

Accounts Commission for Scotland

Annual statement on sustainable economic growth for 2018/19

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 2018/19 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. 2018/19 saw the third year of the current round of five-year auditor appointments for all of our audit work. We are now developing a procurement strategy for a new round of appointments from 2021.
8. In 2017/18 we oversaw 192 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 87 charities). We published six Best Value Assurance Reports, three national performance audits (two 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 2017/18](#) was published on 29 November 2018 and [Local government: challenges and performance 2018](#) was published on 21 March 2019.
11. In this year's overviews, we reported that Scotland's councils received £17.4 billion of income in 2017/18. Scottish Government revenue funding to councils reduced in 2017/18, in cash terms by 0.6 per cent (£0.06 billion) and in real terms, by 2.3 per cent (£0.22 billion). Council tax increases and increased fees and charges were used by councils to increase overall budgets by £0.3 billion (cash terms). We found that:
 - Scotland's councils are managing to improve and maintain most services. But Scottish Government funding to councils is likely to reduce in future; this, combined with increased demand and less flexibility over spending decisions, means councils need to think differently about how they deliver services to the public.
 - Some services are beginning to show signs of pressure and change is needed to tackle a growing gap between demand and resources. Nearly 70 per cent of councils' spending is on social care and education, and more money is being committed to Scottish Government priorities. This leaves councils less flexibility in where to spend and where to save.
 - At the same time councils are facing increased demand. All councils will see a continued rise in the number of people aged 65 and over, and ten councils an increase in the number of children under 15.
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 seven Best Value Assurance Reports:
 - [Fife Council](#) (published 24 May 2018) continues to improve and has tackled aspects of underperformance head on. This report makes clear that overall the council continues to improve since the previous audit in 2009, with a strong commitment from councillors and staff to realise the change and improvements needed to meet future challenges. This includes tackling the council's significant budget gap of £43 million over the next three years.
 - [East Ayrshire Council](#) (29 May 2018) is performing well, services are improving, and there is strong partnership working. The council has maintained the strong performance reported in previous audits in 2006 and 2010. The majority of

services are improving. These improvements have been achieved against a backdrop of financial, social and economic challenges in East Ayrshire.

- [West Dunbartonshire Council](#) (28 June 2018) has made significant progress in recent years. A critical part of the progress made has been the effective and improved leadership of councillors and officers, sharing a commitment to making improvements. There has been clear and steady improvement in service performance, particularly in the council's priority areas of housing and advancing educational attainment. Local residents also express increasing satisfaction with council services.
- [Glasgow City Council](#) (23 August 2018) has made steady progress over the last decade and has a clear plan to tackle the city's challenges. But the Commission has serious concerns that the council may be facing a period of unprecedented financial pressure on services because of the potential cost of resolving equal pay claims. The council is working well with its partners to support economic growth and has improved performance across many service areas, including educational attainment, wellbeing of children and young people, and wider health outcomes. It is important this momentum continues.
- [East Lothian Council](#) (1 November 2018) has improved significantly but faces big challenges with a rising population. The report looks back to a highly critical report in 2007 which highlighted various failings, including leadership, openness and financial planning at the council. The report says improvements have been made across the board in governance, leadership, scrutiny and transparency in decision making. Financial management is effective, and East Lothian has a good track record in delivering services within budget.
- [Dumfries and Galloway Council](#) (22 November 2018) has made good progress and needs to take this further to meet the challenges it is facing. The report contrasts with a 2009 report which identified serious weaknesses in leadership, management and services. It now has a clear strategic direction, more effective leadership and better systems for planning, monitoring and continuous improvement.
- [South Lanarkshire Council](#) (28 March 2019) demonstrates strong leadership, has a good approach to the way it manages its finances and has delivered improvements to many services. The council delivers major capital projects on time and on budget, has redesigned services and has a culture of continuous improvement. This will help them to meet the financial challenges that all councils continue to face.

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. The Commission also used its powers to publish a report bringing serious issues of wider concern to all councils and to the public. This related to poor building controls evident after a school wall collapsed in Edinburgh.
16. 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.

17. 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:

- [Councils' use of arm's-length organisations](#) (17 May 2018) looks at how councils are using the estimated 130 ALEOs (arms-length external organisations) in Scotland, which have an annual spend of more than £1.3 billion, and the impact they are making. The report says they have brought benefits, including reducing costs, increased uptake in sport and leisure and improved standards of care. Councils have strengthened their oversight of ALEOs. They are showing improving practice in evaluating them as an option but could do more to involve the public and wider stakeholders in that process.
- [Children and young people's mental health](#) (13 September 2018) reports that a big increase in young people being referred to mental health services and longer waiting times are signs of a system under significant pressure. The report advises of the need for a step change in the way the public sector responds to the mental health needs of children and young people. It finds that the current system is geared towards specialist care and responding to crisis, despite government strategy being focused on early intervention and prevention.
- [Health and social care integration: an update on progress](#) (15 November 2018) reports that while some improvements have been made to the delivery of health and social care services, Integration Authorities, councils and NHS boards need to show a stronger commitment to collaborative working to achieve the real long term benefits of an integrated system. The report notes some progress, but says the remaining challenges are significant. It finds that success will depend on long term integrated financial planning and stable and effective leadership. The report says all bodies involved need to tackle these issues as a matter of urgency in order to transform the way services are provided for Scotland's ageing population.

18. The [National Scrutiny Plan for Local Government](#) (published 6 April 2018) shows the strategic scrutiny work for the financial year 2018/19. This plan is our seventh 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.

19. 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.

Accounts Commission
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