

Accounts Commission for Scotland

Annual statement on sustainable economic growth for 2017/18

1. The Public Services Reform (Scotland) Act 2010, section 32(1)(a) requires listed public bodies to publish a statement on sustainable economic growth as soon as possible after the end of the financial year.
2. The following statement sets out the steps that the Accounts Commission has taken in 2017/18 to promote and increase sustainable growth through the exercise of its functions.
3. The Accounts Commission, established in 1975, 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.
4. 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.
5. The Accounts Commission contributes to sustainable economic growth in Scotland by holding local authorities to account and helping them to improve. This is achieved by undertaking performance, Best Value and financial audits to provide assurance that money and resources are being used properly, efficiently and effectively and to highlight areas for improvement.
6. We can report jointly with the Auditor General for Scotland as appropriate, thus ensuring joined up messages for the different parts of Scotland's public sector for which we have responsibility for auditing and holding to account.
7. The Accounts Commission also contributes to sustainable economic growth by engaging auditors from both public sector (Audit Scotland) and private sector (firms of accountants) to undertake audits and in sustaining the market for the supply of these services. 2016/17 saw the second year of the current round of five-year auditor appointments for all of our audit work.
8. In 2017/18 we oversaw 188 financial audits (covering 32 councils, 30 health and social care integration joint boards, 32 other local authority joint boards and committees, 11 pension funds and 83 charities). We published six Best Value Assurance Reports, two follow-up Best Value audits, two statutory reports on individual councils, three national performance audits (one jointly with the Auditor General), and our two local government overview reports.

9. Annual financial audit reports cover the full range of audit work done in the year, providing the audited bodies and stakeholders with a comprehensive and independent view of financial management, governance and performance in public bodies. Auditors review the financial position and sustainability of public bodies and promote good financial management and planning.
10. Our annual overview reports of local government reports on the sustainability of councils. We publish two reports: a financial overview in the Autumn and a wider overview in the spring. [Local government in Scotland: Financial Overview 2016/17](#) was published on 28 November 2017 and [Local government: challenges and performance 2018](#) was published on 5 April 2018.
11. In this year's overviews, we reported that Scotland's councils received £15.2 billion of income in 2016/17. We found that:
 - Local government in Scotland continues to operate in a complex and changing environment that involves increasing levels of uncertainty, particularly around Brexit. Meanwhile, the Scottish Government remains committed to a significant pace of public sector reform, with some major changes for local government at key stages of implementation. These events are taking place in the overall context of substantial reductions in public spending alongside increasing demand for many local public services.
 - Developing new ways of working – or transformational change – is now an essential part of the agenda for councils as they respond to these challenges. Delivering savings is becoming increasingly critical, with forecast funding gaps higher than current levels of reserves for some councils.
 - Under current arrangements, some councils can expect to see government funding fall further than others as their total population declines while their older population grows and demand for key services, such as social care, increases.
 - Councils have done a considerable amount to manage the impact of continued budget reductions, and national indicators suggest they have maintained or improved performance in a number of areas. However, there is also evidence that budget cuts are having an impact on services, and customer satisfaction levels have fallen. Some services are not keeping up with demand and there is a risk that quality is being affected. Smaller services, which often include important regulatory functions, have borne the brunt of funding reductions
12. The reports make a series of recommendations to councils and provides practical advice to elected members to help them fulfil their responsibilities.
13. The past year has seen us implementing the second year of our new approach to auditing Best Value. An important feature of the new approach is better integration between the annual financial audit and Best Value audit work. This is intended to ensure more efficient and effective approaches to our audit work. The annual audit reports for all 32 councils provide an assessment of elements of councils' performance against their Best Value duty. In addition, as part of the new approach, we published six Best Value Assurance Reports:
 - [Inverclyde Council](#) has made much progress since a previous report in 2005 which had identified serious failings at the council. It has changed significantly, developing a positive culture of improvement which has resulted in better service

performance. However, the council still faces big challenges and needs to maintain this positive momentum.

- [Renfrewshire Council](#) started from a strong base – its last report in 2006 highlighted strong and effective leadership. Improvements have been made since then in the way it plans, manages and carries out its business. The Commission urged councillors to make new scrutiny arrangements work, ensure more constructive political arrangements and make better use of training and development opportunities.
- [East Renfrewshire Council](#) remains a high performing council but councillors need to play a more prominent role in dealing with tough challenges ahead. The council's clear vision and priorities are well supported by its councillors and officers. School education is a particular strength but performance in other areas is more varied.
- [West Lothian Council](#) had a similar conclusion – a good performing council which is reflected in improving services for local people. However, councillors need to play a more active role in responding to a major funding gap and also in scrutiny of policy priorities and performance.
- [Orkney Islands Council](#) is the smallest of Scotland's 32 councils by population. Councillors and officers work well together in providing effective leadership. The council is in a strong financial position and a focus on the differing needs of communities across the islands. It has to ensure robust, longer-term financial plans are in place to meet changing need, particularly for a growing elderly population.
- [Clackmannanshire Council](#), the smallest mainland council, prompted concern from the Commission: it must take urgent and decisive action to sort out its financial problems. Councillors and officers need to work together and bring in external support to make difficult decisions which have been put off in the past. The Commission will consider another update report on the council in 2019.

14. In all of these reports, an important feature has been an assessment of the council's strategic planning with its community planning partners in delivering a vision for its area, thus including how it will sustain its local economy.

15. We also reported progress in two councils on whom we had previously reported in relation to Best Value:

- [East Dunbartonshire Council](#) has responded positively to previous concerns and needs to maintain momentum. Improvements have been made in key areas such as leadership of the transformational change programme and in financial management, but in other areas it remains too early to judge.
- [Falkirk Council](#) has also made encouraging progress over the previous year. Effective leadership needs to steer its five-year improvement programme and meet savings targets.

16. The Commission also used its powers to publish two reports bringing serious issues of wider concern to all councils and to the public. These related to a significant fraud at Dundee Council and poor building controls evident after a school wall collapsed in Edinburgh.

17. We carry out performance audits to help councils improve the quality of their services, do more with their money, and find lower-cost ways of working to the same or better standards. Our audit reports carry recommendations for councils to help them improve, and we publish good practice checklists and case studies. These also identify potential savings.
18. All of our national performance audits contain recommendations for councils and partners to improve. This year's examples of how these reports have helped sustainable economic growth include:
- [Self-directed support](#) followed up on a previous report on the new care model that offers people more choice and control over their social care. The report found that self-directed support is not yet achieving its full potential. While many have benefitted from self-directed support, health and social care integration boards have a lot to do to provide this for everyone.
 - [Equal pay in councils](#) reported on the longstanding and complex issue of pay differences in comparable roles traditionally carried out by men and women. It examined how effectively councils have implemented the 1999 Single Status Agreement to harmonise pay structures. Since 2004, around 70,000 equal pay claims have been lodged against councils. The cost of compensation agreements and settling claims, along with legal fees, amounts to around £750 million. There are nearly 27,000 outstanding claims and new ones could still be made. The report found that there was a lack of collective national leadership to overcome challenges and address equal pay issues in a timely way.
 - [Early learning and childcare](#) revealed significant risks for the Scottish Government's ambition to double early learning and childcare hours by August 2020. Councils are preparing to provide 1,140 funded hours for all three and four-year-olds – and eligible two-year-olds – to improve outcomes for children and to support parents to work, study or train. They estimate they will need around £1 billion of annual revenue spending on these commitments by 2021/22. Providing those hours will require a large increase in the number of childcare staff and changes to premises. This will be difficult to achieve in the time available. Detailed planning by the government should have been started earlier and there was also a considerable gap between what local councils and the Scottish Government expect the policy to cost.
19. The [National Scrutiny Plan for Local Government](#) (published April 2018) shows the strategic scrutiny work for the financial year 2017/18. This plan is our sixth and is based on risk assessments of each council and agreed local and national priorities. This has led to much better co-ordination between scrutiny bodies, including Education Scotland, Care Inspectorate, Scottish Housing Regulator, Her Majesty's Inspectorate of Constabulary for Scotland, Fire and Rescue Service Chief Inspector and Health Care Improvement Scotland. It has also helped the Commission target its Best Value work and reduce the overall burden of scrutiny on councils.
20. Our work for the year is reported in our [annual report](#). All of our audit reports can be found on our website at www.audit.scotland.gov.uk.