

# Annual report

2015/16



# Who we are

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

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

Our work includes:

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

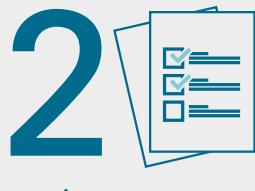
You can find out more about our role, powers and meetings on the Accounts Commission [web pages](#) .

The current members of the Commission are listed on [page 14](#).

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# Our year



## Top downloads 2015/16



**7,675**  
Health  
inequalities  
in Scotland  
**December 2012**



**6,614**  
School  
education  
**June 2014**



**5,337**  
An overview  
of Scotland's  
criminal justice  
system  
**September 2011**



**4,507**  
An overview  
of local  
government  
in Scotland  
**2015**  
**March 2015**



**4,371**  
Health and  
social care  
integration  
**December 2015**

# Chair's foreword



While it may be an overused cliché that councils 'face significant challenges', that does not detract from the truth of the statement underlined by the pressure of reduced resources, of an ageing and more costly population, and the legitimate expectations of the public for high-quality local services.

There are three key priorities facing councils. Firstly, the effective management of resources. Secondly, improvement in the use of those resources not only in either reducing costs or increasing outputs but also in ensuring that money is well spent – for example in preventing or mitigating known problems before they arise. Thirdly, councils ensuring that they have all the necessary skills and capacity to manage an increasingly complex provision of services.

I have heard it argued that reduced resources make continuous improvement – the duty of Best Value – harder to achieve. But reduced resources do not mean reduced services. Councils currently spend over £20 billion each year. Cutting costs before cutting services is a legitimate expectation of the public as is the need to demonstrate that every pound represents a pound well spent.

The Commission also faces new challenges in our continuing responsibility of providing assurance to the public, not least in shining a light on where accountability lies in the increasingly complex world of public services.

“  
need to  
demonstrate  
that every pound  
represents a  
pound well spent  
”

The Scottish Government has given us the additional responsibility to audit the new integrated joint boards – the Health and Social Care Partnerships between councils and health boards responsible for some £9 billion annual spending. These new bodies also have a duty of Best Value and face the challenge of building a shared culture of trust and acting always in the best interests of the joint board.

We enjoyed the opportunity to celebrate 40 years of the Commission and the continuing importance of our values of independence, impartiality and the integrity of our evidence-based work.

I offer my thanks to my fellow Commissioners for the commitment and the thoroughness of their contributions, to our Secretary for his sound advice and management of the Commission's business, and to the Controller of Audit and staff in Audit Scotland for their continuing high standard of work for the Commission.

**Douglas Sinclair**  
Chair of the Accounts Commission

# Summary



## Overview of local government

Our annual overview report (March 2016) said cuts alone in jobs and services were no longer enough to meet increasing financial pressures.

Scotland's 32 councils managed to balance their books effectively in 2014/15, but face a five per cent real terms reduction in Scottish Government revenue funding for local government in 2016/17.

Councils need to be more ambitious in their plans, better at longer-term planning, and willing to appraise all practical options for delivering services more efficiently and effectively.

Despite spending reductions, improvements were shown in educational attainment, the quality of council housing and waste recycling, although customer satisfaction with social work, libraries and leisure services declined.

Most councils have reduced their workforces to save money and many are planning further staff reductions. In doing so, they need to ensure they have people with the knowledge, skills and time to design, develop and deliver effective services in the future.

Councils should also involve local people more in making decisions about services that are sustainable and meet local needs.

It is important that councillors keep updating their skills and knowledge to do their jobs so they can challenge and scrutinise decisions and performance, and fully assess options for new and different ways of delivering services.



An overview of  
local government  
in Scotland 2016  
March 2016

# Our work



## Accounts Commission business

Our role as the public's watchdog is founded on the annual financial audits we carry out on Scotland's 32 councils.

This is how we check to ensure public money is spent effectively and wisely. We work closely with scrutiny partners to coordinate work at each council, as set out in our [National Scrutiny Plan](#)



In recent years, councils have made increasing use of arm's-length external organisations (ALEOs) to provide leisure and other services. In August 2015, we reviewed the Following the Public Pound Code and found it was still valid but it should be embedded into our new approach for Best Value.

As well as helping councils improve we also apply that lesson to ourselves, looking closely at what we do and how we can do better.

In March 2016, the Commission approved a new [Code of Audit Practice](#) to improve how audits are carried out, including greater transparency to show the public how money is spent. Clearer information means people have a greater say in decisions that affect them. This was underlined in our latest statutory direction to councils on the performance information they produce.

We also looked hard at our own recruitment policies to attract a broader range of candidates. Three new Commission members were appointed in September 2015. We were keen to reflect the Scottish Government's equality ambition for a 50/50 gender balance on public sector boards by 2020. The appointment of three new female Commission members represented significant progress towards that goal.

# Best Value

Best Value is a legal duty on councils to deliver continuous improvement in what they do. It has been in place since 2003. A lot has changed since then but Best Value remains as relevant and important as ever.

All councils have an annual financial audit but only a few are specifically examined on their performance – usually when it is showing signs of failing. Some have not had a Best Value audit for five years or more.

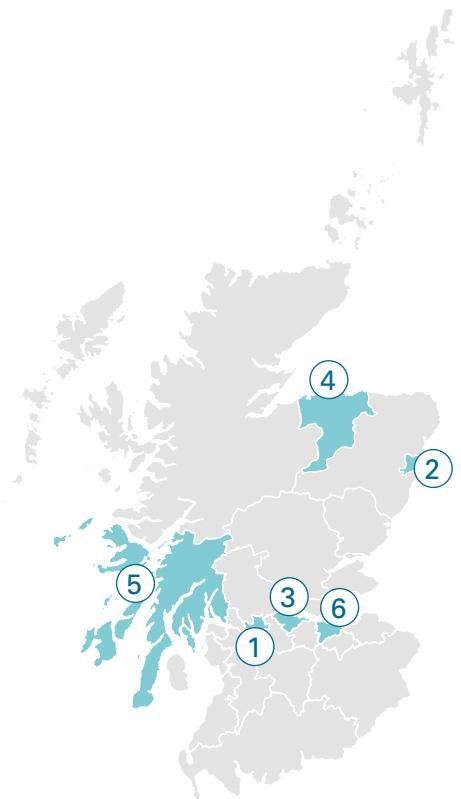
The Commission has set out a fresh approach to give the public more assurance on how their councils are doing. We want this to capture good performance as well as where they are doing badly or falling behind other councils.

The aim is to provide a much clearer and up-to-date picture for the public so that people can make informed judgements on how services are run.

This requires a more streamlined service by integrating audit processes to capture richer intelligence – of good as well as poor practice – and achieve more effective reporting on each council.

The plan is to bring in the key elements of the Commission's new approach from October 2016 but with flexibility for the arrangements to evolve and adapt to meet future challenges.

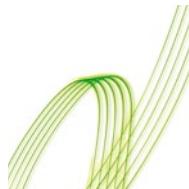
Six Best Value performance audits were carried out in 2015/16.  
The Commission issued findings on each council:



1. East  
Dunbartonshire  
 June 2015



2. Aberdeen  
City  
 July 2015



3. Falkirk  
 August 2015



4. The Moray  
 October 2015



5. Argyll  
and Bute  
 December 2015



6. The City  
of Edinburgh  
 February 2016

# National reports

We published five national reports, three of them jointly with the Auditor General in areas where there are common interests between councils and other public bodies.

Two were about health and social care integration, the most far-reaching public service reform since the establishment of the Scottish Parliament.

Councils and health boards, through Health and Social Care Partnerships, now jointly have the legal responsibility to make a significant start in the shift from hospital care to care at home and care in the community. The Commission has been given the responsibility of auditing the new joint partnerships.

*Health and social care integration* looked at preparations for the new bodies and found significant risks over budgets and time to get established. *Changing models of health and social care* found some small-scale innovative practice around Scotland but lack of national leadership and clear planning meant transformational change to make a real difference was not happening fast enough.

*Community Planning: an update* followed up two previous reports and found a gap still exists between national expectations of Community Planning Partnerships and how they plan and deliver services.

The importance of what local government provides was highlighted not only in the overview but also *Major capital investment in councils: follow-up*. Over the last three years councils spent £7 billion on capital investment – more than half of all Scottish public sector capital expenditure. The report found councils need to improve further the way they manage major projects like schools, roads, housing and flood prevention.



Health and social care integration

December 2015



Major capital investment in councils: follow-up

January 2016



Community Planning: an update

March 2016



Changing models of health and social care

March 2016



An overview of local government in Scotland 2016

March 2016

# Looking back

40 years of the  
**Accounts  
Commission**



## 40 years of the Accounts Commission

Last year was also a time for looking back further – over our first four decades. The Accounts Commission came into being in 1975 as a part of major reforms of local government. A new post of Controller of Audit was created to lead the audit work for the Commission.

The guest of honour at a reception to mark the first 40 years was James Dargie, the first Controller of Audit. Now 98, he spoke of the early days when he started with a blank sheet, effectively building the organisation up entirely from scratch in just three months.

Mr Dargie pioneered the professional code for public sector auditors and the mixed system which is still in operation today – where 60 per cent of audits are carried out by Audit Scotland staff for the Commission and the remainder by private firms of accountants on its behalf.

Speaking at the reception, Local Government Minister Marco Biagi welcomed the announcement of the Commission's most gender-balanced line-up to date and applauded it for staying "true to its principles" over the last 40 years.



## Controllers of Audit

 (L►R):

Robert Black (1994-2000,  
interim 2003-04)

Ronnie Hinds (2000-03)

James Dargie (1974-82)

Caroline Gardner (2004-10)

Fraser McKinlay (2010-present)

John Broadfoot (1989-94)

Harris Wells (2000)

Other Controllers of Audit were:

James Troman (1982-85)

Robert Simpson (1985-89)

# Engagement



## Working with others

The Commission belongs to the wider local government community in Scotland. Our role as independent watchdog is not simply a narrow financial one.

The chair and Commission members followed up reports with meetings either at a council's headquarters or in Edinburgh. Direct feedback and exchange of views provide insight both for us as well as councils.

The Commission provided briefings to Parliamentary committees. It has also had regular informal discussions and meetings with Scottish ministers, MSPs, and key figures from local government.

Auditors spoke at various conferences and seminars over the year. The reports *Health and social care integration* and *Major capital investment in councils* stimulated a great deal of interest, much of which was promoted on social media.

The [Commission's web presence](#)  received a significant boost in traffic with a relaunched website in November. Our top five report downloads of 2015/16 showed the ongoing impact of previous reports. Health inequalities, school education, and criminal justice were the top three followed by two from 2015 – the local government overview and health and social care integration.



Engagement  
plan 2015/16:  
Progress report  
May 2016



We are also making more use of background information from some of our reports. This is now presented in the interactive Tableau format, providing useful insights and allowing comparisons to be made over time and by council area.

The first to go online was based on data from the *Major capital investment in councils* report. Initial feedback has been positive and we hope this will prove a valuable resource in addition to the Improvement Service's benchmarking framework. Better information helps better decision-making.

We fulfilled our commitment to provide practical advice for councillors in all our performance audits. We also published reports on the impact of previous audits for [\*Scotland's public sector workforce\*](#) (August 2015) and [\*Procurement in councils\*](#) (February 2016).

The Commission worked with the Auditor General in developing our joint commitment to the principles behind [\*Public audit in Scotland\*](#) (May 2015).



**Major capital investment in councils: follow-up**  
January 2016

# Our members

The Accounts Commission currently has 12 members, all of whom are appointed by Scottish ministers. The Commission meets monthly and its meetings are open to the public.

In October 2015, we said farewell to three members, Colin Peebles, Linda Pollock and Colin Duncan, who reached the end of their terms of office. We welcomed new appointments Dr Sophie Flemig, Sheila Gunn and Geraldine Wooley.



Douglas  
Sinclair

Chair

 Register  
of interests



Alan  
Campbell

 Register  
of interests



Sandy  
Cumming

 Register  
of interests



Sophie  
Flemig

 Register  
of interests



Sheila  
Gunn

 Register  
of interests



Ronnie  
Hinds

Deputy chair

 Register  
of interests



Christine  
May

 Register  
of interests



Tim  
McKay

 Register  
of interests



Stephen  
Moore

 Register  
of interests



Graham  
Sharp

 Register  
of interests



Pauline  
Weetman

 Register  
of interests



Geraldine  
Wooley

 Register  
of interests

Secretary to  
the Accounts  
Commission



Paul Reilly

# Annual report

2015/16

This report is available in PDF and RTF formats,  
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[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

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and updates, follow us on:



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