of Covid-19.
- 113.** Auditors highlighted financial sustainability risks in 15 IJBs³ and slow pace of change in meeting savings targets in a further three.⁴ BVARs also highlighted the challenging financial situation in IJBs. Despite this, BVARs reported evidence, which it is important to note predates Covid-19, that progress was being made in shifting the balance of care and improving outcomes for patients:
- In Moray purpose built supported accommodation for people with autism replaced an existing residential facility. In its first full year of operation the amount of medication needed to reduce distress in residents significantly reduced and the number of incidents fell by 70 per cent to 24.
 - In Aberdeenshire virtual community wards bring together multi-disciplinary teams of health and social care professionals for patients who require urgent or regular care. Since 2016, approximately 1,500 patients were given appropriate care which prevented them being admitted to hospital.
 - North Ayrshire's IJB ran a pilot placing child and adolescent mental health (CAMHS) workers and social workers in a high school. Their focus on early intervention saw a significant reduction in crisis interventions and referrals. It is now being rolled out across the council's schools.

³ Aberdeen City, Angus, Dumfries and Galloway, Dundee City, East Ayrshire, East Dunbartonshire, City of Edinburgh, Fife, Moray, Scottish Borders, South Ayrshire, South Lanarkshire, Orkney Islands, Western Isles and West Lothian IJBs

⁴ Argyll and Bute, North Ayrshire, and Shetland Islands.

- West Dunbartonshire IJB AAR highlighted the underspend in older people health and community care budget as a result of reduced demand for care home and nursing beds. This shows that the IJB is successfully shifting the balance of care to a more homely setting by supporting people in their homes for longer.

114. There are some IJBs, however that are not performing well or progressing with integration:

- There were major failings in mental health services in Tayside because of a breakdown in trust and a lack of respect. All partners involved have committed to working better together to address the failings set out in a review and complete the recommended actions.
- South Ayrshire IJB is making slow progress against recommendations in a major case review of adult services.
- The level of integration in Falkirk's IJB *"falls short of the expectations in the legislation"*.

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

115. Councils should have arrangements in place that prepare and support elected members and senior managers to respond to the challenging and changing local and national demands. This means ensuring there is appropriate, ongoing training and development to support both elected members and management. The 2016 report on [How councils work: Role and responsibilities in councils – Are you still getting it right?](#) stresses the importance of training and development to support elected members with the skills and tools required to carry out their complex and evolving roles.

116. Councils should also have regular and structured mechanisms in place to consult and engage with all members of staff. Understanding and acting on the views of staff, giving them ownership of change programmes, is key to driving improvement.

Attendance at elected member training could be improved.

117. Training for elected members gives them the knowledge and understanding to help them in their roles and when making difficult decisions. All BVAR councils organised induction programmes following the 2017 local elections.

- At Moray Council, where there were 20 (out of 26) newly elected members, this was a 100-day programme.

- North Ayrshire Council's induction programme included visiting services and meeting staff and service users. This helped deepen their understanding of council work and develop relationships with staff.
- However, at City of Edinburgh Council attendance at the induction programme was mixed with four members not attending compulsory training on the councillors' code of conduct and a significant proportion missing other sessions on scrutiny and local government finances.

118. The BVARs report good training programmes on a range of topics but attendance remains mixed. Moray and Argyll and Bute councils report attendance of 57 and 55 per cent respectively. And in Aberdeenshire only 11 per cent of members completed the required five days of CPD. North Ayrshire Council is reviewing its programme to allow those who work full time to attend, and Aberdeenshire Council has carried out some training online. The BVAR recommends that Argyll and Bute Council needs to ensure there is enough support for members from rural areas to access training. Dundee City Council's training sessions are well attended. Our AARs report that South Lanarkshire and Dumfries and Galloway councils are addressing the Best Value recommendations around training for elected members.

119. Aberdeenshire Council hosts informal briefings for its members on current issues or topics. Auditors have highlighted that although these provide an opportunity for clarification and a safe environment for questions the level of scrutiny is reduced.

120. Elected members should be supported in developing a plan for their personal training and development to allow them to fulfil their scrutiny and challenge role. This should be reviewed on an on-going basis to ensure it still meets their needs. None of the year 4 BVAR councils members have personal development plans, although Dundee City Council is working on proposals for tailoring training to members' needs.

Some councils are considering how to improve officer development.

121. The North Ayrshire and Argyll and Bute councils' BVARs mention the 'grow your own' schemes, designed to address issues with recruitment. Edinburgh Council recognised it had not been good at developing staff and has now created a talent management programme and leadership framework. Frontline staff in Argyll and Bute Council commented on the cost and time it takes to attend training. The council is exploring online options.

Councils are developing organisation-wide workforce plans but Covid-19 has had a significant impact on workforce planning.

122. Workforce plans will need to be re-evaluated in light of the new ways of working that emerged from Covid-19 including remote working and the different skill sets needed to deliver services differently. The permanency of some service changes that have emerged from Covid-19 will also need to be factored into workforce planning.

- 123.** Councils need to ensure they have the staff, skills, and leaders to deliver change. Good use of data and strong workforce planning allows councils to understand the staff they currently have and what they will need in the future. Although reducing the workforce is one of the main ways that councils make savings, they need to understand the impact that will have on the council's capacity to deliver services and make changes.
- 124.** Pre-Covid-19 we found in *Local government in Scotland: Challenges and performance 2020* that some progress has been made with workforce planning but much more needs to be done. Councils need to be more flexible and agile, especially as the workforce ages, they will also need comprehensive workforce data and planning.
- 125.** The extent and quality of workforce planning remains varied across Scotland, many councils have a strategic level plan but there is less evidence of service level plans or the use of data to inform these plans.
- East Dunbartonshire Council's strategy has a focus on workforce planning. It has a three-year workforce and skills profile which includes the impact of the EU withdrawal. Service level reviews look at the current and future needs of the workforce and these are reviewed by management.
 - North Ayrshire Council carries out workforce planning at a service level in a consistent way across the council. Service plans analyse future needs and transformation needs based on factors such as external changes, succession planning and existing skills. The council leadership team receives regular updates which help with redeployment and how to transition to the workforce it will need in the future.
- 126.** The BVAR councils, except for North Ayrshire Council, have only a strategic workforce strategy. These are of varying quality.
- City of Edinburgh Council has a strategic workforce plan but has been making ad-hoc staffing decisions which do not link to it.
 - Aberdeenshire Council has revised its workforce strategy and has a toolkit for services to develop plans by 2021.
 - Moray Council has capacity issues across many of its services which are impacting the council's ability to deliver Best Value.
 - Argyll and Bute Council has a detailed strategic workforce strategy, but its use of temporary contracts makes it difficult to plan and for staff to have job certainty.

Councils are engaging with staff, but response rates are low.

- 127.** Surveying staff can provide valuable feedback to senior management, enabling them to understand and act on the views of staff, helping drive change and improvement. All six BVAR councils have staff survey arrangements although Aberdeenshire Council is currently piloting a new pathfinder engagement survey with its business service team with the view to rolling out across the council. Dundee City Council has changed to

shorter more focused weekly and monthly surveys and since May 2020 there have been five weekly surveys and two monthly ones. The remainder carry out traditional staff surveys on a two or three yearly basis.

128. The percentage of staff responding to the surveys is low and in most councils is getting worse.

- Moray Council was 31 per cent in 2019 down from 42 per cent in 2017,
- Argyll and Bute Council was 20 per cent down from 23 per cent in 2016, and are working to understand the reasons for this,
- Dundee City Council's shorter surveys have received a response of between three and 14 per cent.

129. North Ayrshire Council has improved both its response rate and performance since 2017. The response rate has increased from 36 per cent to 46 per cent. It credits the improvement to identifying areas for improvement after each survey and working with teams to develop improvement actions. Argyll and Bute Council and City of Edinburgh Council have produced action plans and reports following its staff surveys, it is too early to assess the impact in Argyll and Bute while the outcome from Edinburgh has not been reported since May 2019.

130. Aberdeenshire Council also has an engagement strategy called Team Talks where senior management hold events to engage with staff.

SAP 4 – Empowering local communities and involving them in the design and delivery of local services and planning for their local area.

131. Community empowerment is about supporting people to do things for themselves and enabling people to take control over decisions and factors that affect their lives. The Community Empowerment (Scotland) Act 2015 gives people more influence over how their council and its partners plan services. It provides more formal ways for people to get involved, though, for example:

- community asset transfers – where communities can take responsibility for land and buildings.
- participation requests – where people can ask to take part in decisions about council services.
- participatory budgeting – where communities can have a say in how the council should spend public money locally.

132. The Community Empowerment Advisory Group (CEAG) was established on behalf of the Strategic Scrutiny Group and comprises representatives from scrutiny bodies and experts in the field of community empowerment. The group shares intelligence on

community empowerment and supports the work of scrutiny bodies. The group met in November 2020 to discuss the pandemic response, what lessons could be learnt and what were the main risks.

- 133.** The group highlighted the strong response from communities, the way that digital technology had been quickly used positively and that new lines of dialogues had been created. Areas with existing good relationships and trust had been more successful but the increase in funding and a reduction in the usual 'red tape' had also helped things move quickly and effectively. What was more challenging was where the pandemic highlighted issues in existing partnerships and the impact of the race to digital on the most vulnerable.
- 134.** Financial sustainability and the capacity of staff pose the biggest risk to community groups. The financial impact of Covid-19 is unknown but many of the organisations were already strained before the pandemic so will have little flexibility for funding reductions or cost increases. Staff that have been seconded to organisations are likely to return to their parent organisation before the work is truly finished, leaving capacity issues alongside the risk of burnout for staff who have worked throughout the pandemic. The group also recognised that scrutiny and governance will remain important as we recover from the pandemic.

There is evidence of councils engaging well with their communities but there is scope for more involvement in the development of policies and services.

- 135.** All BVAR report some positives reported about councils' community engagement:
- City of Edinburgh Council increased responses to its budget consultation from 8000 in 2016/17 to 25,000 in 2018/19. It included an innovative online tool to allow the public to test the impact of decisions. However, it does not have a community engagement strategy.
 - North Ayrshire Council proactively engages with its citizens, including those in hard-to-reach groups.
 - Argyll and Bute and Dundee City councils' budget strategy is informed by surveys and focus groups.
- 136.** There is scope for councils to co-produce more planning and guidance with its citizens. This will ensure the plans are relevant to the community and have wider ownership. Moray Council co-produced its children service plan with users and parents. While Aberdeenshire council has committed to co-producing the plans for services from the Peterhead community campus.

There is evidence of good progress against the Community Empowerment (Scotland) Act 2015

- 137.** All the BVAR councils make use of community asset transfer to some extent but some are better than others. Moray Council transferred the ownership of seven town halls and

provided training for their staff. These are now successful community centres and are no longer losing money. Aberdeenshire Council has clear guidance and a long history of successful asset transfers, since 2010 it has sold 16 properties to community groups and a further 45 are subject to long term leases. City of Edinburgh Council is one of the few councils which require communities to pay their own legal fees and has transferred very few assets.

138. Although most BVAR councils use participatory budgeting (PB) to some extent the amount allocated remains low:

- During 2016 and 2017, Aberdeenshire Council and community planning partners provided funding of £200,000 and invited groups to bid for up to £10,000 where final decisions were made by public vote.
- City of Edinburgh Council has allocated £1.6 million since 2015, resource shortages have limited its effectiveness and the council's ability to roll out local schemes.
- Dundee City Council allocated £1.2 million in 2018/19 but is now seeking to mainstream PB through a proportion of each service's budget.
- Moray Council is also seeking to mainstream PB through its 'Money for Moray' working group which includes local volunteers.

139. Work on community empowerment has tended to focus on locality planning and each BVAR council has locality groups, most with their own plans.

- Argyll and Bute Council and Dundee City Council used the "place standard" to produce their locality plans, this has meant they are of a similar format.
- North Ayrshire Council is recognised as a sector leader in community empowerment, its locality partnerships have equal membership of elected members and locals.
- Moray Council has produced locality plans for two areas; it has a centralised team to support community empowerment.

140. Councils now need to work on demonstrating that these groups and plans are delivering improved outcomes for their citizens.

- Two of Aberdeenshire council's three locality plans have been produced, however the plan for Peterhead is made up of a series of other plans which make it difficult to demonstrate the expected outcomes.
- While in Edinburgh the locality plans are being revised after they were not fit for purpose and hindered partnership working.

141. A judicial review decision of Angus Council, published in August 2020, concluded that all council assets built on Common Good land cannot be considered as owned separately from the land they stand on and are therefore Common Good assets. This judicial review decision was an appeal ruling on an earlier judicial review of a legal

challenge to the council's decision in May 2018 to demolish a former leisure centre which stands on Common Good land.

142. This is a new legal ruling with wide ranging impact on all Common Good funds across Scotland. Angus Council has several operational assets which stand on Common Good land. The full list of affected assets is still to be determined and the council is in the process of reviewing the legal and accounting implications of the judicial ruling.

SAP 5 - Reporting the councils' performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.

143. Councils need robust self-evaluation and quality performance information to identify where improvements are needed to deliver on their priorities. Rigorous self-evaluation, based on good quality information, can provide this. Good performance reporting includes:

- clearly stating how performance and spend are linked to the council's priorities
- local indicators which demonstrate quality of service
- public satisfaction levels
- an overall assessment of the council's performance against outcomes
- benchmarking of performance with others to identify areas for improvement and where they can learn from others.

A more systematic approach is required to self-evaluation in many councils.

144. All the year-four BVAR councils undertake self-evaluation to some extent but improvements are needed to make it more structured, how it is used to inform service decisions, and the councils' response to the actions arising from them. Two councils demonstrated effective self-evaluation.

- Education Scotland reported that North Ayrshire Council's self-evaluation is robust and leads to service improvement. It undertakes a range of improvement activity including the Public Sector Improvement Framework (PSIF), How good is our council and self-evaluation based on external audit's interim report.
- Dundee City Council uses the PSIF to drive continuous improvement both at a corporate and service level. It produced action plans to monitor progress following the review. It has also carried out self-assessment against the Best Value characteristics. However, progress has been slow in some areas of long-standing weakness.

The remaining BVAR councils could do more to improve their self-evaluation.

- Edinburgh, Moray and Aberdeenshire councils should have a more structured approach to self-evaluation and embed it throughout the council to support improvement.
- Argyll and Bute Council had not achieved its plan for 10 self-evaluations a year, as of January 2020 only one had been completed and presented to the audit and scrutiny committee. It should also capture all the improvement activity and actions resulting from them in one place.

145. The AARs do not have to report on self-evaluation every year, of the ones that did in 2020 eleven councils undertake some self-evaluation and two did not. North Lanarkshire Council's planned self-assessment exercise was delayed because of Covid-19.

There are still weaknesses with councils' performance reporting.

146. The Commission places great emphasis on councils' responsibilities for public performance reporting. This is a key element of the performance management framework and covers how effectively local authorities are reporting performance information to the public. The Commission does not prescribe how councils should report this information, but expects them to provide the public with fair, balanced, and engaging performance information.

147. Dundee City Council's BVAR is positive about its performance reporting, its website *"provides an easily accessible way for citizens to see how the council is performing"*. Graphs over time and comparing councils give a balanced and comprehensive picture of its performance.

148. The other BVARs highlighted areas for improvement:

- North Ayrshire Council's performance report includes case studies to show the impact on outcomes and areas of focus for the council. However, despite making improvements to what is on its performance portal more could be done to make it accessible to the public.
- Aberdeenshire, Moray and Argyll and Bute councils could do more to demonstrate progress. Performance reporting should be in one place online, should include comparisons and trend data and be focused on priorities or outcomes.
- Although it has made some recent improvements, the City of Edinburgh Council's performance reporting is not adequate and information on its website is lacking.

149. Of the council AARs which reported on performance reporting, 11 concluded that performance reporting arrangements were good, while a further 14 recommended improvements. These included providing more details, explanations or trends and improving the performance sections of websites. Some councils' performance reporting or planned improvements were delayed because of the pandemic.

150. Most IJB AARs report that performance information is published annually. Some of the information needed for the reports was not available this year, this has led to some delays or postponements.

151. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which requires a council to report its:

- performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes.
- own assessment and independent audit assessments of how it is performing against its duty of BV, and how it plans to improve these assessments.
- how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

152. As, set out in the Audit Planning Guidance, auditors concluded that 25 councils met the requirements of the 2018 SPI direction.

- City of Edinburgh Council auditors reported that it should make improvements to demonstrate performance against Best Value responsibilities.
- Fife Council's auditors also recommended improvements to its performance reporting.
- West Lothian, Moray and Angus councils' review of SPIs was delayed to 2021 because of Covid-19.
- Auditors for two councils did not report on SPIs.

Part 4

Looking forward

153. The five-year audit appointment was due to end after the conclusion of the 2020/21 audit. The Accounts Commission and the Auditor General took the decision in October 2020 to delay the appointment of new auditors until the following year. This is because the planning and reporting of the 2020/21 audit will be affected by this year's delays. It also gives continuity to audited bodies who will be managing the impact of Covid-19 for some time and reflects the difficulties of running the audit procurement exercise during the pandemic.

Annual audit assessment of key risks

154. The annual audit work carried out by auditors is planned to address the key audit risks in each council. Alongside local government-level risks, local audit work will also be informed by local risks. The planning guidance sets out the expectations of the work auditors will do to report on these risks. The results of this work will be reported in annual audit reports for 2020/21.

155. Throughout 2020, auditors have advised Audit Scotland of any emerging issues and risks in audited bodies on an ongoing basis. These are reported to the Accounts Commission through the current audit issues papers presented quarterly to the Financial Audit and Assurance Committee and in my updates at Accounts Commission meetings. These inform Audit Scotland's public sector risk register.

Best Value in councils

156. The final seven BVARs are planned:

- Aberdeen City Council (June 2021)
- East Dunbartonshire Council (September 2021)
- South Ayrshire Council (October 2021)
- Falkirk Council (January 2022)
- Moray Council follow up (February 2022)
- Shetland Islands Council (tbc)
- Angus Council (tbc)
- Comhairle nan Eilean Siar (tbc)

157. The Controller of Audit has not yet confirmed the timing of BVARs for all these councils, to provide flexibility to react to any issues identified by local auditors.

- 158.** A schedule of planned BV work for each council during the remainder of the audit appointment is contained in each auditors Best Value Audit Plan (BVAP). Auditors are not required to publish the BVAPs as the future BVAR programme could be amended as risk assessments change across the councils.
- 159.** Where a BVAR has been published in a previous year, the annual audit report should include follow up of the auditor recommendations and any additional Accounts Commission recommendations included in their findings. Auditors should also make reference to their current judgement on the pace and depth of continuous improvement. This should reflect on the BVAR judgement and be updated for the results of follow up audit work. The results of this work will be reported in the next Annual Assurance and Risks Report.
- 160.** The Accounts Commission has agreed the Best Value audit approach in councils for the audit appointments from 2022/23. Best Value audit work will be fully integrated into annual audit work and reported in the AARs; the new Code of Audit Practice will reflect this. This builds on the auditors' current reporting of BV findings in AARs:
- An Annual Audit Report for each council will be reviewed by the Commission at least once over the five-year audit appointment. The AARs will be presented under the cover of a S102 Controller's report. No separate Best Value Assurance Reports (BVARs) will be published. This will provide the Commission with assurance on Best Value in each individual council.
 - The Accounts Commission will determine coverage of Best Value thematic work. This work will be carried out as part of the annual audit and reported in AARs. Themes will be selected after consideration of risk areas reported by auditors and reflected in the Controller's Annual Assurance and Risks Report. This will provide assurance to the Commission on its selected themes across Scotland and support national Best Value thematic reporting.
- 161.** The Commission is committed to developing an approach to auditing Best Value in integration joint boards which will allow it to gain assurance on how each IJB is delivering its duty of Best Value, and which will drive improvement locally and across the sector. Under the proposed new arrangements IJB appointed auditors will consider Best Value themes in planning their wider-scope annual audit work and decide the appropriate scope of BV coverage. This approach will be proportionate and risk-based and targeted at topics where wider scope BV audit work will add greatest value. It will not compel auditors to consider all seven Best Value themes. It is likely that coverage will be aspects of the Best Value themes: vision and leadership, governance, and accountability, use of resources, and partnership and collaborative working. Audit findings will be reported in annual audit reports and there will be no annual thematic BV work in IJBs.
- 162.** The Commission has also agreed that new approach should be informed by IJB self-evaluation activity and developed in consultation with scrutiny partners and informed by their work. We are therefore currently working closely with the sector, scrutiny partners

and the Improvement Service to develop the details of how the new approach will work prior to its introduction as part of the new Code of Audit Practice.

- 163.** This new approach will need to reflect any potential changes to how IJBs operate arising from the recommendations of the Feeley review which have now been accepted by the health secretary. Key recommendations which we will need to consider carefully include: the proposed introduction of a national care service (including IJB budgets being allocated directly from the Scottish Government rather than from councils and health boards); reform of IJBs governance arrangements (including changes the accountability arrangements of IJB chief officers and IJBs being empowered to contract directly with the public sector); changes to regulation, inspection and improvement support for IJBs; and the adoption of a more human rights based approach to social care.

National performance audits

- 164.** The Accounts Commission is consulting on its priorities and work programme for 2021 onwards during February and March 2020. It has set out five key themes to focus on: economic recovery and growth, citizen outcomes and policy priorities, inequalities, innovation and transformation, and governance and accountability. The consultation notes priority areas including 'following the pandemic pound', which is about how local government is spending additional funding to combat the impact of Covid-19 as well as the role of councils and their partners in supporting local businesses. The Commission has also prioritised health and social care integration, community justice and mental health.

Housing benefit performance audits (HBPA)

- 165.** In view of impact on council benefit services arising from the Covid-19 pandemic, all planned HBPA activity was suspended in March 2020. The thematic review of Housing Benefit Overpayments in Scotland, which was due for publication in March 2020, was deferred due to the sensitivities around its findings in the current climate, and subsequently issued as an improvement tool to councils, and the DWP in November 2020. The team are currently scoping a thematic study on the Impact of Covid-19 on council benefit services with a view to publishing a report in Spring 2021. There are currently no individual performance audits planned for 2020/21, although the team continues to take a more risk-based and proportionate approach to changes in performance at an individual council.

SPI Direction

- 166.** The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which requires a council to report its:

- performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes.
- own assessment and independent audit assessments of how it is performing against its duty of BV, and how it plans to improve these assessments.
- how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

167. Auditors have been asked to evaluate the effectiveness and appropriateness of the arrangements at each council to fulfil the above requirements and report their conclusions in their annual audit reports along with any recommendations for improvements in the arrangements.

Shared risk assessment and the National Scrutiny Plan

168. Following a review of the shared risk assessment process, from 2019/20 there has been a greater focus on coordinating and reporting on scrutiny at a national level. The National Scrutiny Plan (NSP) for local government, to be updated every six months, summarises the strategic scrutiny activity planned each year across councils. The arrangements for coordinating scrutiny at a local level continue to include a Local Area Network (LAN) for each council. LANs are led by the local auditor of the relevant council, and the results of discussions between the LAN and its council feed into the NSP. We are monitoring the impact of these changes and will report regularly to the SSG.

169. In addition to the auditing activities set out above, my team and colleagues from across Audit Scotland will continue to monitor and provide briefings on key risks and issues of interest.

Appendix 1

Information sources used

Accounts Commission

[Strategy and annual action plan 2019-24](#), Accounts Commission, May 2019.

[Annual report 2019/20](#), Accounts Commission, July 2020.

Papers and minutes for 2020 meetings.

Controller of Audit updates on audit activity.

Performance Audit Committee papers and minutes.

Financial Audit and Assurance Committee papers and minutes.

2020 audit reports and briefings

Council annual audit reports 2019/20.

IJB annual audit reports 2019/20.

Pension fund annual audit reports 2019/20.

S106 local government bodies annual audit reports.

Best Value Assurance Reports:

- [Aberdeenshire Council](#), Accounts Commission, October 2020.
- [The City of Edinburgh Council](#), Accounts Commission, November 2020.
- [Argyll and Bute Council](#), Accounts Commission, May 2020.
- [North Ayrshire Council](#), Accounts Commission, June 2020.
- [Moray Council](#), Accounts Commission, August 2020.
- [Dundee City Council](#), Accounts Commission, September 2020.

[Local government in Scotland Financial Overview 2019/20](#), Accounts Commission, January 2021.

[Early learning and childcare: follow up](#), Accounts Commission, Auditor General, March 2020.

[Affordable housing](#), Accounts Commission, Auditor General, April 2020.

[Local government in Scotland overview 2020](#), Accounts Commission, June 2020.

[Covid-19 – How public audit in Scotland is responding](#), Audit Scotland, June 2020.

[Covid-19 – Guide for audit and risk committees](#), Audit Scotland, August 2020.

[Covid-19 – Implications for public finances in Scotland](#), Audit Scotland, August 2020.

Other statutory reports:

[The 2018/19 audit of Renfrewshire Council – report on accounts closure](#), Accounts Commission, March 2020.

[The 2018/19 audit of Fife Integration Joint Board – report on significant findings](#), Accounts Commission, February 2020.

[The 2018/19 audit of Glasgow City Council – update on equal pay settlement](#), Accounts Commission, February 2020.

Cluster briefings – HCC, JELL and PIE.

Other sources

Correspondence work.

Local annual audit plans.

[National scrutiny plan](#), Accounts Commission, Audit Scotland, September 2019 [note 2020 update delayed due to Covid-19].

Appendix 2

Summary of progress against the SAPs; comparing 2018, 2019 and 2020

2018 AARR (reported in January 2019)	2019 AARR (reported in February 2020)	2020 AARR (reported in March 2021)
SAP 1: Having clear priorities with a focus on outcomes, supported by effective leadership and long-term planning		
<ul style="list-style-type: none"> • Councils need to continue to develop and strengthen their arrangements to show that outcomes are being achieved. • Collaborative leadership and cultural differences between the partner bodies is affecting the pace of change for IJBs, which will impact on service delivery. • Long-term financial planning is not fully developed - Councils should build on their medium-term financial planning and develop suitable long-term financial plans. The majority of IJBs do not have medium term financial plans, and none currently have long term financial plans 	<ul style="list-style-type: none"> • Councils generally set out priorities with a focus on outcomes aligned with work of their partners. But progress is often unclear due to weaknesses in performance reporting. • There has been a notable level of change in leadership over the last 18 months in councils and IJBs. • Long-term financial planning has not advanced since last year. More progress is needed, and the content of medium-term financial plans could be improved. • Auditors reported that in the councils where they reviewed fairness and equality, these were embedded in council activities. 	<ul style="list-style-type: none"> • The quality of the underlying council strategies and plans that support the delivery of the vision vary. • Most of the 2020 BVARs report that is difficult to demonstrate progress against the strategic objectives. • Many councils have made changes to their management teams and there continues to be significant change to IJBs' leadership. This can be a catalyst for improvement but can also present some risks. • Most councils are making good progress towards their statutory equality responsibilities. Reports highlight some good examples of councils' work to address inequalities in their communities. • Councils have made good progress on medium term planning however most councils will need to

2018 AARR (reported in January 2019)	2019 AARR (reported in February 2020)	2020 AARR (reported in March 2021)
		rework their medium- and longer-term financial plans in light of Covid-19.
SAP 2: The strategic appraisal of options to re-shape services in line with priorities. This should consider good practice, innovation and collaborative working with partners		
<ul style="list-style-type: none"> • Councils are in the early stages of new or refreshed transformation programmes. • Councils show improving practice but scope for more improvement when considering service delivery options such as ALEOs. • There is more evidence of councils collaborating with other public-sector bodies, however there is limited evidence of councils sharing services 	<ul style="list-style-type: none"> • Five of the Year 3 BVAR councils are at an early stage of rolling out their current transformation plans. • There is little audit evidence of options appraisal being used systematically by councils, when making decisions about service redesign. • There is some audit evidence of councils collaborating with partners when reshaping services, but this is not widespread. The development of city and growth deals has led to increased joint working between councils and with partners. 	<ul style="list-style-type: none"> • Councils need to be more systematic in appraising options for service redesign. • Covid-19 has delayed some transformation work, and this has increased financial pressures and future service development. It has also led to re-assessment of transformation plans and presented some new opportunities for transformation. • There is evidence of strong partnership working across Scotland. • Some community planning partnerships are successfully delivering improved outcomes. • Councils continue to work well with partners to develop and deliver city region and growth deals. • IJBs face significant financial challenges.

2018 AARR (reported in January 2019)	2019 AARR (reported in February 2020)	2020 AARR (reported in March 2021)
SAP 3: Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future		
<ul style="list-style-type: none"> • Training programmes should be tailored to suit the needs of councillors which should improve attendance rates. • Councils are at various stages in developing organisational-wide workforce planning. Generally, further work is required. 	<ul style="list-style-type: none"> • There is still a mixed picture across councils on the effectiveness of training and development for elected members. • Organisation-wide workforce planning is developing but not all councils have developed detailed service-level plans 	<ul style="list-style-type: none"> • Good training programmes on a range of topics are provided for elected members but attendance could improve. • Councils are developing organisation-wide workforce plans but Covid-19 has had a significant impact on workforce planning. • Councils are engaging with staff, but response rates are low.
SAP 4: Empowering local communities and involving them in the design and delivery of local services and planning for their local area		
<ul style="list-style-type: none"> • Councils are beginning to implement their community empowerment arrangements at a local level - While arrangements for discharging responsibilities under the Community Empowerment Act have been established, there is limited progress. • Where councils are undertaking public consultations, there is little evidence to show that they are taking the results into account when setting the annual budget. 	<ul style="list-style-type: none"> • Most of this year's BVAR councils have been slow to progress elements of the Community Empowerment Act • Working with other scrutiny bodies we have developed a shared understanding of what we mean by community empowerment to support scrutiny. 	<ul style="list-style-type: none"> • There is evidence of councils engaging well with their communities but there is scope for more involvement in working together in the development of policies and services. • There is evidence of good progress against the Community Empowerment (Scotland) 2015 Act.

2018 AARR (reported in January 2019)	2019 AARR (reported in February 2020)	2020 AARR (reported in March 2021)
<p>SAP 5: Reporting councils' performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.</p>		
<ul style="list-style-type: none"> Councils have effective performance management frameworks in place. However, public performance reporting ranges in quality, and there is scope for councils to learn from each other to continue to improve the standard of reporting to their communities 	<ul style="list-style-type: none"> Many councils could improve on how they report performance information to the public. A more systematic approach to self-evaluation is required in many councils. 	<ul style="list-style-type: none"> A small number of councils use self-evaluation effectively to drive improvements, but more systematic self-evaluation is required in many councils. While there has been improvement in performance reporting, it will be increasingly important to ensure that performance reporting remains focussed on key priorities. At the same time this needs to assess both the qualitative and quantitative impact of covid-19 on council/service performance.

Annual assurance and risks report

Local government

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

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

MEETING: 11 MARCH 2021

REPORT BY: AUDIT DIRECTOR, PERFORMANCE AUDIT AND BEST VALUE

BRIEFING: SCOTTISH BUDGET

Introduction

1. The public health crisis caused by Covid-19 has had a significant and profound effect on every aspect of Scottish society. The impact on public finances for 2020/21 is unprecedented. Councils and the Scottish and UK governments have all needed to respond quickly, providing substantial additional in-year funding for public services and support for individuals, businesses and the economy. In 2021/22, spending announcements related to the pandemic continue. These are reflected in the Scottish Government's 2021/22 budget and in the settlement for local government.
2. The continuing uncertainty, volatility and complexity that has characterised Scottish public finances directly affects local government. There have been significant in-year funding and spending implications to date arising from Covid-19, and these are ongoing. Some funding supports the additional financial pressures that local authorities have faced, such as lost income and increased demand for services, while other funding must be directed towards Scottish Government initiatives, such as business support. New spending must be managed alongside existing financial pressures which pre-date the pandemic.
3. The 2021/22 budget is still to be confirmed and may well be subject to significant further revision during the year ahead. Further change is expected to the Scottish budget prior to its final Stage 3 approval later in the month. Since the initial budget was presented on 28 January, further Barnett consequential of £1.1 billion for the 2020/21 financial year have been confirmed. The Scottish Government has agreed with HM Treasury that these will be carried into the 2021/22 budget. The UK budget, published on 3 March, awaiting passage through the UK Parliament, is also likely to change to position for Scottish public finances, both through the Scottish budget itself, and through the interplay of funding in reserved areas UK Government spending in Scotland.
4. As such, this paper is presented within an environment of continuing change to budgets and public finances. It gives our latest understanding of key areas and implications that relate to the work of the Accounts Commission. It also outlines the headline themes emerging from the 2021/22 Budget, including continuing Covid-19 related content. This is split into three sections:
 - Part 1 gives an overview of the Covid-19 implications for local government funding in 2020/21
 - Part 2 sets out key information on the Scottish budget for 2021/22
 - Part 3 sets out implications for Local Government funding
5. Audit Scotland has recently published its second [Covid-19: Tracking the implications of Covid-19 on Scotland's public finances](#) paper on behalf of the Auditor General. This provides a snapshot of the sources of funding and Scottish Government's announcements in relation to the pandemic in advance of the recent Spring Budget Revision and UK budget.

Covid-19 and the impact on local government public funding in 2020/21

Covid-19 has placed significant pressures and responsibilities on local government

6. Responding to the pandemic has involved a significant shift in spending levels and initiatives at all levels of government during the past year. This has had a substantial and ongoing impact to the funding for local government, and the spending obligations placed upon it.
7. The pandemic and subsequent lockdown in Scotland began towards the end of the 2019/20 year. There were no additional Covid-19-related funding allocations from the Scottish Government in 2019/20 and councils mostly managed any additional costs from existing available budgets. 2020/21 was the first full year of the pandemic and its impact on Scotland, and the implications of this for council finances have been significant.
8. Beyond the direct effects on councils' income and demand for services, there have been a variety of other financial implications. These include delays in growth deals, additional borrowing by some councils, delays in capital programmes and increased going concern uncertainty around joint ventures and subsidiaries.
9. Councils are reacting to the financial impact of the pandemic alongside existing financial pressures. The Accounts Commission's local government overview report highlighted that 2020/21 local government budgets set before the pandemic reflected a £500 million budget gap, around 3 per cent of the total net expenditure. This budget gap is before action such as savings, council tax rate increases and use of reserves are applied. Scottish Government revenue funding increased by 1.4 per cent for 2020/21 in real terms, however this increase arose from specific grants, most notably from expansion in funded Early Learning and Childcare entitlement. General Revenue Grant and Non-Domestic Rate Income, that most likely to be used by councils to support any additional costs arising from the pandemic, fell by 0.5 per cent in real terms.
10. In July 2020, the Convention of Scottish Local Authorities (COSLA) estimated the financial cost of Covid-19 on councils in 2020/21 to be £767 million. We previously estimated, based on announcements until November 2020, that Scottish Government revenue funding announcements to councils meet 60 to 70 per cent of councils' estimated revenue costs.¹ Further Scottish Government announcements have taken place since then as the pandemic continues, and we provide more information about this below. But the full extent of financial pressures incurred by councils will not be known until after year end. This will form part of our ongoing audit work.

Funding for Covid-19 pressures has come unevenly throughout the year, as the Scottish Government received Barnett consequentials

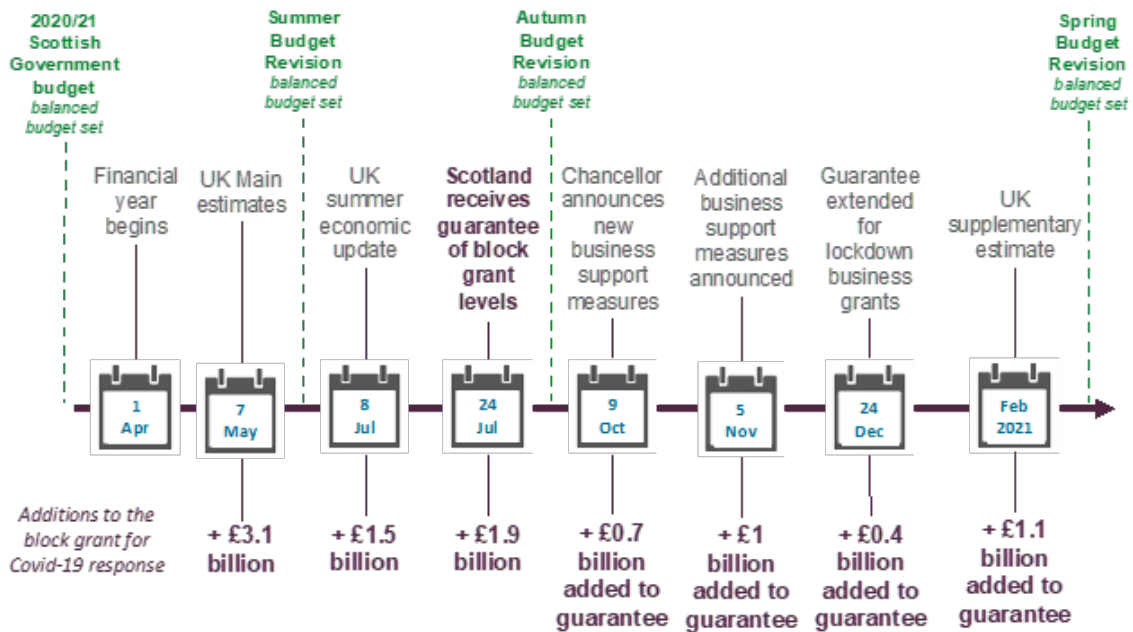
11. Most of the funding of Covid-19 spending and additional funding for local government through the Scottish budget has come from the operation of the Barnett formula affecting the block grant. The increases in block grant were spread unevenly throughout the year.
12. Barnett consequentials arise when UK Government spending decisions are made in areas that are devolved in Scotland. To date, Covid-19 related Barnett consequentials have increased the funding the Scottish Government received from the UK Government in 2020/21 by 42 per cent. The Scottish Government is now guaranteed to receive an additional £9.7 billion in resource Barnett consequentials (Exhibit 1).

¹ Local government in Scotland: Financial overview 2019/20, Accounts Commission, January 2021

Exhibit 1

Timeline for additions to the Scottish block grant in response to Covid-19

The Scottish Government resource budget for 2020/21 has increased by £9.7 billion as a result of additional Barnett consequentials



Source: Audit Scotland

- Our analysis shows there have been over 170 Scottish Government Covid-19 spending announcements since the pandemic began. These announcements are in addition to UK Government spending commitments that apply to Scotland, such as ongoing furlough support. Ensuring the effectiveness and value for money of Covid-19 financial measures is made more difficult, not just by the speed and frequency of Scottish Government decisions, but also because of the interplay with local government interventions and UK Government decisions which apply to Scotland.

The local government portfolio budget increased by 16 per cent during 2020/21 as the Scottish Government budget has grown

- The Scottish Government has had three budget revisions in year to reflect the latest balanced budget position (Exhibit 2). Overall, these have reflected an increase in funding at an overall Scottish Government level, and an increase in the local government budget.

Exhibit 2

Changes in the in-year budget for 2020/21

Scottish Government budget revisions have increased the overall budget and the local government portfolio budget

	Scottish Government	Local Government
Scottish budget (approved March 2020)	49,250.7	10,025.1
Summer budget revision	52,037.9	11,482.4
Autumn budget revision	54,495.9	11,925.8
Spring budget revision	56,353.4	11,641.7
Total in-year increase/(decrease)	7,102.7	1,616.6
Total percentage in-year increase/(decrease)	14%	16%

Source: Audit Scotland

15. The Spring Budget Revision shows a decrease of £248 million for the portfolio. This is largely the result of a technical accounting change that reduced the local government portfolio by £911 million. In March 2020, the Scottish Government announced plans for two large Business Support Schemes: The Small Business Support Grant and the Retail, Hospitality and Leisure Grant to respond quickly to the impact of Covid-19 on businesses. Although funding for these schemes was not included within the Scottish budget until 2020/21, the actions taken by the Scottish Government before the year end created a constructive obligation under accounting standards in 2019/20. This £911 million technical change is the removal from the budget of the amount already accounted for in 2019/20, albeit not paid until the 2020/21 financial year.
16. The Minister for Public Finance summarised the additional funding totalling £931 million for local government Covid-19 pressures that was incorporated in the latest budget position for 2020/21 as:
- previously announced measures totalling £456 million (including the most recent increases in support for safety mitigations in schools)
 - Lost income scheme specific funding of £200 million
 - Additional funding to support Covid-19 pressures including lost income of £275 million. Councils have flexibility to decide how to apply this amount.

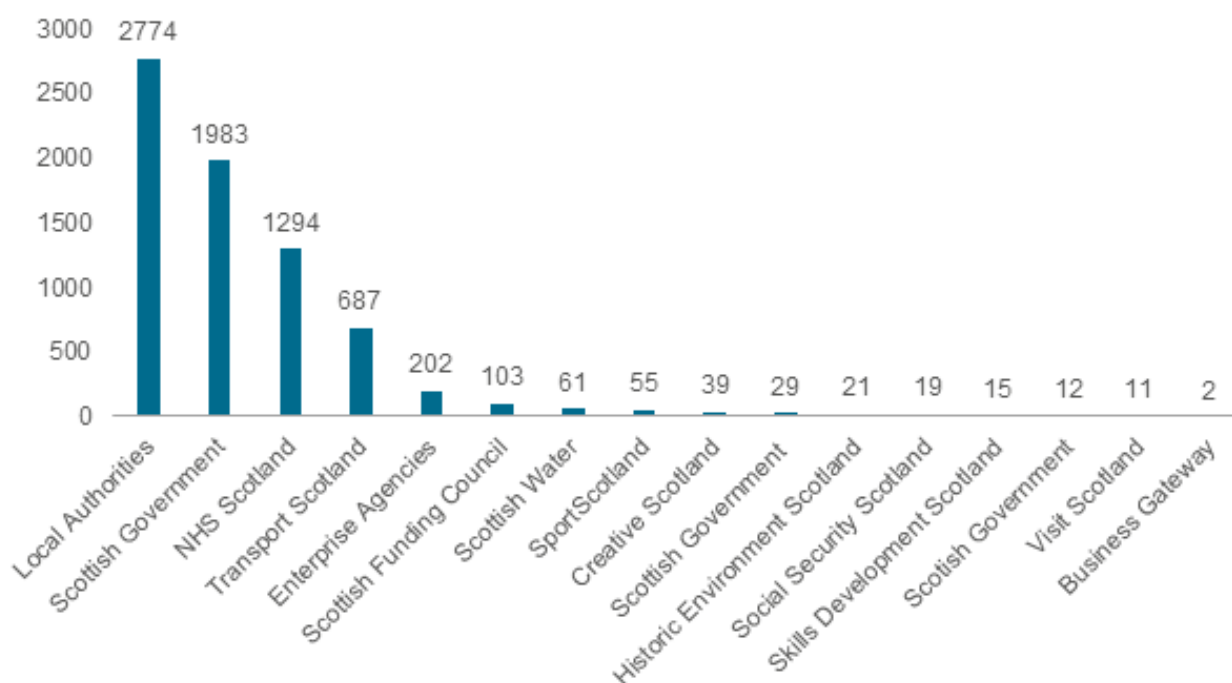
Local authorities are playing a leading role in the distribution of Covid-19 spending measures

17. Our analysis of spending announcements identifies that councils and public bodies across Scotland are acting as the lead organisations for administering Covid-19 spending. The majority of this spending has been through Scotland's 32 local authorities and 22 NHS Boards, with a number of other public bodies involved, such as enterprise agencies and the Scottish Funding Council (Exhibit 3).
18. The expected in-year spending incorporated in the approved Scottish budget is different to the total cost of the individual measures announced because:

- Spending against some announcements depends on demand; any underspends can be used for other purposes. For example, lower than expected take-up for some business grants has meant that funding can be reallocated to other support funds.
- Some demand-led announcements do not include assessments of what the announcement will cost. For example, in October, the Strategic Business Fund was announced, but no cost was given at the time. The Scottish Government has confirmed that between November and the end of January, this scheme cost £104 million, which is not reflected in our analysis of announcements.
- Some announcements will be spent over more than one year.
- Some smaller elements of spending may not be announced but will be picked up in spending revisions.

Exhibit 3

Lead organisations for Covid-19 spending in 2020, from announcements



Source Audit Scotland analysis, based on Scottish Government announcements up to the end of December 2020

- Public bodies are using Covid-19 funding differently. Some is being applied to meet extra costs caused by the pandemic (such as NHS capacity and equipment costs). Some bodies are also disbursing financial support on behalf of the Scottish Government (for example, as Local Government has done with business grants).

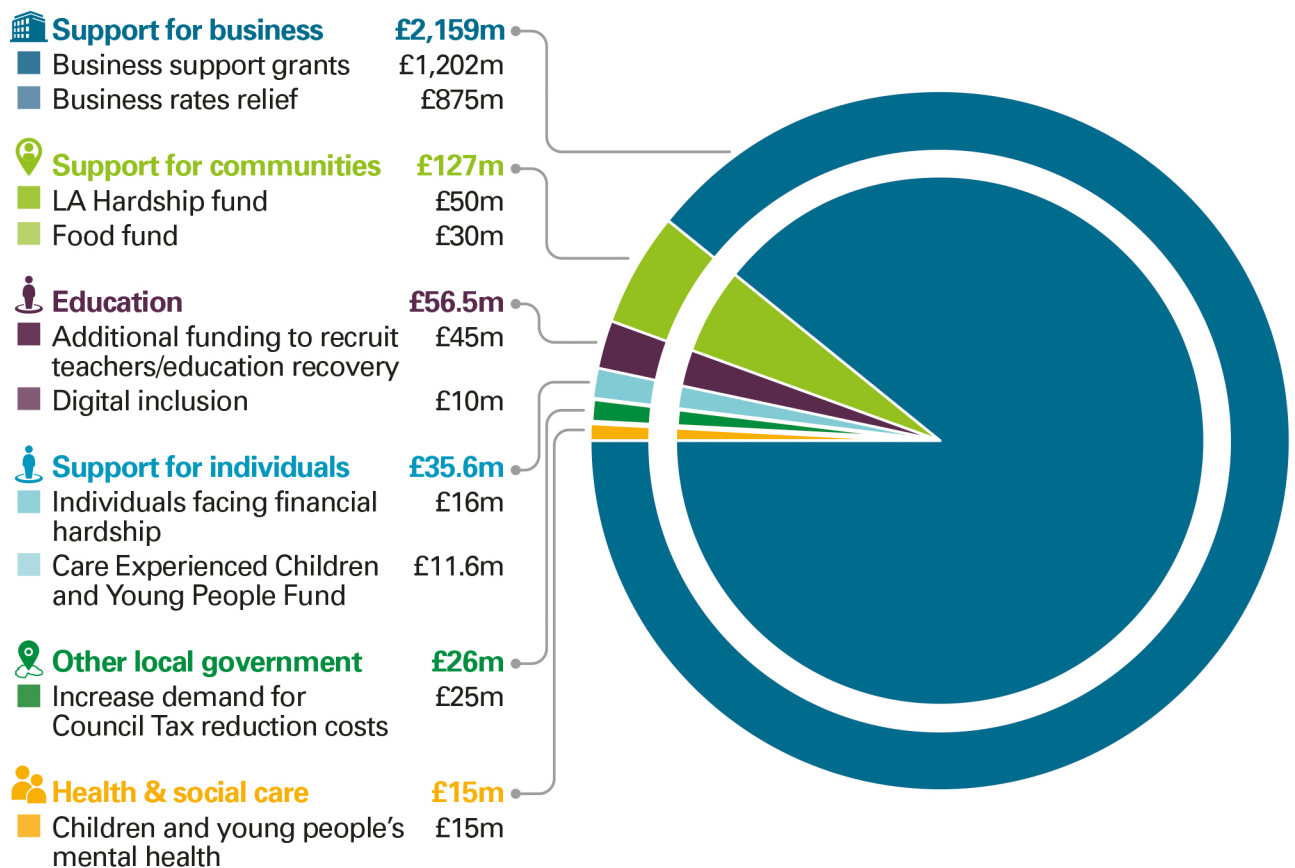
Spending announcements reflect the variety of ways local communities are affected by the pandemic

- Covid-19 has affected businesses, households and individuals across local communities in Scotland. While responding to these different needs, councils themselves have faced significant reductions in regular sources of income, such as fees and charges and council tax, and have needed to reorganise services to meet the demands of lockdown.

Many of the Scottish Government announcements which affect local government funding reflect these pressures and demands.

21. A breakdown of spending programmes where local authorities are the lead organisation is shown at Exhibit 4. A full breakdown is included as an appendix to this paper. Critically, not all programmes represent additions to council budgets.
22. The type of announcements has also changed over the period, as the public response to the pandemic develops. In the first half of the pandemic, the big area of commitments was business and economic support. From then until the end of December, the focus of spending was on the public sector, particularly within health and social care, local government and transport.

Exhibit 4 Breakdown of Scottish Government spending announcements relating to local government, including examples of large areas of spend



Note: Announcements made before the end of December 2020.

Source: Audit Scotland

23. Exhibit 4 shows the latest position on announcements made by the Scottish Government up until the end of December 2020. Further Covid-19 announcements have taken place since and are likely to continue to the end of the financial year. Since December 2020 further spending announcements have been made. These include the following by areas of spend:

- Business support for taxi and private hire drivers, £57m.

- Three new funds to support travel agents, brewers and indoor football centres £7.3m.
- Additional education home learning support £10m.
- January free school meal provision £7m.
- Other announcements relate to smaller areas of spend, such as environmental health, rapid rehousing and business support grant administration.

The majority of spending measures relate to support for businesses through grants and business rates relief

24. Throughout the pandemic, many Scottish businesses have been severely affected in their ability to trade. Support for businesses and individuals affected is being delivered by the UK Government, Scottish Government and local authorities.
25. At a UK Government level, 282,800 Scottish residents being supported by the Coronavirus Job Retention Scheme (JRS) in Scotland as at the 31 December 2020. In addition, 411,000 claims were made for Self-Employment Income Support Scheme (SEISS) totalling £1,133 million. The UK Government has also provided loans over this period, including a Coronavirus Business Interruption Loan Scheme (CBILS), the Bounce Back Loan Scheme for small businesses (BBLs) and the Future Fund, which is a loan scheme aimed at high-growth companies.
26. Scotland's local economies are diverse, and to date the Scottish Government has made announcements totalling over £3.5 billion in support. These announcements are varied, including support for fisheries, hospitality, taxi drivers, culture and the performing arts.
27. The largest announcements to support businesses are being administered through, or affect, local councils. Most notably, these are the Small Business Grant Scheme and the Retail, Hospitality and Leisure Business Grant Scheme. These demand-led announcements make up £1,202 million of the total support for business which flows through councils. Business rates relief accounts for a further £875 million of business support.
28. There are now 31 different schemes delivered via local authorities to support businesses and public services. Undoubtedly this will place an additional administrative burden on councils, especially given the urgency and priority with which funding is expected to be delivered to the businesses and individuals who need support during the pandemic.

Key services provided by local councils have been severely affected

29. Councils are spending Covid-19 funds in response to the major disruption the pandemic and lockdowns have caused to people's lives as well as their livelihoods. Alongside financial uncertainty for many, mental health as well as physical health concerns becoming more prevalent. Children's education has been severely impacted over the past year, and there are notable concerns over the increased hardship being faced by the poorest in our society.
30. Several spending announcements administered by local authorities relate to these areas. For financial hardship, this includes the Scottish Welfare Fund, supporting low-income families and people with self-isolation costs, caring costs and financial emergencies caused by the pandemic for example.
31. Children in Scotland have been home-schooled for large parts of the school year. Alongside the additional difficulties this has provided for parents, often juggling work

commitments with childcare responsibilities, it has also disproportionately affected those children without access to computers and internet connection. There may also be additional costs for food and utilities that families may experience. Funding to promote digital inclusion, additional support staff and staffing for the recovery period have all formed part of this.

Councils' income has been significantly reduced, and some additional funding is being provided to mitigate this

32. While the amount of responsibility placed on councils to provide Covid-19 support alongside its existing commitments and priorities has increased, council's own income sources are less certain. Loss of income accounts for over half of the additional costs forecast by councils.² These included losses from:
 - fees and charges, projected to result in a loss of £161 million. The most significant proportion of these losses related to the anticipated reduction in parking fee income
 - sports and leisure facilities at July 2020, totalling £75 million
 - mobilisation costs and the costs arising from reconfiguring services (recovery costs).
33. Several larger urban councils have ALEOs that manage commercial activities and provide income back to councils. This includes conference facilities and transportation services. The projected loss of income for councils from these was £39 million. This included Lothian Buses, Edinburgh Trams, Scottish Exhibition and Conference Centre and the Aberdeen Exhibition and Conference Centre.
34. The Scottish Government has announced a number of measures to mitigate lost income, including £25 million to meet increased demand for council tax reduction costs and £155 million non-ringfenced additional funding. In December, £200 million of funding was announced through a Lost Income Scheme and a further £275 million (able to be used flexibly) was announced in February. All these amounts are incorporated in the overall position summarised at paragraph 16.
35. The extent to which Covid-19 funding announcements mitigates the income lost to individual councils over 2020/21 will only become clearer after year end, with further information available through councils' annual audited accounts.

Local authorities have also agreed some financial flexibilities with the Scottish Government

36. In October 2020, the [Scottish Government announced](#) a package of additional financial flexibilities for councils. This loosened some financial rules placed on local authorities, which the Scottish Government estimated could be worth up to £600 million. The measures included:
 - Use of capital receipts to meet one-off revenue costs, including those caused by Covid-19.
 - Extension of debt repayment periods to the life of the asset rather than the contract period.

² Local government in Scotland: Financial overview 2019/20, Audit Scotland, January 2021

- Repayment holiday allowed in either in 20/21 or 21/22 to defer loan fund repayments.
37. Further clarification has been given on the deferral of loan fund repayments. Repayments are to be made within the next 20 years or spread over the life of the loan.³
 38. This is not additional funds flowing from the Scottish Government to councils. Councils will be able to use capital receipts that they already hold to fund one-off revenue costs, as well as being able to defer loan fund repayments. These flexibilities are not available to English authorities.
 39. Councils can also make use of a change in accounting treatment, which allows councils to charge the debt element of service concession arrangements on assets over the life of the asset, rather than the length of the contract. This will spread the charge out over a longer period.
 40. If councils make use of these levers, any additional revenue funding generated could be used to meet Covid-19 or other one-off costs. It would mean that the councils would have less available in capital receipts for future capital spending, and debt repayments would still need to be repaid, albeit over a longer period.
 41. We do not yet know what the take-up of these flexibilities will be across Scotland. The extent to which individual councils are able to utilise them will depend on their own financial circumstances. COLSA has highlighted that this is likely to mean that in practice the overall effect will be less than estimated by the Scottish Government.
 42. Pressures on Scotland's public finances caused by the pandemic will continue into future years and are reflected in the 2021/22 budget and medium-term planning. A programme of vaccination is now ongoing throughout Scotland, giving hope that this will allow future relaxation of measures and allow economic and social recovery to take place. For now, spending to support people, the economy and public services through the pandemic continues.

The 2021/22 Scottish budget proposals

The bespoke budget process in 2021/22

43. In our budget briefing for 2020/21, we described the budget process as characterised by ongoing uncertainty and unexpected events. For the 2021/22 budget, many of these uncertainties continue, now exacerbated by the ongoing pandemic. The budget approved by the Scottish Parliament in March is likely to be significantly different in terms of funding to that originally published on 28 January this year. This is likely to affect local government funding, requiring in-year adjustments where council budgets have been approved before the full extent of Scottish government funding is known.
44. On 16 February, between the publication of the Scottish budget and stage one approval by the Scottish Parliament, an additional £1.1 billion of Barnett consequential for 2020/21 was confirmed by HM Treasury. The Scottish Government intends to apply this to its 2021/22 budget with the funding held within UK reserves and re-allocated to the Scottish Government in 2021/22.
45. Similar to last year, the Scottish Budget is being published later than the Scottish Government's preferred December schedule and in advance of the UK Government's Budget, which is scheduled for 3 March. The proposed Scottish budget has been established before 2021/22 UK budget decisions on devolved taxes and social security

³ Local Government and Communities committee meeting on 17 February. Agenda item 2, Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021. [Draft official record](#).

measures. The relative position of the rest of the UK to Scotland matters to the size of the Scottish budget.

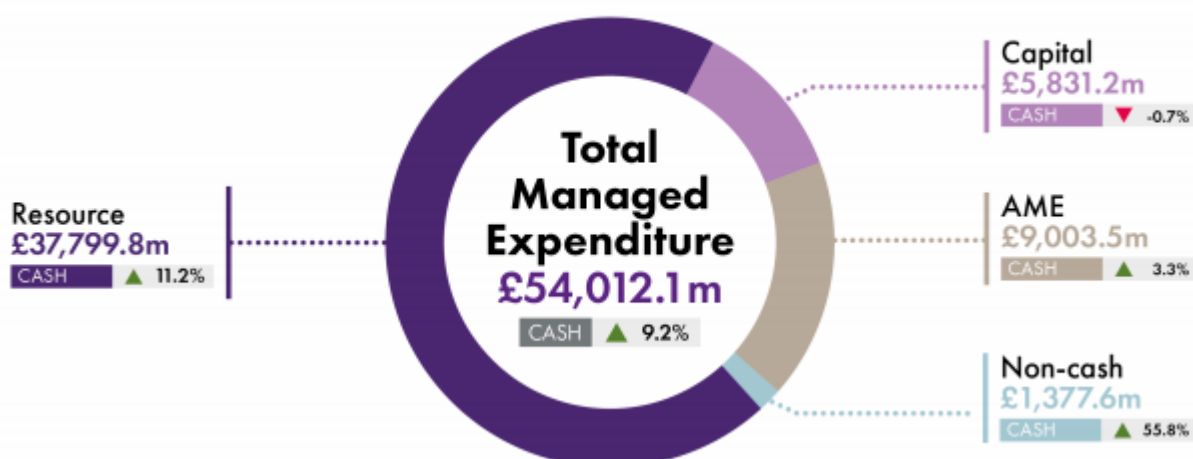
46. UK budget spending decisions made in March could change the funding available to the Scottish Government, as UK spending decisions in devolved areas result in consequential changes through the Barnett formula. This may require further changes to the Scottish budget in stages 2 and 3 of its parliamentary approval. Similar to 2020/21, further in-year UK Government announcements may have implications for the Scottish budget and potentially local government funding. These would be reflected through in-year budget revisions in 2021/22 in a similar vein to the process in 2020/21.

Spending

47. The Scottish public spending budget for 2021/22 as proposed on 28 January is £54,012 million. The budget is made up of:
- Fiscal resource budget (spending on the operating costs for public services).
 - Capital budget (investing in capital projects, such as new hospitals or schools. This also includes financial transaction funding, which can be used to make investments in organisations outside the public sector).
 - Non-cash budget (used to cover technical accounting and other non-cash items).
 - Annual Managed Expenditure (AME; ringfenced funding from the UK Government to cover items such as NHS and Teacher pensions and student loans).

Together, these add to Total Managed Expenditure, TME (Exhibit 6).

Exhibit 6 Total Managed Expenditure 2020/21



Source: [Scottish Budget 2021-22](#), SPICe, 1st February 2020, page 14

48. The resource budget has increased by £3,817 million compared to the 2020/21 budget, with a relatively small decrease in the capital budget of 42 million. This increase in resource spending is spread across the portfolios of government (Exhibit 7). This analysis is the position as per the original budget as presented on 28 January. It does

not include the additional £1.1 billion of further Barnett consequentials announced on 16 February, or any additional consequentials that flow from the delayed UK budget.

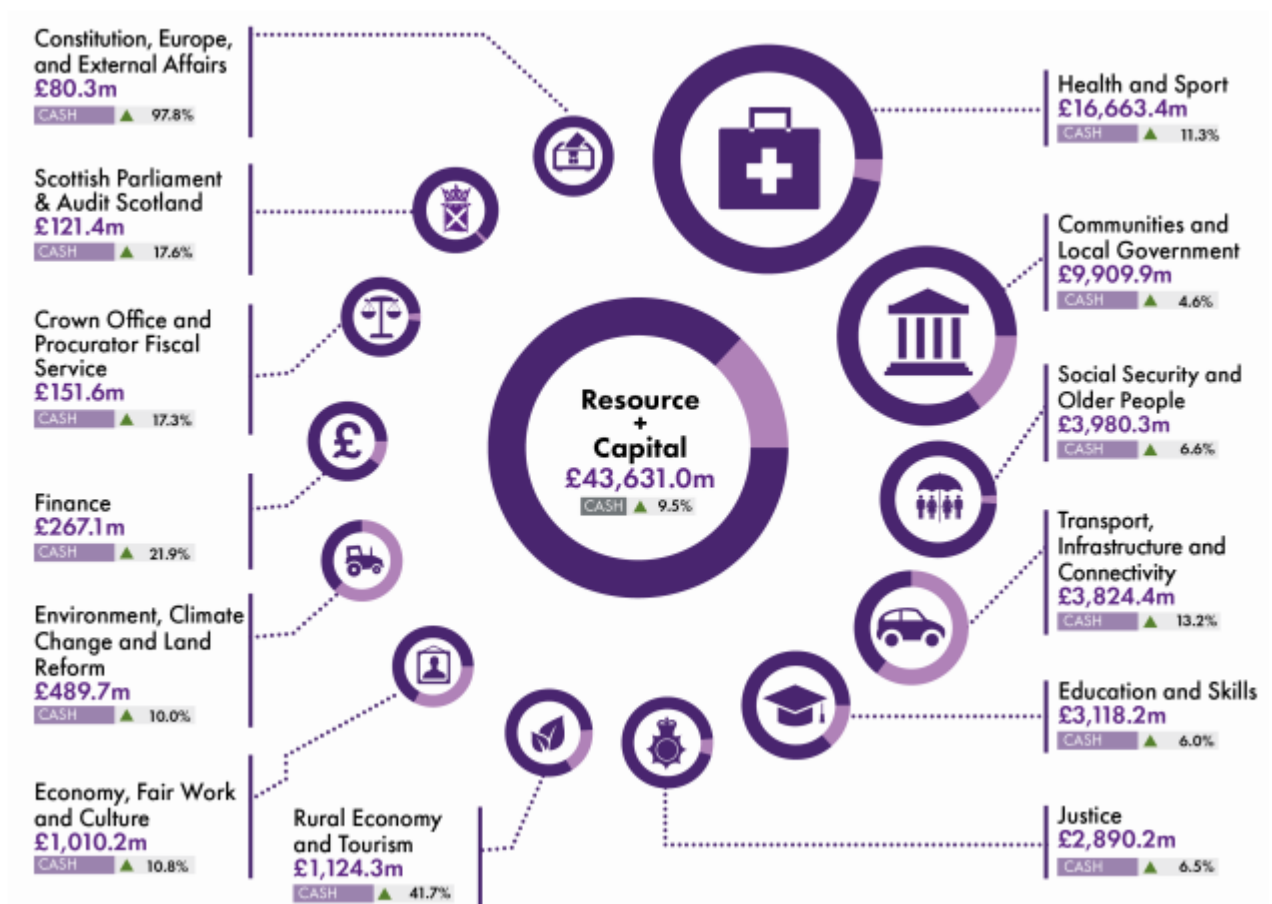
49. Increases to portfolio budgets include additional Covid-19 funding. At the point of the Scottish budget being published, this consisted of:

- an additional £1.3 billion for Scotland in 2021-22 in relation to Covid-19 spending confirmed in the UK Spending Review in November 2020
- an additional £500 million estimated as further Barnett consequentials expected to be received in the 2021/22 budget year related to Covid-19 spending.

50. The UK budget included further consequentials of £1.2 billion for 2021/22, £700 million more than had been assumed by the Scottish Government when it constructed its budget proposals. Discussion of the application of this additional amount and is continuing.

Exhibit 7

Fiscal Resource and Capital, including financial transactions, combined by portfolio, 2021-22



Source: [Scottish Budget 2021-22](#), SPICe, 1st February 2020, page 16

Taxes

51. The funding for the 2021/22 Budget includes revenue from Income Tax, Land and Buildings Transaction Tax and Scottish Landfill Tax. The revenues raised from these

taxes is forecast to be £12.9 billion. Income Tax revenue is forecast to be £12.3 billion, around 95 per cent of this.

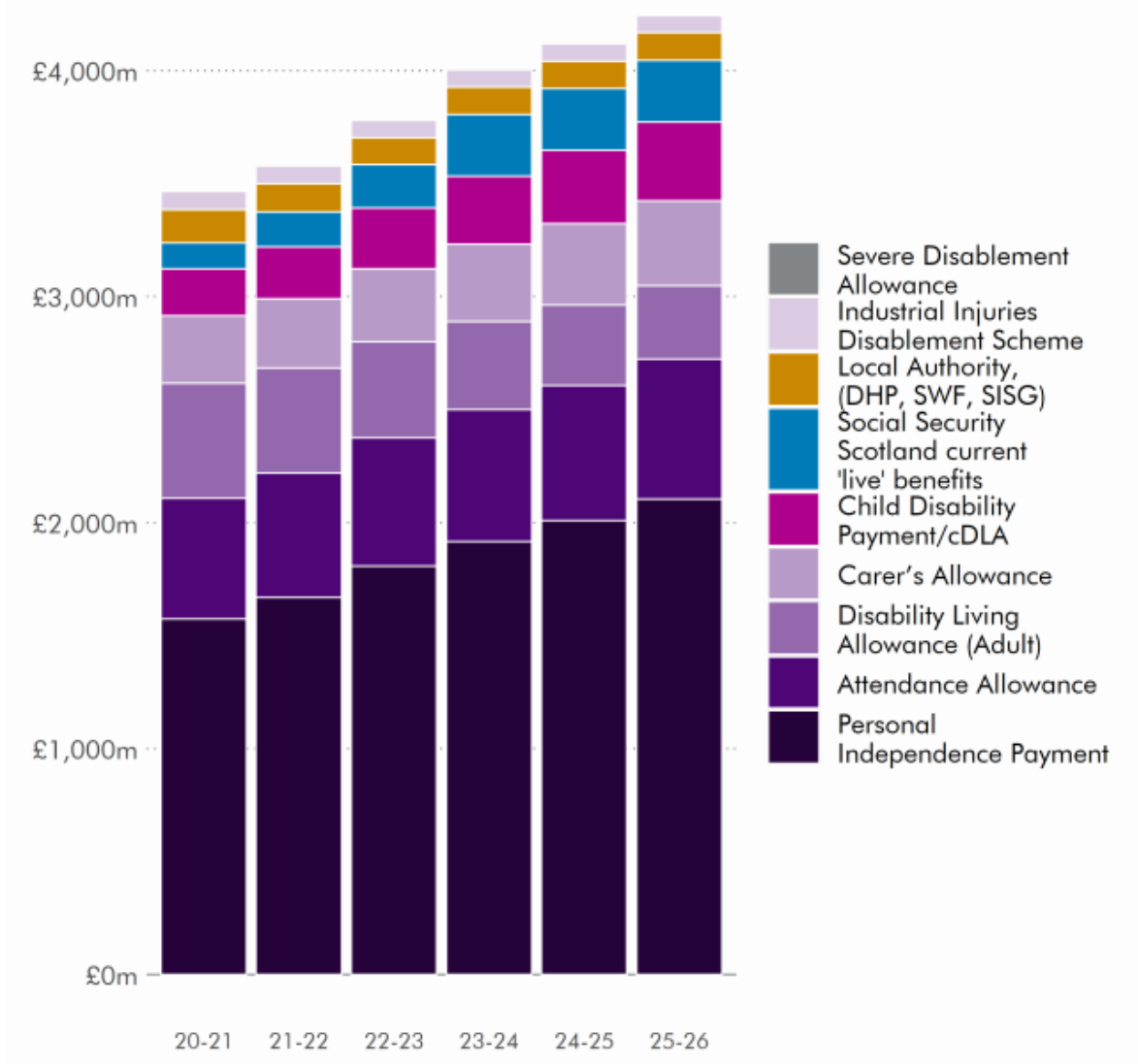
52. Forecasts of 2021/22 tax revenues have understandably fallen since the Scottish Fiscal Commission made its pre-pandemic January 2020 forecasts. However, the impact on the budget relies on the relative position of UK forecasts made by the OBR compared to Scotland. OBR forecasts have also reduced expected tax revenues. For the largest devolved tax, Scottish Income Tax, the Scottish Government budget is set to grow by £475m because of this relative difference in forecasts.
53. This difference is likely to change in March. The OBR will produce updated forecasts alongside the UK Government budget. The last OBR forecasts were published in November, before the latest lockdown, whereas the SFC forecasts were produced in February. The SFC has stated that it does not expect Scottish tax revenues actually to perform significantly differently to UK wide tax revenues in 2021-22. There is little change in tax policy for 2021/22, with Scottish income tax thresholds rising in line with inflation, and no changes to the 5-band tax system.
54. For fully devolved taxes:
 - Non-Domestic Rates (NDR)– there will be a reduction in the non-domestic rates poundage charge by 0.8p.
 - Land and Buildings Transaction Tax – the temporary change to the residential LBTT nil rate band introduced in July 2020 will return to £145,000. Existing non-residential LBTT rates and bands for conveyances and leases will remain unchanged.
 - Scottish Landfill Tax – no changes apart from inflation-based increases in rates to ensure consistency with planned Landfill Tax charges in the rest of the UK.
55. The proposed budget initially included proposals to extend NDR relief measures for retail, hospitality, leisure and airline sectors for the first quarter of 2021/22 and a commitment to extend this to the whole year if resources allowed. The Cabinet Secretary for Finance has since confirmed that these measures will be extended for all of 2021/22, drawing on the £1.1 billion of Barnett consequentials confirmed in February 2021 and carried forward.
56. The Scotland Act 2016 states that half of Value Added Tax raised in Scotland will be assigned to the Scottish Government. In October 2020, the UK and Scottish Governments agreed to postpone the implementation of VAT assignment because of the impact of Covid-19. How and when it will be implemented will now be considered through the Fiscal Framework review in 2022.

Social Security spending 2021/22

57. Social Security is the third largest area of the Scottish budget after health and local government. Social Security expenditure for 2021/22 is expected to be around £3.6 billion.
58. In April 2020, the Scottish Government became financially responsible for disability benefits, such as Personal Independence Payment (PIP) and Disability Living Allowance (DLA). From Autumn 2021, it plans to replace these benefits with new Scottish disability benefits. The Scottish replacement for the child element of DLA, Child Disability Payment (CDP) is planned to be introduced in November 2021. This is unlikely to have a significant impact on the budget this year as it replaces an existing benefit, as opposed to being a new area of spend and is due to start later in the year.

- 59. The Scottish Fiscal Commission estimates that spending on Scottish social security benefits will continue to increase over the next five years, reaching over £4.2 billion by 2025/26.⁴ Forecasts from 2022/23 onwards, however, do not account for changes in spending arising from Scottish replacement payments launched beyond the next financial year, such as the introduction of Adult Disability Payment (ADP).
- 60. There may be differences in future policy decisions between the UK and Scottish Governments, for example in response to the Covid-19 pandemic, which could result in funding and spending divergence. Based on the SFC's assumption that benefit payments made by Social Security Scotland will be on average higher than benefits administered by the DWP, future spend on Scottish social security benefits is expected to be higher than currently forecast (Exhibit 5).

Exhibit 5
Forecast growth in devolved social security expenditure



Note: Current 'live' benefits include all Scottish specific benefits currently being administered by Social Security Scotland, such as the Scottish Child Payment.

⁴ Scotland's Economic and Fiscal Forecasts, Scottish Fiscal Commission, January 2021

61. In addition to uncertainties around policies, social security spending is variable and harder to control than other areas of spending, because it is demand-led. The Scottish Government will have to meet this expenditure as it arises. Funding for the Social Security benefits that are being devolved is transferred from the UK Government, through positive Block Grant Adjustments. For the 2021/22 budget, these are provisional BGAs based on OBR forecasts from November 2020. These are likely to change following the OBR's updated forecasts in March. The Scottish Government will need to manage any in-year cash shortfall should social security spending increase in Scotland increases above spending in England and Wales.

Scottish Child Payment

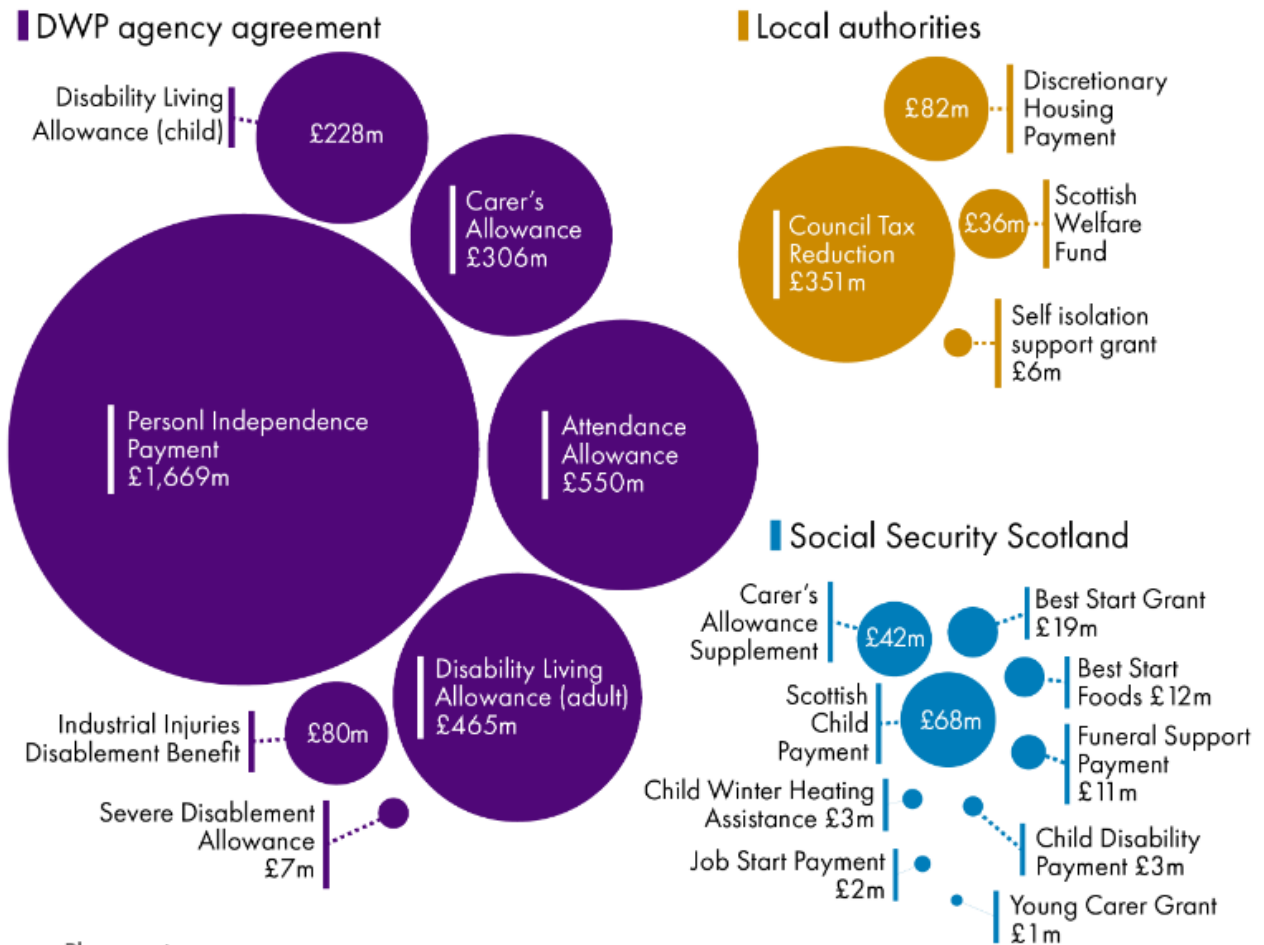
62. The Scottish Child Payment (SCP) was announced in June 2019 as a new benefit to help tackle child poverty by providing additional support for low-income families. Social Security Scotland began administering SCP towards the end of 2020/21, with the first payments for children under the age of six being made from February 2021. The SFC forecasts this will benefit around 130,000 children at a cost of £68m in 2021/22. Once fully rolled out to all children under 16 by the end of 2022, expenditure for SCP is expected to reach £105m in 2022/23 and £184m in 2023/24. As there is no equivalent UK payment, this expenditure is not funded through Block Grant Adjustments, and instead must be met fully by the Scottish Government from existing budgets each year.

Local authorities administer other elements of social security support

63. Responsibilities for administering social security is split between the Department for Work and Pensions, Social Security Scotland and local authorities (Exhibit 8). Council Tax Reduction (CTR) administered by local authorities, is not technically social security, but does provide substantial assistance through a social security-like scheme. Actual income foregone in 2021-22 may be higher, as the Scottish Government allocated an additional £25 million for the increase in claims due to Covid-19.

Exhibit 8

Devolved social security by agency 2021-22



Source: [Social Security Budget 2021-22](#). SPICe briefing. Figure 1 February 19, 2021

The Local Government budget 2021/22

The local government budget has increased overall, but the ongoing impact of the pandemic and existing financial pressures will continue

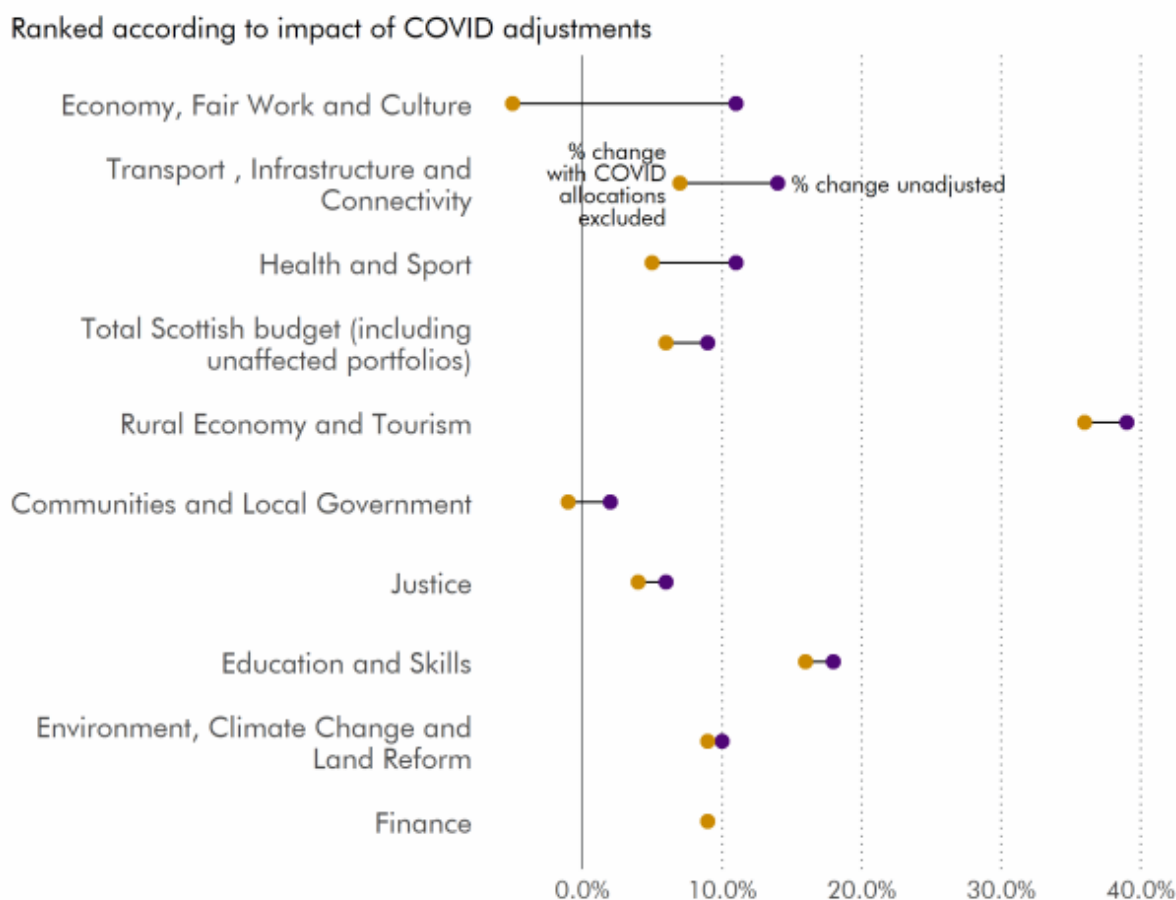
64. The 2021/22 budget includes increases to local government funding, including further funding to support Covid-19 related measures. Discussion around the split of ringfenced and non-ringfenced funding continues, and volatility around the future developments with pandemic and its aftermath remain. Significant uncertainty about the impact on businesses, individuals and public services in 2021/22 continues. This includes the levels of support required as children return to school, ongoing hardship for some citizens, and the sustainability of businesses as support, such as grants and furlough payments, is removed.
65. Financial pressures which pre-exist the pandemic also remain. COSLA has drawn attention to ongoing pressures faced by local authorities and highlighted that additional funding was 'predominantly for Government priorities': 'In its [Budget Reality 2021-22](#) document, released alongside its statement on the Budget, COSLA argues that, in comparison to the asks in its pre-Budget document: 'The settlement represents a

shortfall of £362 million in core revenue funding, £20 million in core capital funding, and £511 million in non-recurring Covid-19 funding.’

Breakdown by Scottish Government portfolio

- 66. Based on the figures provided within the Scottish Budget 2020/21, the Communities and local government portfolio has increased in cash terms. In its assessment of the proposals the Scottish Parliament’s information service (SPICe) has also factored in the underlying position if Covid-19 related spending is discounted. This shows as small decrease compared to the 2020/21 financial year (Exhibit 9). For the Scottish budget as a whole, the increase before adjusting for Covid-19 allocations is 9 per cent, but this reduces to 6 per cent after adjusting for Covid-19 allocations.
- 67. As the pandemic continues, differentiating between Covid-19 spending and other spending becomes more difficult. For example, as funding moves to support economic recovery, alongside other economic regeneration, the lines between supporting businesses through the pandemic and pursuing existing aims to bolster the economy may become less clear. While this exhibit demonstrates the underlying movements before and after Covid-19 allocations, there is no counterfactual which shows how funding allocations would have been applied had the pandemic not happened.

**Exhibit 9
Budget changes before and after adjusting for Covid-19 allocations**



Source: [Scottish Budget 2021-22](#), SPICe, 1st February 2020, page 10

Further spending following £1.1 billion additional Barnett consequentials

68. The Scottish Government is applying an additional £1.1 billion of Barnett consequentials for 2020/21 confirmed by HM Treasury to the 2021/22 budget. The budget has now passed Stage 1 through the Scottish Parliament. This consists of £873 million of additional resource funding, £236 million capital funding, and £41 million in financial transactions.
69. As set out above, some of this funding will be used to provide 100% business rates relief for retail, hospitality, leisure, aviation businesses and newspapers for the whole of 2021-22. The removal of charitable rates relief for mainstream independent schools is to be delayed until 1 April 2022.
70. Further details on application of additional 2021/22 funding will be established as stages 2 and 3 of the budget proceed. The Scottish Government has announced how it will allocate some of this funding as follows:
- £120 million for mental health
 - £120 million for affordable housing
 - £100 million to support people on low incomes
 - £60 million to support schools manage missed education
 - £60 million for health service recovery
 - £45 million to reduce emissions from heating
 - £21.5 million for Scottish Enterprise.

Budget for local government

71. The draft Scottish Budget presented on the 28th January set out the allocation to local government. SPICe has published a detailed breakdown of the 2021/22 budget and provisional local authority allocations [here](#).
72. The total allocation to local government in the 2021-22 Budget is £11,108.2 million. This is mostly made up of General Revenue Grant (GRG) and Non-Domestic Rates Income (NDRI), with smaller amounts for General Capital Grant and Specific (or ring-fenced) Resource and Capital grants.
73. Revenue funding within other portfolios (but within the totals in the Finance Circular and detailed in Budget 2021-22 table 5.14) increases the total to £11,620.4 million. Further, once a number of funding streams attached to particular portfolio policy initiatives, but outside the totals in the Circular are included, the total rises to £12,270.8 million (Exhibit 10).
74. Due to the unique circumstances around this budget, comparisons between previous years will be made in cash terms rather than real terms. There are challenging comparability issues caused by the impact of the pandemic on the 'GDP deflator', used

to calculate figures in 'real terms'.⁵ Because of these issues, it is accepted by SPICe that the best comparison in this budget is to use the actual cash terms figures.

Exhibit 10

Local government funding included in Scottish Government budget proposals

General Revenue Grant	6,763.400	7,108.160	+5.1
Non-Domestic Rates Income	2,790.000	2,631.000	-5.7
	9,553.400	9,739.160	+1.9
Support for capital	467.937	477.937	+2.1
Specific resource grants	685.600	751.981	+9.7
Specific capital grants	310.104	139.104	-55.1
	11,017.041	11,108.182	+0.8
Revenue funding in other portfolios to be transferred to LG	428.700	512.200	+19.5
Total Local Government Settlement	11,445.741	11,620.382	+1.5
Revenue funding outwith core	197.900	223.500	+12.9
Capital funding outwith core	382.400	426.900	+11.6
Overall Scottish Government funding	12,026.041	12,270.782	+2.0
Allocation of Covid-19 consequentials – non-recurring	-	259.000	N/A

Source: SPICe and the Scottish budget 2021/22

75. The Cabinet Secretary for Finance has stated this budget contained:

- An increase in the core settlement of 3.1 per cent cash terms.
- An amount provided for replacement of lost income, the third such payment in terms of lost income. Those instalments for lost income are £200 million, £49 million, £279 million.
- An allocation of de-ringfenced funding for next year, of £259 million, which local authorities can do as they see fit.

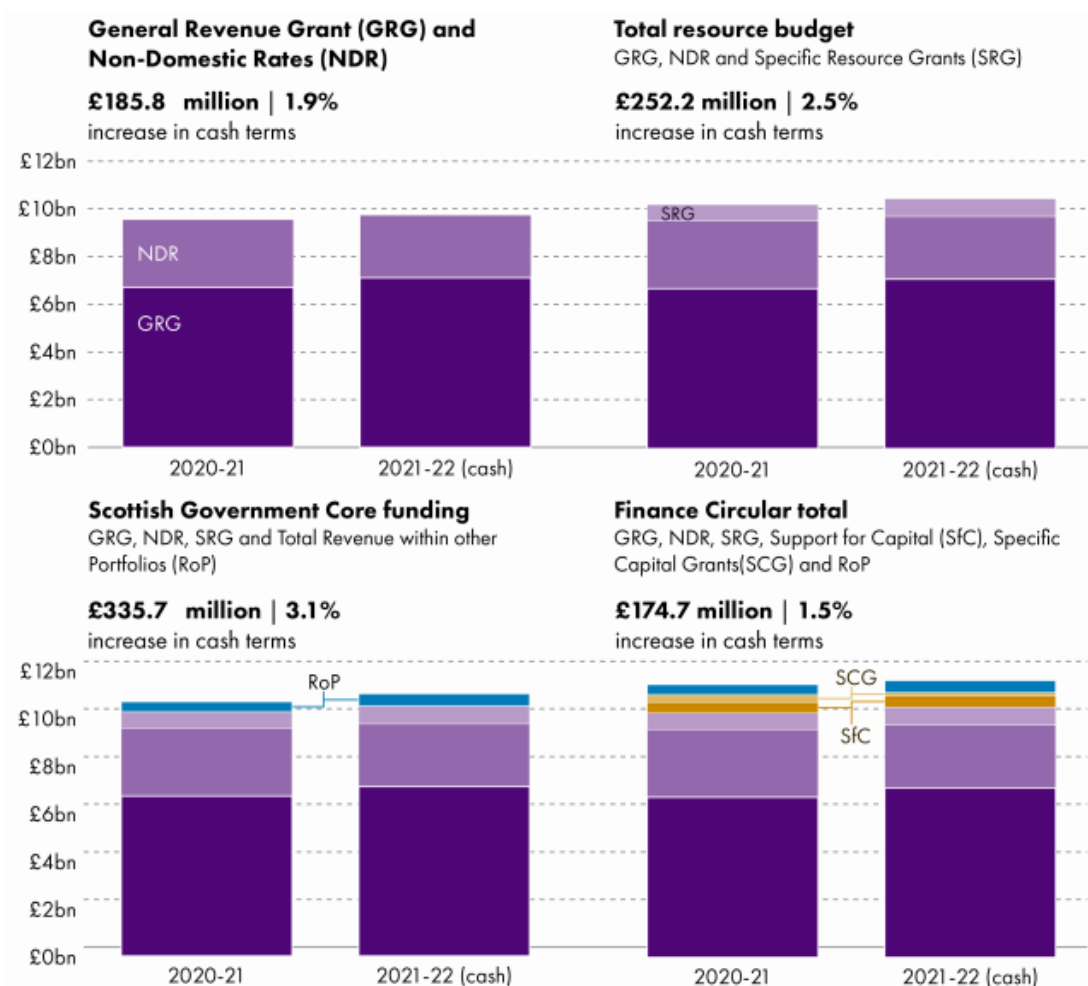
76. SPICe has analysed cash terms changes to different elements of the budget (Exhibit 11). Its analysis indicates that the combined Budget document figure for General Revenue Grants and Non-Domestic Rates Income only (ie, the amount of money to deliver services over which local authorities have control) increases by 1.9 per cent in cash terms, or £185.8 million. Once specific, ring fenced resource grants are included, then the combined figure for the resource budget increases by 2.5 per cent in cash terms, or

⁵ Spice definition. while the GDP deflator is normally considered a good general measure of inflation, clearly over the next few years the forecast is skewed by the significant impact of the economic response to COVID-19.

by £252.2 million. With the additional £259 million announced for the allocation of Covid-19 consequentials added to this, the additional funding increases to £511.2 million.

Exhibit 11

Change in local government budget, 2020/21 to 2021/22



Source: [Local Government Finance: Budget 2021-22 and provisional allocations to local authorities](#), SPICe, 5th February 2021, page 13

77. To get the £594.6 million figure quoted in the Cabinet Secretary’s statement to the Parliament, the figure for ‘Total revenue within other Portfolios’ is added to this combined sum. Alongside the revenue budget, used to pay for public services, local government also receives a capital budget, again made up of general (ie, discretionary) and specific (ie, ring-fenced) grants.
78. Overall, the total capital budget sees a decrease in cash terms this year, of –20.7 per cent or by £161 million. This is mostly driven by a decrease in non-recurrent specific capital grants, with support for capital remaining relatively static with an increase of 2.2 per cent, following a significant decrease between 2019-20 and 2020-21.
79. COSLA has drawn attention to ongoing pressures faced by local authorities and highlighted that additional funding was ‘predominantly for Government priorities’: ‘In its [Budget Reality 2021-22](#) document, released alongside its statement on the Budget, COSLA argues that, in comparison to the asks in its pre-Budget document: ‘The

settlement represents a shortfall of £362 million in core revenue funding, £20 million in core capital funding, and £511 million in non-recurring Covid-19 funding.’

Council tax freeze

80. The settlement includes £90 million available to compensate councils that choose to freeze their Council Tax at 2020-21 levels. The Scottish Government has stated that this equates to an increase in Council Tax of around 3 per cent. Distribution of this amount across councils is set out in column 12 of Annex B to the Local Government Finance Circular.
81. This freeze currently only applies to the 2021/22 budget year. If councils wish to maintain 2021/22 council tax income in the 2022/23 financial year, councils will need to increase council tax simply to match these levels. If councils wish to increase council tax income above 2021/22, larger increases will be needed; for example, matching the council tax freeze and increasing council tax income by another 3 per cent would require over a 6 per cent increase in 2022/23. The Cabinet Secretary for Finance has stated her willingness to continue to engage with COSLA regarding councils’ concerns about this potential outcome.

Pre-budget scrutiny

82. As part of their pre-budget scrutiny process, the Local Government and Communities Committee (LGCC) Committee asked for clarification on a number of areas.
 - The Scottish Government’s view on whether the pandemic has resulted in a £500m gap in local government resources.
 - The resilience of local services, particularly around the social protection agenda.
 - The financial position of IJBs.
 - And progress with COSLA on a fiscal framework for local government.
 - A number of housing issues, including security of tenancy, progress with social housing provision and learning lessons from the success in tackling homelessness during the pandemic.
83. The Cabinet Secretary’s response to the committee, in November 2020 on the issue of the gap in resources included:
 - announcing additional financial flexibilities to address the financial pressures caused by Covid-19 which could be worth around £600 million over the next two year on 8 October
 - finalising a lost income scheme worth an estimated £90 million which when added to the previously committed £49 million consequentials will provide an extra £139 million of committed funding. Taken together, these measures will provide councils with an overall financial flexibility and funding package of up to approximately £750 millions

- announcing an additional £382.2 million in direct support during 2020-21 - over and above their regular grant payments. This brings the value of the overall Covid-19 support package for councils to more than £1 billion.⁶

84. The Scottish Government responded to the LGCC pre-budget scrutiny in the budget document. 'The Scottish Government continues to work closely with partners, including local government and COSLA, to assess and mitigate the harms caused by the Covid-19 pandemic, and has committed over £500 million of investment in social protections, including for the winter period... Due to the lack of future funding figures from the UK Government and unreasonable constraints to the timetable for producing Scottish Budget 2021-22, the Scottish Government has no option but to provide local government with a single-year settlement, a position COSLA understands and accepts. However, the Scottish Government remains committed to providing local government with long-term financial certainty and will continue to work on this with COSLA.'⁷

Budget scrutiny

85. The Local Government and Communities Committee met the Cabinet Secretaries for Communities and Local Government and Finance on 17 February. This discussion focused on the replacement of lost income and the returns from local authorities for the first quarters of 2020/21 to quantify that impact. The Scottish Gov't's response referred to the three instalments for lost income, £200, £49 and £279m. The Cabinet Secretary for Finance also set out that it has no confirmation from the UK govt of what the consequentials will be for loss of income. The Cabinet Secretary for Finance also set out that £259m of funding had been de-ringfenced. Regarding financial flexibilities, clarification was given that the extension in loan repayments was up to 20 years. There was discussion about the freeze on council tax and the need for it to be built into the baseline. There was also discussion about the squeeze on unprotected budgets and how those services such as economic development, employability services and leisure and culture were essential to economic recovery and had been subject to a decade of underfunding.

86. Discussion also covered the complexity of the arrangements in Scotland. Reference was made to the 30 different pots of money and the difficulty of navigating that system. The response from the Scottish Government was about the need to develop a bespoke situation to prevent business from following through the cracks. The Cabinet Secretary for Finance gave tribute to the tremendous effort from local government in getting those schemes open.

87. COSLAs most recent response, published on 18 February welcomes the additional flexible funding and additional funding for education. The council tax increase must be baselined to avoid a larger rise next year. However, once policy commitments are honoured, Carers Act, FPC and living wage, the £335m revenue increase turns into a £94m (0.9 per cent) increase to core funding.⁸

⁶ Correspondence from Cabinet Secretary for Communities and Local Government to the LGCC as part of pre-budget scrutiny.

⁷ Scottish Budget: 2021-22 Page 60

⁸ COSLA, Fair Funding for Local Government, 18 February 2021

**SCOTTISH GOVERNMENT SPENDING ANNOUNCEMENTS
RELATING TO LOCAL GOVERNMENT AS AT END 2020**

Support for business		
To 31 July 2020	£1.202 billion for the £10,000 Small Business Support Grant and the £25,000 Retail Hospitality and Leisure Support Grants £875 million to cover the cost of business rates relief £34 million newly self-employed hardship fund	2,111
August to December 2020	£48 million support for businesses in tier 4	48
Total business support		2,159
Support for communities		
To 31 July 2020	Scottish Welfare Fund (Communities Fund) £22m Food fund (Communities fund) £30m LA Hardship fund (Communities Fund) £50m	102
August to December 2020	Community and Third Sector Recovery Programme £25m	25
Total support for communities		127
Education		
To 31 July 2020	Digital inclusion for children and young people £10m Additional funding to recruit teachers and for local authorities education recovery £ 45m.	55
August to December 2020	Support for school staff £1.5m	1.5
Total education		56.5

Support for individual		
To 31 July 2020	Additional Discretionary Housing Payments for tenants £5m	5
August to December 2020	Care Experienced Children and Young People fund £11.6m Increase in Discretionary Housing Payment £3m Self-Isolation Support Grant £0m For individuals facing financial hardship £16m	30.6
Total support for individual		35.6
Other local government		
To 31 July 2020	Increased demand for council tax reduction costs £25m Community justice coordinators £0.4m Death registration service to work weekends and bank holidays £0.6m	
Total other local government		26
Health and social care		
August to December 2020	Children and young people's mental health £15m	
Total health and social care		15
Non ring-fenced allocations		
To 31 July 2020	UK Government Consequentials £155m	155
August to December 2020	Lost income scheme £200m	200
Total non ring-fenced allocations		355
TOTAL		2,774

Note – The amounts identified above are the spending measures that be administered by local government, including Scottish Government support to business which is being administered by councils on an agency basis. As such not all amounts above form part of the local government budget.

Link to further information

There is a large amount of useful analysis performed by commentators and researchers if you are interested in finding out more of the detail.

- [Covid-19: Tracking the implications of Covid-19 on Scotland's public finances, Audit Scotland, February 24, 2021.](#)
- [Covid-19: Implications for public finances in Scotland, Audit Scotland, August 20, 2020.](#)
- [Scottish Budget 2021-22, SPICe briefing, February 1, 2021.](#)
- [Local Government Finance: Budget 2021-22 and provisional allocations to local authorities, SPICe briefing, February 5, 2021.](#)
- [Social Security Budget 2021-22, SPICe briefing, February 19, 2021](#)
- [Why the 2021/22 Budget does not represent fair funding for local government. COSLA, February 18, 2021.](#)

MEETING: 11 MARCH 2021

REPORT BY: SECRETARY TO THE COMMISSION

STRATEGIC ALLIANCE BETWEEN THE ACCOUNTS COMMISSION AND THE IMPROVEMENT SERVICE

Purpose

1. This report proposes a Joint Statement of Intent for a Strategic Alliance between the Accounts Commission and the Improvement Service, and to agree joint priorities for the next 12 months.

Background

2. At recent Commission meetings the Interim Chair has kept the Commission apprised of discussions between her and the Improvement Service (IS) with a view to developing a more strategic relationship.
3. As a result of these discussions, a draft joint Statement of Intent has been developed (see Appendix) and is proposed for the Commission's approval.
4. The Board of IS is also considering the Statement for approval at its meeting on 5 March. I will provide a verbal update to the Commission on the outcome of this meeting.

2021/22 priorities for the Strategic Alliance

5. The Joint Statement of Intent notes that the Commission and the IS are committed to working together on matters of mutual interest, where it is appropriate and sensible to do so, and where collaborative gain will be derived for Scottish local government. Proposed joint priorities for the next 12 months, for consideration by the Commission and IS Board, are outlined below:
 - The Commission and IS will consult with each other on their annual work programmes and business plans to identify opportunities for collaborative working.
 - The IS will participate in Advisory Groups established to oversee the development of the annual Local Government Overview reports on finance and challenges and performance, and other audit work which directly links to IS programmes, and will contribute relevant data, intelligence and case studies.
 - The Commission will signpost councils to the support available from the IS following Best Value audit work.
 - The Commission will involve the IS in its approach to developing a Best Value audit approach for Integration Joint Boards (IJBs), to consider how the IS' work on self-assessment and improvement planning can align with the Commission's approach and support IJBs with continuous improvement.
 - The IS will provide briefings to the Commission on outcome areas that it is delivering improvement support in.

- The Commission will provide periodic briefings to the IS Board on the key themes arising from its local government audit work, to help inform future local government improvement planning and the work of the IS.
 - The Commission and the IS will co-host two learning events in areas of mutual interest. Potential areas could include: Covid-19 recovery planning; equalities; place-based planning; mental health and wellbeing; child poverty; collaborative leadership; the future workforce; use of data.
 - The Commission and the IS will consider opportunities for co-produced elected member briefings and/or elected member webinars in areas of mutual interest.
6. The Commission's views are welcomed on the proposed priorities, and particularly on areas they would like to see the Commission and the IS focus on as event topics.
7. The Joint Statement of Intent states that progress against the delivery of our Strategic Alliance will be governed by the Commission and the IS. Practically, we would propose that the Commission and IS jointly review progress in delivering the Strategic Alliance at the end of the first 12 months of its operation, reflecting on what we have achieved together and setting out priorities for the following 12 months. As part of this report, it will also be important for both organisations to reflect on whether the Joint of Statement of Intent is working and delivering the ambition set out.

Promotion

8. If the Commission agrees with the proposed Joint Statement, the Commission will publicise the Strategic Alliance with its stakeholders.

Conclusion

9. The Commission is invited to.
- a) Approve the Joint Statement of Intent for the Strategic Alliance between the Commission and the IS.
 - b) Note that the Joint Statement will be considered by the IS Board at its meeting on 5 March 2021, the outcome of which I will provide in a verbal update to the Commission.
 - c) Agree joint priorities for the next 12 months for the Commission and the IS as proposed in paragraph 5.
 - d) Agree that the Commission promote the Strategic Alliance with its stakeholders (paragraph 8).
 - e) Agree that the Commission and the IS jointly review progress in delivering the Strategic Alliance at the end of the first 12 months of its operation.

Paul Reilly
Secretary
2 March 2021

Strategic Alliance between the Accounts Commission and Improvement Service

A Joint Statement of Intent

The purpose of this joint statement is to outline the respective roles of the Improvement Service and Accounts Commission in improvement, and how we will work together formally on matters of mutual interest.

Both organisations have unique roles within Scottish Local Government – the Accounts Commission is responsible for securing the audit of Local Government, whilst the Improvement Service is the improvement arm of the Local Government family. Given the unprecedented challenges facing Local Government and its communities, and the need to accelerate transformation, it is essential that both organisations work together systematically, and in a way that retains the integrity of each organisation, to generate collective momentum for improvement.

About our organisations

Accounts Commission

The [Accounts Commission](#) is the public spending watchdog for Scottish Local Government, holding councils to account and helping them to improve. While the 12 members are appointed by Ministers, the Commission operates independently and reports to the public. It is responsible for securing the audit of Scottish Local Government and of Integration Joint Boards (IJBs).

The Commission uses its powers in two main ways. Firstly, the audit of individual councils and IJBs, including the annual audit and Best Value auditing. Secondly, national reporting on the performance of councils and IJBs including performance audits and sector overview reports. These performance audits can sometimes be undertaken jointly with the Auditor General for Scotland (AGS) who is responsible for auditing the Scottish Government, government agencies, NHS bodies, further education colleges and most NDPBs.

While the Commission's core function is to provide assurance to the public about the probity and performance of Scottish Local Government, the Commission also aims to contribute to the improvement of the sector and of wider outcomes. It does this in a range of ways. Firstly, through improvement recommendations made by appointed auditors in their annual audit of individual councils and IJBs. Secondly, through improvement recommendations and the promotion of good practice as part of its national programme of performance audit work and Best Value auditing. Thirdly, through the Commission's series of *How Councils Work* reports which aims to stimulate change and provide practical support to help councils continue improving their performance.

Audit Scotland was established in 2000 to provide audit services to the Accounts Commission and Auditor General Scotland. In addition, therefore, to this strategic alliance with the Accounts Commission, the Improvement Service also enjoys a close operational relationship with Audit Scotland in its work.

Improvement Service

The [Improvement Service](#) is the 'go-to' organisation for Local Government Improvement in Scotland, with a remit to work collaboratively to deliver improvement support to help councils and their partners improve the health, quality of life and opportunities of all people in Scotland through

community leadership, strong local governance and the delivery of high quality, efficient services. The purpose of the Improvement Service is to:

- Provide leadership to Local Government and the wider system on improvement and transformation;
- Develop capability and capacity for improvement within Local Government;
- Deliver national improvement programmes for Local Government and partners and support councils to improve at a local level;
- Provide research, data and intelligence to inform Local Government's policy-making and decision-making and to drive improvement;
- Deliver national shared service applications and technology platforms; and
- Broker additional resources to support the delivery of Local Government's priorities.

Purpose of our Strategic Alliance

The Accounts Commission and Improvement Service are committed to working together on matters of mutual interest, where it is appropriate and sensible to do so, and where collaborative gain will be derived for Scottish Local Government. We will:

- Generate collective momentum for improvement through targeted joint work in areas of strategic importance to Local Government. These areas include responding to the economic and social impact of the global Covid-19 pandemic, employability and fair work, child poverty, climate change, health and social care integration, community empowerment, digital transformation, collaborative leadership, equalities and governance.
- Use our unique and distinct roles to inform, facilitate and support each other's work. For example, data and intelligence gained through IS work will be used to inform audit work undertaken by the Accounts Commission, and recommendations from audit work will be used by the Accounts Commission to signpost IS support to local authorities.
- Consult with each other as we develop our annual Business Plans and work programmes, to identify opportunities to work together to secure collaborative gain and maximise the impact of our improvement work in Local Government.
- Engage jointly with elected members in areas of mutual interest such as community empowerment, options appraisal, partnership working, and effective scrutiny.
- Deliver collaborative events, such as workshops, roundtables, and webinars as appropriate, in priority areas for Local Government.

How we will work together

We will use our Strategic Alliance to work together to create traction and momentum for our partnership, recognising that it will be organic in nature and evolve and mature over time. This will involve regular discussions between the IS and Commission members in areas of shared priority, as well as colleagues from both organisations working jointly on shared pieces of work where it is appropriate to do so.

We will use this Strategic Alliance to capitalise upon the complementary strengths, skills, experience, knowledge and assets available within our respective organisations, as we work together more formally on matters of mutual interest. In doing so we will recognise and respect the distinct roles and responsibilities of our respective organisations as we work together.

Governing our Strategic Alliance

Progress against the delivery of our Strategic Alliance will be governed by the Improvement Service Board and Accounts Commission. We will review the progress we have made in delivering our shared ambition on an annual basis.

Elma Murray OBE
Interim Chair of Accounts Commission

Councillor Alison Evison
Chair of Improvement Service Board

MEETING: 11 MARCH 2021

**REPORT BY: AUDIT DIRECTOR, AUDIT SERVICES AND PERFORMANCE AUDIT
AND BEST VALUE**

FINANCIAL DEVOLUTION AND CONSTITUTIONAL CHANGE UPDATE

Purpose

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

Background

2. We provided an update to the Accounts Commission in September 2020 on financial devolution and EU withdrawal.
3. Significant developments since September 2020 include:
 - The impact of the Covid-19 pandemic on the Scottish public finances and significant changes to the funding to local government.
 - The proposed Spring Budget Revision for 2020/21 and the proposed Scottish Budget for 2021/22 have been announced.
 - The Scottish Government has continued to take on wider social security powers, and introduced the first component of the Scottish Child Payment at the start of 2021.
 - The UK has left the European Union.

Impact of Covid-19 on the public finances

4. The pandemic is placing huge demands on the Scottish public finances. Under the Scottish Government’s fiscal framework additional Barnett consequentials of £9.7 billion have been added to the Scottish budget in 2020/21. These are based on spending decisions in England taken by the UK Government and the Scottish Government decides how to apply these in devolved areas. It has spent broadly in line with the UK, though it has targeted some aspects to specific needs in Scotland or to align with existing policy priorities.
5. Funding for Covid-19 has built up during the year and applied as both governments respond to the emerging picture. The accumulation of Barnett consequentials and overlapping UK and Scottish Government spending announcements has increased the complexity and volatility affecting the Scottish public finances during the year. The increases in block grant were spread unevenly throughout the year. The Scottish Government has decided to carry the most recently announced UK funding of £1.1 billion to 2021/22.
6. On 24 February the Minister for Public Finance summarised for Parliament the additional Covid-19 funding to local government, including:
 - £456 million of previously announced measures
 - £200 million to compensate for reduced income

- £275 million of additional measures announced by the Cabinet Secretary for Finance on 16 February 2021
 - £259 million included in the 2021/22 budget.
7. This represents total additional funding of £931 million in 2020/21 and £1,190 million in total. In addition, the Scottish Government has agreed a number of fiscal flexibilities for local government that it has estimated are worth a further £600 million. These are accounting and financing measures that allow councils to defer some expenditure. COSLA has highlighted that the ability to take advantage of these measures will vary considerably between councils, and that they are likely to be worth less in practice.
 8. In late February, Audit Scotland published a briefing paper for the Auditor General for Scotland (AGS) [Tracking the implications of Covid-19 on Scotland's public finances](#), an update from our August paper, [Covid-19: Implications for public finances in Scotland](#). In this, we highlight the ongoing challenges to the Scottish Government's finances and performance caused by Covid-19.
 9. The introduction of Barnett guarantees during 2020/21 meant that the UK Government committed to levels of funding to the Scottish budget during the year, in advance of potential UK spending announcements that generate specific consequentials. This provided some earlier certainty to the Scottish Government over aggregate funding levels against which to make its own Covid-19 spending announcements. But also provides challenges and complexities in other respects, as it is not clear what UK spending the guaranteed funding relates to. If the Scottish Government commits this funding to its own spending initiatives, those funds would not be available to match any UK spending announcements made later.
 10. We estimated that the Scottish Government made over 170 Covid-19 related announcements between March and December 2020. These figures will not link directly to what is added to the budget for 2020/21, because some announcements are spread over multiple years, some programmes have underspends that are then recycled into other projects and some demand led projects do not include estimates of the required spending in the announcements.
 11. The Scottish Government has sought changes to the existing fiscal framework, including additional borrowing powers, to help it respond to the financial impact and uncertainties of the crisis. These have not been agreed by the UK Government. It also sought additional flexibility for Scottish councils to redirect some capital funds for revenue purposes. The UK Government has not agreed this approach providing its view that "financial support for Local Authorities should come from consequentials and not allow for 'additionality' nor borrowing".¹

Spring budget revision

12. Since the publication of our briefing paper, the Scottish Government has published its third budget revision of this financial year, its Spring Budget Revision (SBR). The Scottish Government's 2020/21 approved budget has increased by £7.1 billion since the beginning of the year, primarily as a result of the additional spending required to cover the costs of the Covid-19 pandemic.
13. The SBR includes a gross total of £3.26 billion of 'Covid-19 and Other Funding' changes in the SBR. The biggest changes by portfolio include:
 - Health and Sport - £494 million all of which is Covid-19 funding.

¹ As quoted in [COSLA letter to FCC, 24 November 2020](#)

- Community and Local Government - £844 million, £540 million is Covid-19 funding.
 - Education and Skills - £218.7 million, of which £104.2 million is Covid-19 funding.
 - Economy - £921 million, of which £782.8 million is Covid-19 funding.
14. The SBR includes £745.4 million of re-prioritisation of spending, usually as a result of underspends. Examples of this include:
- £180m re-purposing of Business Support Grant underspend (C&LG Portfolio)
 - £211.8m of redeployed/re-purposed funding across the Transport portfolio
 - £93.5m re-purposing/redeployment of SNIB underspend (Economy portfolio)
 - £90.1m of redeployed/re-purposed funding across the Social Security portfolio.

Proposed Scottish budget for 2021/22

15. The Scottish Government announced the proposed Scottish budget for 2021/22 was on the 28 January 2021. This set a total budget of £54 billion, a cash terms increase of 9 per cent on the previous year. This included £1.8 billion of spending for Covid-19.² The timing of the budget was disrupted this year as a result of Covid-19, departing from the agreed timetable established following recommendations of the Budget Process Review Group, restricting the opportunity for Parliamentary scrutiny and increasing budget uncertainty for local government.
16. This budget was however set in the context of uncertainty for the amount of money the Scottish Government would have to spend in the year. This was because the UK Budget had been pushed back to 3 March, after the Scottish budget. This meant that the Scottish Government had to make its budget proposals without a clear idea of what funding it would receive from the UK Government (though some information was provided about this at the UK Spending Review in November 2020), or what tax policies the UK Government would set. This made it harder for the Scottish Government to set its own tax policies, particularly for Scottish Income Tax (which needs to be set before the year-end) or introduce its desired policy of 100 percent Non-domestic Rates relief for businesses most affected by the pandemic.
17. In advance of the Stage 1 debate on the budget, the UK Government announced a further £1.1 billion in Barnett consequentials for 2020/21. The Scottish Government intends to apply the latest announced 2020/21 Barnett consequentials of £1.1 billion to its 2021/22 budget, and this has been agreed with HM Treasury.
18. The Cabinet Secretary for Finance has announced that this additional spending will be used to support a range of programmes in 2021/22, including providing full rates relief for properties in the retail, hospitality, leisure and aviation sectors to cover all of 2021/22. Additional funding will also be given to education, to provide support to low-income households, and extra support for mental health and to reduce waiting times.³
19. The Stage 1 debate was held on the 25 February. This passed with the support of the SNP, Labour and the Liberal Democrats, with the Conservatives voting against and the Green Party abstaining. This budget is different than most years, with more focus on the Stage 2 and 3 of the bill process, which will be held after the UK budget, on the 3 March.

² For more information about the Scottish budget, please see *Scottish Budget 2021-22*, SPICe, 1 February 2021

³ Chamber Official Report, 16 February 2021

20. A more detailed briefing on the 2021/22 budget proposals is provided to the Accounts Commission in a separate paper.

Scotland specific shock

21. In the Scottish Budget 2021/22, the Scottish Government announced that the Scotland specific shock powers have been triggered based on Office of Budget Responsibility and Scottish Fiscal Commission (SFC) economic forecasts. These powers were set out in the Fiscal Framework in 2016 and are now available because, on a four quarters on four quarters basis:
- annual GDP growth in Scotland is forecast to be below 1.0 per cent; and
 - growth in Scotland is forecast to be 1.0 percentage point or more below the UK.
22. The difference in the forecasts of UK and Scottish growth means the resource borrowing limit increases from £300 million to £600 million and the drawdown limits from the Scotland Reserve are removed for the next three years. The capital borrowing limits are unchanged. This has enabled the Scottish Government to fund all of the £309 million of income tax reconciliations from resource borrowing.
23. This difference in GDP growth forecasts is likely because of differences in timing. The latest SFC forecasts have been produced after the national lockdown announced in January, reducing short-term economic growth. The Office of Budget Responsibility (OBR) set their forecasts in November 2020, before the emergence of the new Covid-19 variant and the lockdown that followed.
24. The Scottish Government published its latest medium-term financial strategy alongside the 2021/22 Scottish budget.⁴ This sets out its assessment of Scotland's economic and fiscal outlook, as well as a broad spending outlook considering the effect of changing funding levels for government spending. The strategy includes broad funding and spending scenarios and sets out the Scottish Government's overall priorities. There is no information about planned spending options and how these could affect outcomes.

Social security powers

25. Administrative responsibility and accountability for the benefits - executive competence - has been devolved in stages. For 2019/20, the Scottish Government was responsible for Carer's Allowance, Sure Start Maternity Grant (which it has replaced and extended with Best Start Grants) and Funeral Expenses Payment (which it has replaced with Funeral Support Payment). Social Security Scotland also administered three Scottish only benefits, Carer's Allowance Supplement, Young Carer Grant and Best Start Foods. Executive competence for most remaining devolved benefits transferred on 1 April 2020, at which point Social Security Scotland became accountable for approximately £3.5 billion of annual social security expenditure. The Scottish Government has agreed that the DWP will continue to administer Carer's Allowance and other benefits on its behalf, until it is able to directly administer them.
26. On 1 April 2020 the Scottish Government announced changes to its delivery timetable for the remaining devolved benefits due to the impact of the Covid-19 pandemic. Further announcements followed in August 2020 for the delivery of the Scottish Child Payment and Child Winter Heating Assistance. In November 2020 the Scottish Government set out its revised delivery plans for Child Disability Payment and Adult Disability Payment. An updated timeline for delivery of the remaining benefits is set out below. The Scottish

⁴ Scotland's Fiscal Outlook: The Scottish Government's Medium Term Financial Strategy, Scottish Government, January 2021

Child Payment for children under six opened for applications in November 2020, with first payments being made in February 2021.

Figure 1 Timelines for the delivery of Scottish social security benefits

Wave 2 benefits	Delivery date pre Covid-19	Revised delivery
Severe Disablement Benefit Allowance ¹	April 2020	April 2020
Scottish Child Payment (under 6s)	Applications: Autumn 2020 Payments: Christmas 2020	Applications: November 2020 Payments: February 2021
Winter Heating Assistance – Children	By end 2020	November 2020
Child Disability Payment	Summer 2020	Pilot: Summer 2021 Full roll out: Autumn 2021
Adult Disability Payment	Early 2021	Pilot: Spring 2022 Full roll out: Summer 2022
Carer’s Additional Child Payment	Early 2021	 Delivery timetable being revised - dates to be announced
Pension Age Disability Payment	End of 2021	
Cold Spell Heating Assistance	Winter 2021	
Winter Heating Assistance – Older People	Winter 2021	
Scottish Carer’s Assistance	Early 2022	
Industrial Injuries Disablement Benefit	Autumn 2022	
Scottish Child Payment (under 16s)	End of 2022	

27. The 2021/22 budget includes around £3.6 billion of spending for devolved social security payments. This makes it the third largest area of the budget after health and local government. The Department for Work and Pensions will administer £3.3 billion of this, and £158 million will be administered by Social Security Scotland.⁵ Devolved social security spending is forecast to grow from £3.6 billion in 2021/22 to £4.3 billion in 2025/26. However, this doesn’t take into account that the Scottish versions of DWP benefits could be more expensive. SPICe note that: “the Scottish Government is focusing on 'safe and secure' transfer and not proposing large scale changes. However, given the scale of [Personal Independence Payment], small differences of policy could still have a big impact.”⁶

28. The Auditor General published his section 22 report on Social Security Scotland’s 2019/20 audit in December 2020.⁷ As was the case in 2018/19, the independent auditor’s report included a qualified opinion on the regularity of expenditure and income because of overpayments of Carer’s Allowance attributable to error and fraud. Expenditure resulting from such overpayments was not incurred in accordance with the Social Security Contributions and Benefits Act 1992.

⁵ This does not include spending for Child Disability Payments. If child Disability Living Allowance cases are transferred quickly, this could change for 2021/22.

⁶ [Social Security Budget 2021-22](#), SPICe, February 2021

⁷ [The 2019/20 audit of Social Security Scotland](#), Auditor General for Scotland, December 2020

EU exit

29. The UK Government and the European Union reached agreement about their future trading relationship and the governance of that relationship on 24 December 2020. Following parliamentary scrutiny on 30 December 2020, the agreement became law. The UK completed its transition out of the European Union at 2300 on 31 December 2020. New border arrangements between the UK and EU member states came into force immediately, along with new arrangements within the UK to maintain the status quo at the border between the Republic of Ireland and Northern Ireland.
30. The agreement meant that immediate concerns about the supplies of food, medicines and medical equipment into the UK without an agreement (“no deal”) were alleviated. There does not appear, to date, to have been an immediate impact on the flow of imports but this may have been offset by stockpiling in advance of the end of 2020. During January 2021 there were significant border problems affecting fisheries exports, trade between Northern Ireland and Great Britain, and other trade. The Scottish Fiscal Commission expect many of these problems to be short lived, but this highlights the border frictions caused by EU exit, and why international trade is forecast to grow more slowly in the future.⁸

Implications for the Scottish public sector

31. We have previously identified people, finance and the economy and rules and regulations as the three key areas of long-term uncertainty associated with EU exit for the public sector. At a strategic level, these three areas remain the most significant.
32. Within the public sector, the NHS, teaching and higher education may be affected by reductions in the number of workers wishing to come to the UK from the EU. Overall, social care is likely to be the most critically affected area, especially in the privately operated part of the sector. In the longer term it is unclear what effect exit from the EU and the UK government’s revised migration policy will mean for migration into Scotland.
33. It has always been predicted that for certain policy areas (food and environmental standards), there would be significant regulatory changes associated with EU exit and this has proven to be the case. The provisions of the UK Internal Market Act (UKIMA) provide for an integrated, single market with common standards across the whole of the UK. This may mean that areas that have previously been devolved to the Scottish Parliament may return to Westminster.
34. Under the UKIMA UK Ministers also now have a new power to provide direct funding for activities and infrastructure in Scotland, including in devolved areas, without the funding passing through the Scottish Consolidated Fund. This enables some funding streams replacing those previously provided by the EU (including structural funds) to be provided on a whole of UK basis.
35. On 24 February 2021 the UK Government announced that its Levelling Up Fund would be extended to the whole of the UK. The Chief Secretary to the Treasury, said that “communities in Scotland, Wales and Northern Ireland will now all benefit from at least £800 million of investment by the UK Government for town centre and high street regeneration, local transport, cultural and heritage projects”. The fund will invest in local infrastructure and will run from 2021/22 to 2024/25. Previously it had been thought the Fund would be England only, leading to Barnett consequential (estimated £400 million) that would be assigned as part of the Scottish Government’s budget.

⁸ [Scotland’s Economic and Fiscal Forecasts](#), Scottish Fiscal Commission, January 2021

36. Further details on how the Fund will operate will be published at the UK Budget – including who can bid, the types of projects eligible for funding, and the criteria for assessing proposals.

Implications for the Scottish economy

37. The Scottish Fiscal Commission published their updated forecasts for the Scottish economy alongside the Scottish budget on 28 January 2021. The January 2021 forecasts include the same judgements about EU exit as had been used in their recent forecasts, based on a smooth transition to a new free trade agreement with the EU. These assumptions are broadly in line with those used by the Office of Budget Responsibility in its November 2020 forecast for the UK.
38. The SFC notes: “the deal eliminates the immediate uncertainty around the outcome of the negotiations which has affected our recent forecasts, but there remains significant uncertainty about the long-run effects of Brexit on the Scottish economy.”⁹
39. The January 2021 forecasts capture the effects of EU exit through three main channels:
- Productivity – SFC forecast slow growth in productivity, in part because of EU exit.
 - Trade – SFC forecast slower growth in Scottish international trade from the end of the transition period.
 - Migration – the SFC forecast Scottish population growth to slow over the next few years, in part because of EU withdrawal.

Crown Estate Scotland

40. Crown Estate Scotland launched the Local Pilots Management Scheme in 2018 to create opportunities for communities to get more involved in managing parts of the Scottish Crown Estate. This aims to ensure that communities and local authorities have more say and influence.
41. In November, Crown Estate Scotland announced that it had signed an agreement with Forth District Salmon Fishery Board (Forth DSFB) which will see Forth DSFB take on extra responsibility over salmon fishing rights across a large area of eastern Scotland. The agreement is part of the Local Pilots Management Scheme, and is the first of a number of agreements Crown Estate Scotland currently has planned.¹⁰
42. In January, Crown Estate Scotland announced that developers will be able to apply for seabed rights to build Scotland’s next generation of offshore wind farms. The planned closing date for submitting applications was 31 March 2021. However, in light of the success of the UK bidding process – which led to much higher prices than expected – raised concerns that the existing Scottish process would under-price existing sites. The review of the planned scheme is expected to be completed by 24 March, but the revised closing date is currently unknown. The decision to delay was taken in agreement with Scottish Ministers.¹¹

⁹ *ibid*

¹⁰ [Landmark agreement secures local management of salmon fishing rights](#), Crown Estate Scotland, November 2020

¹¹ [ScotWind Leasing application timings extended](#), Crown Estate Scotland, February 2021

Conclusion

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

Mark Taylor

Audit Director, Audit Services and Performance Audit and Best Value

1 March 2021

MEETING: 11 MARCH 2020

REPORT BY: SECRETARY TO THE COMMISSION

UPDATE REPORT

Introduction

1. The purpose of this report is to provide an update to the Commission on significant recent activity relating to local government, focussing particularly on the response to the Covid-19 pandemic.
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 Commission also receives other regular information to complement this report, available through the members' extranet site:
 - The Controller of Audit report to the Commission which updates the Commission on his activity.
 - A detailed update on issues relating to local government which is considered by the Commission's Financial Audit and Assurance Committee.
 - The weekly news coverage briefing provided to the Commission by Audit Scotland's Communication Team.

Commission business

Publications

4. Audit Scotland collects media coverage on all the reports published by the Accounts Commission. Appendix 1 provides download statistics for the Commission's published reports over the last 12 months. Appendix 2 provides additional information on the overall engagement that reports and other business have received on social media.
5. In relation to engagement on social media, the most popular twitter post this month was the February meeting papers post, which appeared on 1,637 users' timelines. The most engaged with tweet was Andrew Burns' [video](#) summary of the meeting, with five per cent of people who saw the tweet liking, commenting or sharing it, just hours after it was posted. On 23 February the Commission re-promoted its performance audit on [Digital progress in local government](#) during Cyber Scotland week. The Commission also re-promoted the 2018 performance audit report [Children and young people's mental health](#) during Children's Mental Health Week at the start of February.
6. The period covered this month is much shorter than the previous month (just 24 days), and there is a noticeable drop-off in the engagement statistics. The previous period also covered the promotion of two major new reports which drove the numbers to their strongest performance on record.
7. In relation to the reach and engagement for the most recent Accounts Commission reports, its performance audit report on [Digital progress in local government](#), published

on 14 January, received detailed coverage in specialist technical journals and coverage from local media in [Edinburgh](#) and [Aberdeen](#). A number of stakeholders including the Digital Office for Scottish Local Government tweeted about the report. On 15 January the impact on social media was as follows:

- Trailer twitter post: 4,059 views and 130 likes, comments or shares.
 - Key messages post: 3,336 views and 96 likes, comments or shares. The animation was viewed 396 times.
 - Key characteristics post: 1,662 views and 26 likes, comments or shares. The animation was viewed 188 times.
8. The Commission's [Local Government in Scotland: Financial Overview 2019/20 report](#), published on 26 January, was covered widely, including by BBC Radio Scotland. A number of stakeholders including COSLA tweeted about the report. On 27 January the impact on social media was as follows:
- Trailer post: 6,763 views and 102 likes, comments or shares.
 - Main post. 8,042 views and 151 likes comments or shares. The animation was viewed 820 times.

Other Commission business

9. On 8 February Ian Bruce, Public Appointments Manager, Ethical Standards Commissioner wrote to the Interim Chair of the Accounts Commission, to [highlight](#) a report on time commitment, remuneration and other aspects of the role of public appointees 2020. The report details the findings of research conducted by the Ethical Standards Commissioner into the roles of chairs and board members of regulated public bodies. The Commission will be considering the time commitment of its members at its Strategy Seminar.
10. On 17 February the Accounts Commission invited expressions of interest from within Audit Scotland for an Interim Controller of Audit for a duration of up to 18 months. The closing date for any interest is Sunday 28 February 2021.
11. To mark this year's [International Women's Day](#) on 8 March, the theme of which is 'Choose to Challenge', Commission members have been invited to take part in conversations with Audit Scotland colleagues on their experiences.

Auditor General

12. On 17 February the Auditor General published an [overview report on the NHS in Scotland 2020](#). The report found that staff across the NHS and Scottish Government took early action during the first wave in 2020, including increasing intensive care capacity and pausing non-urgent treatment. Service innovation, such as a significant rise in video consultations, also happened within weeks and it is important these are learned from. However, there is now a substantial backlog of patients, with NHS boards prioritising those in most urgent need. It will be hard to deal with this backlog alongside the financial and operational challenges already faced by boards.
13. On 24 February the Auditor General wrote a blog, [Transparency needed to follow pandemic pound](#), to coincide with Audit Scotland's new briefing paper, [Tracking the implications of Covid-19 on Scotland's public finances](#). The briefing provides a snapshot of the position in advance of the Scottish Government's 2020/21 [Spring Budget Revision](#) which was published on 25 February 2021. The analysis follows Audit

Scotland's previous briefing paper [Implications for public finances in Scotland](#), published in August 2020, and is part of a series of work Audit Scotland is undertaking relating to Covid-19 spending and its impact in Scotland. The briefing notes that decision-making is happening in a fast-moving environment, and transparency is essential. Agenda item 10 provides more details on the implications of Covid-19 and the 2021/22 Scottish Budget on local government finances.

Audit Scotland

14. On 5 February Audit Scotland invited expressions of interest from Audit Scotland colleagues for the role of Interim Director of Performance Audit and Best Value for an 18-month duration. The closing date for any interest was Sunday 21 February 2021.
15. On 10 February the Cabinet Office [opened](#) a consultation on the expansion of the National Fraud Initiative (NFI) Data Matching Powers and the new Code of Data Matching Practice. Audit Scotland is in discussion with the Commission regarding a response and we will report further to the Commission in this regard.
16. On 19 February the Scottish Commission for Public Audit (SCPA) recommended that Audit Scotland's budget proposal for 2021/22 be approved. In its [report](#) the SCPA recognised the significant impact that Covid-19 has had on Audit Scotland's work, and welcomed that Audit Scotland was able to deliver its work programme effectively within the revised reporting deadlines. The SCPA also recognised the significant impact and volatility of Covid-19 along with the ongoing challenges in areas such as Brexit and the devolution of further financial powers, which mean that Audit Scotland's budget in 2021/22 is subject to much greater uncertainty than in previous years.
17. On 19 February Audit Scotland's Best Companies 2021 survey closed. The final response rate was 83 per cent, which means Audit Scotland raised £504 for its corporate charity MND (Motor Neurone Disease) Scotland. Audit Scotland will discuss the results of the survey with the Commission at a future meeting.
18. On 22 February Audit Scotland hosted a QandA session for staff with Jenny Marra MSP, current convener of the Public Audit and Post-legislative Scrutiny Committee.

Issues affecting local government

Scottish Government

19. Given that the Covid-19 emergency has resulted in a significant number of matters originating from the Scottish Government, this section is divided, for ease of reference, into the following sub-sections:
 - Local government general
 - Economy
 - Health and social care
 - Education
 - Transport
 - Communities
 - Business
 - Other matters

Local government general

20. On 11 February the Scottish Government published the [Heads of Terms Agreement for the Argyll and Bute Rural Growth Deal](#). The deal comprises £25 million from the UK and Scottish governments and at least £20 million from Argyll and Bute Council and partners. The proposals will support tourism, food and farming, distilling and defence.
21. On 15 February the Scottish Government [published](#) information on planning assumptions for councils to plan their housing supply for 2020/21.
22. On 16 February Kate Forbes, Cabinet Secretary for Finance [announced](#) that local authorities will receive an extra £275 million in the current financial year to address Covid-19 pressures while a further £40 million is being made available to support the safe reopening of schools, following confirmation of a further £1.1 billion of consequential funding arising from UK Government Covid-19 spending.
23. On 25 February the Scottish Government [published](#) local government finance circular 2/2021. This outlines guidance around councils' ability to use capital receipts received in 2020-21 and 2021-22 to fund the financial impact of Covid-19. This is one of the financial flexibilities agreed by COSLA and Scottish Ministers to help address the funding pressures arising from the pandemic

Economy

24. On 4 February the Scottish Government published its [Infrastructure Investment Plan for Scotland 2021-22 to 2025-26](#), which sets out the Government's vision for infrastructure to support and enable an inclusive net-zero emissions economy. Three themes underpin the plan: enabling net zero emissions and environmental sustainability; driving inclusive economic growth; and building resilient and sustainable places. A [capital spending review](#) and [analysis of responses](#) to the consultation on the plan have also been published.
25. On 5 February the Scottish Government [published](#) February's economic brief.
26. On 20 February the Scottish Government [launched](#) the women in the rural economy training fund, which will give women the chance to develop their skills and talents with the help of £100,000 worth of practical training.
27. On 25 February the Scottish Government [published](#) the 2020-21 Spring Budget Revision document. This is referred to in the paper for agenda item 10 on today's agenda.
28. On 27 February Kate Forbes, Cabinet Secretary for Finance [wrote](#) to the chancellor ahead of the UK Budget on Wednesday, calling on him to provide essential support such as extending the Job Retention Scheme beyond April and making the £20 Universal Credit uplift and Working Tax Credit permanent.
29. On 1 March the Scottish Government [published](#) ten recommendations by the Advisory Group on Economic Recovery across four areas to facilitate Scotland's economic recovery from the Covid-19 pandemic. Areas of focus include economic overview, financing business survival and resilience, financing opportunity and growth, and business support and collaboration. Finance Secretary Kate Forbes also [wrote](#) to the Chancellor ahead of the UK Budget on Wednesday

Health and social care

30. On 2 February the Scottish Government [announced](#) a change to the rates of allowances for adults who pay for their residential care in Scotland.

31. On 4 February the Scottish Government [published](#) details on how additional funding for alcohol and drug partnerships for this financial year (2020/21) will be allocated. Integration authorities have been allocated total funding of £3 million, with individual allocations based on the number of drug deaths in each area.
32. On 5 February Jeane Freeman, Cabinet Secretary for Health and Sport, [set out](#) details of additional funding of £491 million being provided to NHS Boards and Integration Authorities to support additional Covid-19 costs in 2020-21.
33. On 9 February the Scottish Government [announced](#) increased support for childminders, with grants of £750 being paid to all registered childminders in Scotland.
34. On 25 February the Scottish Government [highlighted](#) that Scotland's vaccination programme has delivered first doses of the Covid-19 vaccine to a third (33.4 per cent) of those eligible – more than 1.5 million people (1,515,980).
35. On 1 March Scottish Government [published](#) the final report of the Independent Forensic Mental Health Review. The report sets out the Review's recommendations for change.

Education

36. On 2 February the Scottish Government [announced](#) that, from 22 February, children in early learning and childcare and in primaries 1-3 are scheduled to make a full return to nurseries and schools. Limited numbers of pupils in S4-6 will also be able to complete in-school practical work that is essential for completing national qualifications on a part-time basis from the same date. To complement the return to in-school teaching, there will be an expansion of testing and two metre physical distancing for adults and pupils will be required in secondary schools. On 16 February the First Minister [confirmed](#) this phased-return would go ahead as planned.
37. On 4 February the Scottish Government [highlighted](#) that a taskforce comprising representatives of colleges, universities, students, unions and government met to consider the challenges that colleges and universities face in delivering practical learning as a result of the current Covid-19 restrictions.
38. On 16 February the Scottish Government [published](#) details of funding allocations of £45 million to allow local authorities to deploy more support to their schools and families as they deal with the challenges of remote learning during lockdown. The breakdown awarded to each local authority can be found [here](#).
39. On 18 February the Scottish Government [published](#) its teacher workforce planning model, 2021.
40. On 19 February the Scottish Government published a [Business and Regulatory Impact Assessment](#) and an [Equalities Impact Assessment](#), to assess the impact of the restrictions to the provision of Early Learning and Childcare in January and February 2021.
41. On 23 February the Scottish Government [published](#) statistics on the initial destinations and attainment of 2019-20 school leavers. The results show that 93.3 per cent of 2019-20 school leavers were in a positive destination three months after leaving school, a decrease from 95.0 per cent in 2018-19.

Transport

42. On 3 February Transport Scotland [published](#) the update and phase one recommendations report of the second strategic transport projects review. A metro

system in Glasgow and a mass transit system in Edinburgh form part of the Scottish Government's vision. The review aims to deliver the vision, priorities and outcome for transport set out in the [National Transport Strategy](#).

43. On 15 February Transport Scotland [highlighted](#) that the Scottish Government has awarded over £633,000 to support 45 e-bike projects across the country.
44. On 19 February Transport Scotland [published](#) a report on methods and approaches to help deliver inclusive design environments with town centres and busy street areas which serve a civic or public service function. The report, commissioned by the government, Transport Scotland, and the Department for Transport and conducted by consultants WSP, contained evidence on how inclusive engagement approaches can support inclusive design and evidence on physical design measures that support inclusive and accessible design.
45. On 24 February Transport Scotland [published](#) the 2020 edition of Scottish transport statistics. The number of journeys made by public transport fell from 517 million in 2018 to 502 million in 2019.

Communities

46. On 17 February the Scottish Government [published](#) a report by the Expert Advisory Group on Migration and Population. The report sets out analysis and policy options to inform a potential pilot scheme for migration to remote and rural areas of Scotland. It builds on earlier Expert Advisory Group reports, setting out the demographic challenges faced by remote and rural areas, and the potential for international migration to help address them.
47. On 23 February the National Records of Scotland [published](#) statistics estimating that 216 homeless people died in 2019, an 11 per cent increase on the previous year. The [report](#) found almost three-quarters of deaths were males and over half were drug-related. Scotland had a homeless death rate of 52.2 per million of the population aged 15-74, in contrast with 18.0 in England and 14.3 in Wales.
48. On 24 February the Scottish Government [announced](#) the launch of a £15 million Scottish Community Lenders Fund, to support affordable lending services. It will support credit unions and community development financial institutions to offer financial aid to those with poor credit often turned away from high street banks.

Business

49. On 2 February the Scottish Government [published](#) information for local authorities on the local authority discretionary fund. Local authorities can use this funding to provide direct financial support to businesses in their area for the purposes of mitigating immediate financial challenges arising from Covid-19 restrictions and regulations.
50. On 3 February the Scottish Government [announced](#) a new £7.75 million funding package to support fishermen, seafood businesses and ports and harbours threatened by the ongoing effects of Covid-19 and Brexit.
51. On 10 February the Scottish Government [highlighted](#) payments made to local authorities to support businesses following the tightening of Covid-19 restrictions at Christmas. New statistics show a total of £276 million was paid through the strategic framework business fund, the hospitality, leisure and retail top up payments, and the taxi and private hire driver support fund since November last year, with a total of £244 million paid in January.
52. On 16 February the Scottish Government [announced](#) that retail, hospitality, leisure and

aviation businesses will pay no business rates during 2021-22. This is one of a series of measures proposed by Kate Forbes, Cabinet Secretary for Finance following confirmation of a further £1.1 billion of consequential funding arising from UK Government Covid-19 spending.

53. On 16 February the Scottish Government [announced](#) that two funds totalling £60 million to support newly self-employed, close contact businesses and driving instructors whose livelihoods have been impacted by the pandemic are open to applications.
54. On 24 February the Scottish Government [highlighted](#) that the Scotland Food and Drink Partnership's Regional Food Fund to help drive projects that celebrate locally sourced and produced food and drink has reopened for applications.

Covid-19 measures

55. On 2 February the Scottish Government [announced](#) new measures to drive down Covid-19 rates in Scotland including supervised quarantine for anyone who arrives directly into Scotland regardless of which country they have come from. The new measures also include the expansion of access to testing.
56. On 5 February the Scottish Government [highlighted](#) that Scotland's next community testing site for people without Covid-19 symptoms will open in Cowdenbeath, Fife on 10 February.
57. On 17 February the Scottish Government [highlighted](#) that from 18 February anyone who is identified as a close contact of somebody who has tested positive for Covid-19 will be asked to get tested. The measure is designed to find asymptomatic cases that would otherwise go undetected.
58. On 20 February the Scottish Government [confirmed](#) that routine indoor visiting of care home residents by relatives, friends and carers will be able to resume from early March with care providers supporting residents to have up to two designated visitors each and one visit a week for each visitor. On 24 February the Scottish Government published [guidance](#), to support contact to resume.
59. On 22 February the Scottish Government [confirmed](#) that people in the Joint Committee on Vaccination and Immunisation (JCVI) priority group 6 are beginning to receive coronavirus vaccination appointments. People with conditions on both the JCVI list and the flu vaccine list and unpaid carers who receive carers' benefits or who have been identified by GPs will be invited first. Jeane Freeman, Cabinet Secretary for Health and Sport, has [written](#) to MSPs to provide an update.
60. On 23 February the First Minister [outlined](#) the Scottish Government's [Strategic Framework](#) to move the country out of lockdown. It has been discussed with trade unions, business organisations and opposition parties, and provides the initial priorities and indicative timeframe on restarting the economy. The First Minister said there was limited scope for easing restrictions at this stage but if all goes to plan, Scotland will move back to a level system from the last week of April, with all areas in level 4 moving to level 3 in the first instance. This will be dependent on all JCVI priority groups 1-9 being vaccinated by mid-April. Further detail on how exactly this will take place, including any revisions of the level systems, will be published in mid-March. The next phase of school return will start on Monday 15 March for the remaining primary school and some senior phase secondary pupils. The final phase of school return will start on Monday 5 April. The stay at home requirement will be lifted and retail restrictions will be relaxed at the same stage, but non-essential retail is not expected to reopen until Monday 26 April. The First Minister said changes would be at intervals of three weeks to ensure any easing did not have a significant impact on virus transmission.

Other matters

61. On 3 February Leslie Evans, Permanent Secretary to the Scottish Government [tweeted](#) that Joe Griffin has been appointed as the new Director General Education and Justice at the Scottish Government.
62. On 5 February Jamie Hepburn, Minister for Business, Fair Work and Skills wrote to chief executives of public bodies to request information on how recommendations from the Equality and Human Rights Committee report – [Race Equality, Employment and Skills: Making Progress?](#) – will be taken forward.
63. On 18 February Leslie Evans, Permanent Secretary to the Scottish Government [tweeted](#) that Lesley Fraser has been appointed as the new Director General Corporate at the Scottish Government.
64. On 22 February the Scottish Government [published](#) the strategic framework for a cyber-resilient Scotland.

Scottish Parliament

65. On 2 February SPICE [published](#) the 19th issue in a series of briefings covering the negotiations on the future relationship between the EU and the UK.
66. On 4 February Ken Macintosh, Presiding Officer [proposed](#) a plan for election recess and dissolution. Parliament will be asked to approve a six-week election recess starting on 25 March. Formal dissolution will take place on 5 May, ahead of the election on 6 May.
67. On 5 February SPICE [published](#) a briefing which sets out a summary and analysis of the local government budget for 2021-22.
68. On 17 February MSPs [backed](#) (For 65, Against 58, Abstentions 1) a Liberal Democrat [motion](#) to reform Scottish the Qualifications Authority and Education Scotland.
69. On 18 February SPICE [published](#) a briefing on the Fair Rents (Scotland) Bill.
70. On 19 February SPICE [published](#) a briefing on earnings in Scotland in 2020.
71. On 19 February SPICE [published](#) a briefing on the Disabled Children and Young People (Transitions to Adulthood) (Scotland) Bill.
72. On 22 February Annie Wells MSP [lodged](#) a motion for debate on whether local government should have its own fiscal framework that will automatically entitle it to a fixed proportion of the Scottish Budget each year.
73. On 23 February SPICE [published](#) a briefing on the latest labour market update.

Parliamentary Committee News

Public Audit and Post Legislative Scrutiny Committee

74. On 4 February the Committee [took evidence](#) from Stephen Boyle, Auditor General for Scotland, Mark Taylor, Audit Director, Audit Scotland, Gareth Davies, Comptroller and Auditor General and Darren Stewart, Director of Financial Audit, National Audit Office, on the report on [Administration of Scottish Income Tax 2019-20](#).
75. In February the Committee took evidence from Stephen Boyle, Auditor General for Scotland and Audit Scotland on:

- [section 22 report on the 2019/20 audit of the Scottish Police Authority](#)¹
- [section 22 report on the 2019/20 audit of NHS Tayside](#)

76. On 16 February the Committee [published](#) its report on the Scottish Government's annual report on the use of settlement agreements.

Local Government and Communities Committee

77. In February the Committee took evidence on, amongst other items:

- [financial settlement for local government](#), as set out in the Scottish Government's budget for 2021-2, and subordinate legislation.
- [financial settlement for local government](#), subordinate legislation, the third sector and housing, and local government's perspective on climate change and the green recovery.

78. On 9 February the Committee published a [submission](#) from COSLA on the draft Scottish Budget for 2021/22. The Accounts Commission's local government overview report was referenced in the submission.

79. On 19 February Kevin Stewart, Minister for Local Government, Housing and Planning [wrote](#) to the Committee to advise that legislation for a short-term lets licensing scheme has been [withdrawn](#) from the Scottish Parliament, to allow for draft guidance to be developed. A stakeholder working group has been established to help develop the guidance. Subject to the outcome of the election, the government intends to re-lay the legislation in June to ensure the timetable on introducing licensing remains the same. Legislation allowing councils to establish short-term let control areas will continue.

80. On 19 February the Ethical Standards Commissioner [wrote](#) to the Committee to provide information on the complaints process for councillors and progress in restructuring the backlog of complaints.

81. On 26 February the Committee [published](#) a report on the implementation of the 2015 Community Empowerment (Scotland) Act. The committee focused on participation and asset transfer requests, concluding not enough has been done to empower people from deprived backgrounds to take action in their communities.

Finance and Constitution Committee

82. On [3 February](#) and [10 February](#) the Committee held evidence sessions as part of its scrutiny of the Scottish Budget 2021-22.

83. On 12 February Ivan McKee, Minister for Trade, Innovation and Public Finance [wrote](#) to the Committee on the UK Trade Bill amendment.

84. On 12 February the Legacy Expert Panel of fiscal, economic and constitutional experts including Mark Taylor, Audit Director, Audit Scotland [published](#) a report to the Committee, identifying the main scrutiny challenges that will arise over the next five-year term of the Scottish Parliament. The panel recommends that the Scottish Parliament define its role more clearly in response to Brexit. The panel also said that devolution has grown more complex following recent fiscal powers and post-Brexit changes and that Holyrood must change its approach to scrutiny following the 2021 election. The panel recommended an independent review that focuses on committee

¹ A section 22 report allows the Auditor General to bring attention to Parliament and the public matters of wider interest arising from the annual audits of public bodies.

remits and considers fiscal and Brexit-related issues raised by experts and the legacy reports of other committees, before reporting back to parliament “as soon as possible”.

85. On 15 February Kate Forbes, Cabinet Secretary for Finance [wrote](#) to the Committee, to provide further information on borrowing powers and financial transactions following her evidence session on 10 February.
86. On 17 February the Committee [took evidence](#) on the impact of Brexit on devolution.
87. In February the committee published, amongst other items:
 - a [briefing](#) from committee adviser, David Phillips, on the Scottish Budget 2021-22 forecast and fiscal framework issues
 - a [briefing](#) from its internal market advisor, Kenneth Armstrong, on the EU-UK Trade and Cooperation Agreement
 - a [report](#) on the Scottish Government Budget 2021-22. It found Covid-19 has likely exacerbated existing structural inequalities in Scotland and a fair and equal economic recovery should, therefore, focus support on lower income, less educated, younger workers and help their progression in the labour market.

Covid-19 Committee

88. In February the committee took evidence on, amongst other items:
 - [subordinate legislation](#)
 - the [Covid-19 vaccination programme](#)
 - [the Citizens Panel](#)
89. On 18 February the Committee [published](#) the report from the Covid-19 Citizens Panel. The Panel [recommends](#) that the government pursue an elimination strategy or a maximum suppression strategy with a strengthened Test and Protect to keep numbers low. The report urges the government to define what strategy it is pursuing and criticises the government for its early handling of the pandemic with specific mention of previous lockdowns happening too slowly.

Other committees

90. On 3 February the Education and Skills Committee [took evidence](#) from John Swinney, Deputy First Minister and Cabinet Secretary for Education and Skills on Covid-19 and education and the additional support for learning review. Audit Scotland was mentioned.
91. On 7 January the Education and Skills Committee [wrote](#) to John Swinney, Deputy First Minister and Cabinet Secretary for Education and Skills, to seek an update on two public petitions: PE01692: Inquiry into the human rights impact of Getting It Right for Every Child (GIRFEC) policy and data processing and PE1548: National Guidance on Restraint and Seclusion in Schools. A response has been [published](#).
92. On 10 February the Health and Sport Committee [published](#) its report on the future of social care and support in Scotland, based on evidence sessions throughout the parliamentary session which pointed to funding and staffing issues. The report's [press release](#) describes the current model as unsustainable, concluding that those delivering and receiving care must be at the heart of social care reform.
93. On 12 February Fiona Hislop, Cabinet Secretary for the Economy, Fair Work and

Culture [wrote](#) to the Economy, Energy and Fair Work Committee, to set out how the government intends to use consequential Covid-19 funding. The letter includes a list of policies the government intends to use parts of the consequentials on, including the young person's guarantee, support for skills and training and investment to prevent long-term unemployment.

94. On 16 February the Health and Sport Committee [published](#) its phase two report on what primary care should look like for the next generation. The report builds on the [phase one](#) findings and sets out conclusions for changes in the way services are delivered and received.
95. On 16 February John Swinney, Deputy First Minister and Cabinet Secretary for Education and Skills [wrote](#) to the Education and Skills Committee on the phased reopening of schools and childcare.
96. On 19 February the SQA and Education Scotland [wrote](#) to the Education and Skills Committee on the impact of lockdown on learning and teaching.
97. On 23 February the Standards, Procedures and Public Appointments Committee [published](#) a report following its inquiry into the resilience of parliamentary practices and procedures in the face of the pandemic.

Local government news

98. On 4 February the GMB union [claimed](#) that a Dundee City Council bonus scheme paid to employees in roles typically filled by men is "discriminatory". This was subject of discussion by the Commission's Financial Audit and Assurance Committee at its February meeting.
99. On 18 February Scottish Borders Council [apologised](#) for a data breach which affected around 600 customers.
100. On 23 February the Chartered Institute of Public Finance and Accounting (CIPFA) published its annual [Fraud and Corruption Tracker survey](#). One emerging theme as [reported](#) by Public Finance was the inability of councils to tackle usual areas of fraud due to resources being re-directed into the processing and review of business grants associated with COVID-19.

Public policy news

101. On 5 February the Fraser of Allander Institute [published](#) a report on Scotland's adult social care system for people with learning disabilities. The report finds that despite positive progress, the system still falls short of enabling people with learning disabilities to attain the quality of life that was envisaged in key government strategies.
102. On 9 February the Commission on School Reform [called upon](#) the Scottish Government to establish a programme of school catch-up to help children who have missed out on education during lockdowns.
103. On 16 February the Resolution Foundation [published](#) a briefing note on how families have managed their housing costs over the Covid-19 period, showing that housing arrears have grown steadily over the crisis, and that renters are at the sharp end when it comes to housing cost pressures.
104. On 16 February the group UK In A Changing Europe [published](#) its report *Brexit and Beyond: Policy*. The report examines the impact of Brexit on policy areas including agriculture, climate change, competition, consumer protection, cybersecurity, fisheries, health, education and financial services.

105. On 18 February the Education Policy Institute [published](#) a report comparing the education recovery plans of the four UK nations. The report found the catch-up plans offered insufficient support for pupils and were unlikely to address the scale of learning loss. Funding committed directly in Scotland was the most generous on a per pupil basis.
106. On 18 February a report by the Homelessness Prevention Review Group, set up by the Scottish Government in October 2019, [recommended](#) that efforts to prevent homelessness should start up to six months before someone faces losing their home.
107. On 19 February the Fraser of Allander Institute has published a [report](#) on the relative position of the Scottish economy in comparison with other regions of the UK. It found that while Scotland has income levels close to the UK average at first glance, income levels vary widely when looking at smaller regions within Scotland.
108. On 22 February the University of Stirling [launched](#) a new research project examining how local authorities procured goods, works and services during Covid-19.
109. On 22 February the Institute of Economic Affairs [published](#) a report on the phased return to school. It argues the pandemic has exposed longstanding problems in the education system and government policy should look beyond short-term recovery and temporary change.
110. On 22 February the Scottish Mental Health Partnership, comprised of 17 national charities, [launched](#) its joint manifesto with calls for greater investment in mental health and wellbeing for the whole population, preventing mental ill-health in the most at-risk communities, and providing a choice of support, care and treatment. The partnership includes organisations such as Samaritans, SAMH, the Royal College of Psychiatrists in Scotland, and the Mental Health Foundation. The organisations have also [written](#) to party leaders to call for radical changes to meet the mental health needs of the public.
111. On 27 February Anas Sarwar was announced as the new Scottish Labour leader. He polled 57.6 per cent of the vote, compared to 42.4 per cent for Monica Lennon.
112. On 28 February the Scottish think tank Common Weal [published](#) a report recommending that council tax should be replaced.
113. On 1 March the Institute for Government [published](#) a report about devolution funding. It looks at the Barnett formula in theory and practice.

COSLA

114. On 29 January COSLA [published](#) a joint letter with the Scottish Government, to provide an update on the Community Choices 1 per cent Framework Agreement. So far over 122,000 voters have had a direct say on the dispersal of more than £6.6 million, with around 47,000 people attending participatory budgeting events across Scotland. As a result of the pandemic many local authorities have had to pause participatory budgeting activity.
115. On 29 January COSLA [published](#) an analysis of the local government settlement 2021/22.
116. On 11 February COSLA [published](#) Charging Guidance for 2021-22. The guidance is intended to assist Local Authorities and Integration Authorities to determine whether to charge a person for social care support at home, and in calculating how much to charge.
117. On 12 February COSLA [published](#) a parliamentary briefing setting out its response to

the Independent Review of Adult Social Care. The accompanying press release [highlights](#) council leaders' concern at the recommendations around the future governance and accountability arrangements contained within the review.

118. On 22 February COSLA [urged](#) all Scottish political parties to recognise and protect the role of local government within their manifestos, as part of the launch of its [Blueprint report](#). COSLA hopes to see manifesto pledges that reference the importance of democratically elected local councillors, that deliver a fair funding settlement for local government, and that allow for government functions to be managed and delivered as close to communities as possible.

Improvement Service

119. On 19 February the Improvement Service [highlighted](#) that a partnership project between the Improvement Service and all local authorities to automate the process of address (and street) gazetteer data uploads to the [One Scotland Gazetteers](#) is nearing completion.
120. On 19 February the Improvement Service [published](#) a survey, to help understand more about current levels of understanding of psychological trauma across the workforce, and to what extent trauma informed practice is currently embedded and where additional support may be required in future.
121. On 24 February the Improvement Service [highlighted](#) that the latest information on the economic impact of Covid-19 across Scotland's council areas is available in its [dashboard](#). The Covid-19 Economic Impact Dashboard highlights the current uptake of government support schemes across local authorities in Scotland.
122. On 26 February, the Improvement Service published the [Local Government Benchmarking Framework Overview report 2019/20](#) along with the accompanying [My Local Council tool](#) and [How Councils are using the LGBF](#) which provides examples of how councils are using the LGBF to drive improvement and inform decision making. The new Chair of the LGBF Board, Kenneth Lawrie, will be presenting the report to the Accounts Commission at its April meeting.

Scrutiny, inspection, regulatory and related bodies

Scottish Public Ombudsman (SPSO)

123. The [SPSO's Newsletter – February](#) 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 at its next meeting.

Scottish Housing Regulator (SHR)

124. On 16 February Michael Cameron, Chief Executive, SHR [wrote](#) a blog on what the past year means for the future of social housing and its regulation, concluding that now more than ever, it will be important to have a meaningful dialogue with tenants, residents and communities around what's important to them and what they want and need from their landlord.
125. On 25 February SHR [updated](#) its monthly Covid-19 dashboard with January data.

Other UK audit bodies

126. On 28 January the National Audit Office (NAO) [published](#) a departmental overview of

the Ministry of Housing, Communities and Local Government.

127. On 1 February Gareth Davies, the NAO Comptroller and Auditor General [published](#) a blog on tackling the challenges facing public sector spending.
128. On 10 February the NAO [published](#) a report evaluating how effectively the UK Government supported the clinically extremely vulnerable during lockdown through the shielding programme. The report found that the shielding programme was a swift government-wide response to protect clinically extremely vulnerable people against Covid-19. However, at the start of the pandemic there was no way to quickly identify all those who needed to shield, with the full list of those eligible for support not stabilising until May.
129. On 12 February the NAO [published](#) a report examining how the Treasury and HMRC manage tax measures with environmental objectives, including the work undertaken to design, monitor and evaluate them.
130. On 18 February the NAO [published](#) an interactive guide, which sets out good practice principles for annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.
131. On 19 February the NAO [launched](#) an inquiry into the timeliness of local auditor reporting on local government in England in 2020.
132. On 19 February the NAO [published](#) a departmental overview of the Department for Environment, Food and Rural Affairs.
133. On 22 February Audit Wales [announced](#) that Ann-Marie Harkin had been appointed Executive Director of Audit Services at Audit Wales.
134. On 23 February Audit Wales [announced](#) it is running a week long learning event from 8 to 12 March on novel and innovative practices emerging from the Covid-19 pandemic. The following themes will be covered:
 - The role of communities during Covid-19
 - Crisis Governance
 - Dynamic Strategy
 - Impact of Covid-19 on the workforce
 - Communication and engagement

UK Government

135. On 1 February the Scottish Affairs Committee [published](#) the UK Government's response to recent reports on Covid-19 and Scotland. The government broadly supports the committee's recommendations around intergovernmental working, including lessons learned from Exercise Cygnus, and recognises the need for further planning around immigration, supply chain and exports for Scotland. However, it rebuts claims that it gave mixed messages to the devolved nations during the pandemic and claims of poor practice related the publication of scientific advice.
136. On 5 February the UK Government published its [May 2021 polls delivery plan](#), which applies to all polls in England and to Police and Crime Commissioner elections in England and Wales on 6 May 2021. An estimated £92 million of government grant funding that will be provided to local authorities; of this, £31 million is to address costs associated with making the elections Covid-19 secure.

137. On 11 February the Department of Health and Social Care [published](#) a white paper setting out legislative proposals for a health and care bill. The proposals aim to integrate health and social care services across England.
138. On 15 February the UK Government [highlighted](#) that it has provided an additional £1.1 billion to devolved administration in Scotland to support people, businesses and public services affected by Covid-19, bringing the total allocated through the Barnett formula to the Scottish Government since the start of the pandemic to £9.7 billion.
139. On 17 February the Environmental Audit Committee [published](#) its report on the green recovery from Covid-19. The committee recommended VAT reductions to encourage energy efficiency, increasing the use of recycled materials and repair services, and investing in green transport and energy infrastructure.
140. On 18 February, the UK Government [published](#) statistics on local government finance.
141. On 22 February Prime Minister Boris Johnson [set out](#) the UK Government's roadmap for easing lockdown restrictions in England. Restrictions for England will be lifted in four steps, the introduction of each step will depend on: the success of vaccine rollout; the number of hospital admissions and deaths; the extent to which the NHS is under pressure; and the impact of any variants. There will be at least five weeks between steps to allow data to reflect the impact of restrictions and to give the public notice.
142. On 22 February the UK Government [announced](#) secondary school and college students in England will be provided with two rapid Covid-19 tests each week from the return of face-to-face education on Monday 8 March. They will also take three tests in school facilities as they return to the classroom. All school and college staff will be provided with two tests per week.
143. On 24 February the UK local government minister Luke Hall told MPs that the government was [considering](#) whether a "system leader" could oversee local government audit in the future, after it rejected the Redmond review's proposal of a statutory body.
144. On 25 February the UK Government [published](#) a joint statement from the UK Chief Medical Officers (CMOs) recommending that the UK Covid-19 alert level move from level 5 to level 4.
145. On 26 February the UK Government [announced](#) the Levelling Up Fund will be extended to Scotland, Wales and Northern Ireland until 2024-25, with £4.8 billion to be invested in local projects such as regeneration and transport.
146. On 27 February the UK Government announced that central Scotland will be the first area to receive access to gigabit speed broadband through a £4.5 million investment from the UK Gigabit Programme, covering more than 5,300 homes and businesses.
147. On 3 March the UK Government [published](#) its budget for 2021/22. This includes:
 - £39.4 billion for the Scottish Government in 2021/22, including:
 - £35 billion baseline funding
 - £2.4 billion Barnett consequentials that were announced before the 2020/21 budget
 - £0.7 billion non-Barnett funding for farmers, land managers and fisheries
 - £1.2 billion Barnett consequentials announced in the 2021/22 budget
 - Plus: £1.1 billion guaranteed Covid-19 funding for Scotland that can be spent in

2020/21 or 2021/22 (this was [announced](#) on 15 February 2021).

- An acceleration of three Scottish City and Region Deals for Ayrshire, Argyll and Bute and Falkirk.
 - £27 million for the Aberdeen Energy Transition Zone and £5m for the Global Underwater Hub.
 - Establishing a [UK Infrastructure Bank](#) to help tackle climate change and support regional and economic growth. The bank will provide loans to local authorities across the UK for strategic infrastructure projects.
 - Extending the Job Retention Scheme (furlough) and the Self-employed Support Scheme until the end of September.
 - An extension to the business rates holiday to the end of June. For the remaining nine months of the year, business rates will be discounted by two thirds, up to a value of £2 million for closed businesses, with a lower cap for those who have been able to stay open.
148. On 4 March SPICE published a [blog](#) summarising the budget with some commentary on the implications for Scotland's public finances. The Scottish budget will be considered at Stage 2 on Monday 8 March and Stage 3 on Tuesday 9 March. It is not yet clear whether the Scottish Government will amend the face of the Bill and allocate the additional UK Government funding announced on 4 March or wait for an in-year Budget Revision to do so. Audit Scotland colleagues presenting item 10 will be able to provide a verbal update on the implications of UK budget for the Scottish and local government budgets.
149. Alongside the 2021/22 budget announcement the UK Chancellor reported that the Office for Budget Responsibility (OBR) had [predicted](#) the economy will reach pre-Covid-19 levels by the middle of next year, six months earlier than predicted.
150. On the 3 March, in response to the 2021 budget, the [Local Government Association](#) said that 'we continue to call on government to meet - in full - all cost pressures and income losses incurred by councils as a result of the pandemic.'
151. On 4 March, in response to the 2021 budget, [CIPFA's](#) CEO, Rob Whiteman said that the budget was 'notably silent on support for public services'. He said that while the extension to business support was welcome, it 'will represent an additional administrative burden for local authorities that already face increasing demands on their available resources.'

Other UK news

152. In February the County Councils Network in England published a [report](#) on the future of adult social care.
153. On 24 February Leeds City Council [approved](#) £87.5 million worth of budget reductions alongside redundancies and a 4.99 per cent rise in council tax.
154. In February Public Finance reported that [new legislation](#) passed by Stormont will allow councils to charge different levels of household and business rates for the first time.

Conclusion

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

Paul Reilly
Secretary to the Commission
5 March 2021

APPENDIX 1: Accounts Commission reports in past 12 months – downloads

Report	Date	Report downloads	Podcast downlds
Local Government in Scotland: Financial Overview 2019/20	26 Jan 21	594 (n/a)	n/a
Digital progress in local government	14 Jan 21	1,083 (n/a)	n/a
Digital progress in local government – supplement 1 (checklist)	14 Jan 21	122 (n/a)	n/a
Digital progress in local government – supplement 2 (methodology)	14 Jan 21	47 (n/a)	n/a
Housing Benefit Performance audit: annual update 2020	8 Dec 20	129 (+58)	n/a
Best Value Assurance Report: The City of Edinburgh Council	26 Nov 20	760 (+165)	n/a
Covid-19 Strategic Scrutiny Group	5 Nov 20	602 (+67)	n/a
Best Value Assurance Report: Aberdeenshire Council	22 Oct 20	609 (+62)	n/a
Best Value Assurance Report: Dundee City Council	29 Sept 20	788 (+73)	n/a
Best Value Assurance Report: Moray Council	27 Aug 20	1,272 (+51)	n/a
Accounts Commission annual report 2019/20	2 July 20	392 (*)	n/a
Best Value Assurance Report: North Ayrshire Council	30 June 20	929 (46)	n/a
Local government in Scotland Overview 2020	23 June 20	1,451 (+104)	n/a
Equal pay in councils - Impact report	9 June 20	607 (*)	n/a
Best Value Assurance Report: Argyll and Bute Council	21 May 20	916 (40)	n/a
Affordable housing	9 April 20	2,448 (+169)	n/a
The 2018/19 audit of Renfrewshire Council: Report on accounts closure	24 Mar 20	280 (*)	n/a
Early learning and childcare: follow-up	3 Mar 20	2,401 (+70)	155 (*)
2018/19 audit of Fife IJB	27 Feb 20	502 (*)	n/a
2018/19 audit of Glasgow City Council: Update on equal pay settlement	6 Feb 20	424 (*)	n/a

Key:

(x) Increase in numbers since last month

* This figure is below 30

n/a Not applicable.

APPENDIX 2 – Accounts Commission social media engagement data

	Followers*	Posting views	Video views	Links accessed	Retweets	Likes	Replies
Mar 20	520 (+17)	13,100	11	29	129	23	1
Apr 20	526 (+6)	3,400	1	7	4	2	1
May 20	539 (+13)	7,700	177	135	14	43	0
Jun 20	561 (+22)	5,000	1,900	53	24	45	2
Jul 20	583 (+22)	12,600	408	19	30	86	4
Aug 20	590 (+7)	7,100	129	27	18	18	0
Sep 20	605 (+15)	9,700	607	82	35	46	2
Oct 20	617 (+12)	10,700	526	34	26	34	0
Nov 20	639 (+22)	23,400	730	106	49	53	3
Jan 21	683 (+30)	50,000	2,400	128	94	103	9
Feb 21	686 (+3)	11,000	307	20	9	10	1

Increase on previous month shown in brackets

MEETING: 11 MARCH 2021

REPORT BY: INTERIM CHAIR OF ACCOUNTS COMMISSION

INTERIM CHAIR'S UPDATE REPORT

Purpose

1. This report provides an update on the engagements and work of the Interim Chair of the Accounts Commission.

Engagement and Audit Scotland business

2. The engagements and work in the period from 1 to 28 February have been as follows:

Audit Scotland Board and Committee meetings

- There were no meetings in February.

Audit Scotland engagement

- 10 February – Audit Scotland Corporate Governance Review meeting with Gayle Fitzpatrick, Corporate Governance Manager.
- 17 February – Catch up with Stephen Boyle, Auditor General for Scotland and Accountable Officer, Audit Scotland.
- 17 February – New Audit Appointments Steering Group meeting.
- 15 February – Catch up with Fraser McKinlay, Controller of Audit, to discuss interim arrangements to support the Commission, as well as his thoughts on the role of the Controller of Audit.
- A number of meetings with David Blattman, HR & OD Manager, to develop and initiate the internal recruitment campaign to appoint an Interim Controller of Audit.

External engagement

- 4 February – Best Value in Integration Joint Boards with Peter MacLeod, Chief Executive, Care Inspectorate and Robbie Pearson, Chief Executive, Healthcare Improvement Scotland to discuss how we will take this forward in partnership and the sharing of intelligence gathered by our respective bodies.
- 8 February – Scottish Human Rights Leadership Taskforce meeting with Alan Miller, Co-Chair, to discuss the forthcoming publication of their report and the potential implications for audit and scrutiny bodies.
- 15 February – Local Government Benchmarking Framework catch up with, Kenneth Lawrie, Chair and Chief Executive of Falkirk Council, and Emily Lynch, Programme Manager Performance Management & Benchmarking, Improvement Service.
- 17 February – Catch up with Sally Loudon, Chief Executive, Cosla.

- 18 February – Development of a Strategic Alliance with the Improvement Service. Finalising the proposals with Sarah Gadsden, Chief Executive, Improvement Service, Paul Reilly, Commission Secretary, and Antony Clark, Audit Director.
- 19 February – Catch up with Gill Imrey, HM Chief Inspector of Constabulary in Scotland on the approach to Strategic Scrutiny.
- 22 February – Catch up with Brenda Campbell, Deputy Director for Local Government at Scottish Government to provide an update on the Commission work programme and strategy.
- 22 February – Joint Strategic Scrutiny Group and Shared Intelligence Group follow up meeting with Sarah Gadsden, Alastair McLellan, Joint Chair of SIG and Co-Lead for Quality, Gemma Diamond and Mark Roberts, Audit Directors and Strategic Scrutiny Group Secretaries, Leigh Johnston, Senior Audit Manager, and Donald Morrison, Healthcare Improvement Scotland.
- 24 February – Best Value Engagement with Integration Joint Board Chief Finance Officers and Chief Officers with Stephen Moore, member, and Antony Clark and Leigh Johnston.
- 25 February – Stephen Gallagher, Director for Local Government & Communities who has just been appointed into the new role of Director of Vaccines Strategy & Policy, Health and Social Care Department.
- 26 February – Stephen Boyle, Auditor General, and Jim McCormick, The Robertson Trust, as a follow-on to the recent meeting between the Commission and Jim McCormick.

Commission business, development and support

3. Commission business has been as follows:

- Weekly catch ups with Paul Reilly, Secretary to the Commission, and Jillian Elgin, Executive Assistant.
- Several calls and communications with Commission members about the recruitment approach and process to appoint an Interim Controller of Audit.
- 1 February – Engagement and Roundtable discussion with Paul Reilly, Antony Clark, Gemma Diamond and Mark Roberts.
- 3 February – Preparatory meeting for February Commission meeting with Paul Reilly and Tim McKay, Interim Deputy Chair.
- 4 February – Coffee and catch up with Commission Support Team, Paul Reilly, Peter Worsdale, Commission Support, Lucy Carter, Policy Manager, Jillian Elgin, and Erin Lee, Audit and Business Assistant.
- 4 February – Strategy Seminar planning discussion with Tim McKay, Paul Reilly, Jillian Elgin, Peter Worsdale and Lucy Carter.
- 9 February – Catch up with Tim McKay.
- 10 February – Accounts Commission pre meeting with Commission members.
- 10 February – Sponsor catch ups with Tim McKay and Local Government Overview team to discuss the approach, timing and emerging messages for the Local Government Overview due for publication in May.
- 10 February – Performance Audit Committee discussion with Christine Lester, Performance Audit Committee Chair, Paul Reilly and Tim McKay.

- 11 February – Members meeting with Mr Kevin Stewart MSP, Minister for Local Government.
- 11 February – Accounts Commission meeting.
- 11 February – Commission Insight session with members and Sylvia Douglas, Founder and CEO of MsMissMrs, Norma Austin Hart, Chief Executive, Third Sector Interface Dumfries & Galloway, and Sabir Zazai, Chief Executive, Scottish Refugee Council.
- 15 February – Catch up with Antony Clark and Leigh Johnston on the new approach to auditing best value in IJBs and preparing for the meeting with IJB Chief Officers and Chief Finance Officers.
- 16 February – Best Value Working Group meeting. Updates are shared with Commission members at each monthly Commission meeting as a standing item on our agenda.
- 22 February – Strategic Scrutiny Group preparatory meeting and agenda setting with Gemma Diamond.
- 22 February – Controller of Audit recruitment catch up with Tim McKay and Sheila Gunn, member.
- 22 February – Digital discussion with David Robertson, Digital Services Manager.
- 23 February – Forward Planning meeting with Tim McKay, Paul Reilly and Lucy Carter.
- 25 February – Financial Audit and Assurance Committee and Performance Audit Committee meetings.

4. Other areas of work have included:

- Working on the recruitment for the Interim Controller of Audit appointment.

Forthcoming activities

5. My forthcoming engagement activities include:

- Weekly catch ups with Paul Reilly and Jillian Elgin.
- 2 March – Strategic Scrutiny Group pre meeting with Fiona Duncan, Chair of The Promise Oversight Board.
- 2 March – Preparatory meeting for March Commission meeting with Tim McKay and Paul Reilly.
- 4/8 March – Preparation for and interviews for Interim Controller of Audit.
- 9 March – Strategic Scrutiny Group.
- 9 March – Best Value Working Group.
- 10 March – Accounts Commission pre meeting.
- 10 March – Monthly sponsor catch up with Tim McKay and Local Government Overview team to discuss the approach, timing, and emerging messages for the Local Government Overview.
- 11 March – Accounts Commission meeting.
- 11 March – Accounts Commission insight session.

Conclusion

6. The Commission is invited to:
 - a) note this report and enquire about any areas of interest
 - b) consider whether there are any changes that they would wish to see to the format and content of the report for the future.

Elma Murray
Interim Chair
28 February 2021