

# Annual assurance and risks report

Local government

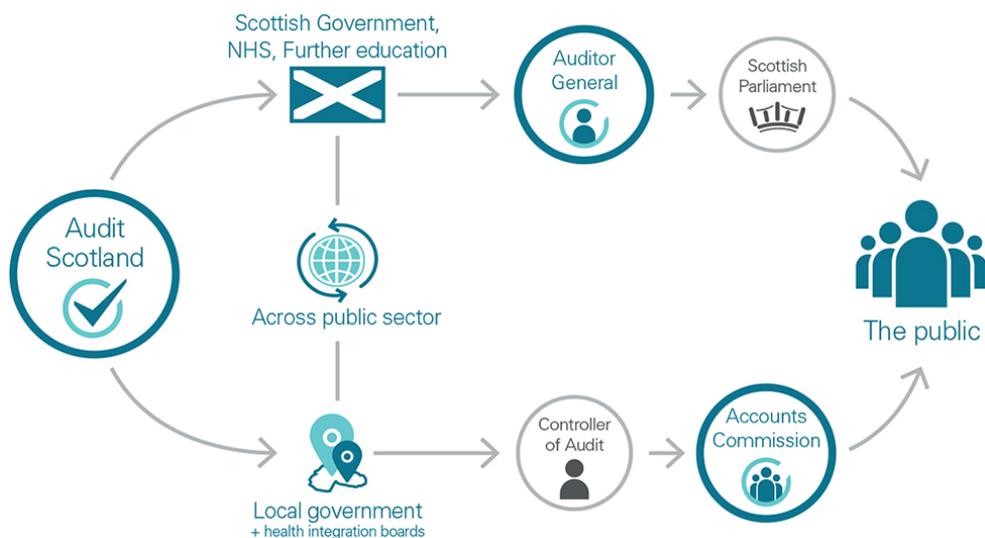
Report by the Controller of Audit

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.

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# Summary

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- 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.

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*Source: Audit Scotland*

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**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**

<b>Key risk areas</b>	<b>Risks identified in councils from 2020 audit evidence</b>
<b>Challenging and uncertain financial outlook</b>	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.
<b>Ability to deliver better outcomes</b>	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.
<b>Progress with public service reform</b>	Councils cannot demonstrate that the work they are doing on community empowerment is improving outcomes for their citizens.
<b>Leadership, governance and organisational capacity</b>	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.**

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# Introduction

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## 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](#).

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# Part 1

## Work completed on behalf of the Accounts Commission in 2020

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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 2020<sup>1</sup> 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

<sup>1</sup> Finance circular 10/2020, 21<sup>st</sup> 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 updated 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.

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### Exhibit 3

#### Audit dimensions



*Source: Code of Audit Practice 2016*

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### 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.

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### 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
<a href="#">Early learning and childcare – follow-up</a>	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><b>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.</b></p>

Name of report	Date	Report type	Key messages
<a href="#">Affordable housing</a>	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><b>Update: Councils' capital programmes could be significantly affected by Covid-19.</b></p>
<a href="#">Local government in Scotland: Challenges and performance 2020</a>	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><b>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.</b></p>
<a href="#">Digital progress in Local Government</a>	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.

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#### 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.




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#### 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.




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#### 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.




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#### 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.




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#### 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.




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*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.



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# Part 3

## Progress against the Commission's strategic audit priorities in 2020

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65. The Commission set out five strategic audit priorities (SAPs) in its *Strategy and annual action plan - 2019-24*<sup>2</sup>. 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

<sup>2</sup> 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 per cent 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 IJBs<sup>3</sup> and slow pace of change in meeting savings targets in a further three.<sup>4</sup> 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.

<sup>3</sup> 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

<sup>4</sup> 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.

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# Part 4

## Looking forward

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**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.

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# Appendix 1

## Information sources used

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### 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)
<b>SAP 1: Having clear priorities with a focus on outcomes, supported by effective leadership and long-term planning</b>		
<ul style="list-style-type: none"> <li>• Councils need to continue to develop and strengthen their arrangements to show that outcomes are being achieved.</li> <li>• Collaborative leadership and cultural differences between the partner bodies is affecting the pace of change for IJBs, which will impact on service delivery.</li> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• There has been a notable level of change in leadership over the last 18 months in councils and IJBs.</li> <li>• 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.</li> <li>• Auditors reported that in the councils where they reviewed fairness and equality, these were embedded in council activities.</li> </ul>	<ul style="list-style-type: none"> <li>• The quality of the underlying council strategies and plans that support the delivery of the vision vary.</li> <li>• Most of the 2020 BVARs report that is difficult to demonstrate progress against the strategic objectives.</li> <li>• 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.</li> <li>• 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.</li> <li>• Councils have made good progress on medium term planning however most councils will need to</li> </ul>

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.
<b>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</b>		
<ul style="list-style-type: none"> <li>• Councils are in the early stages of new or refreshed transformation programmes.</li> <li>• Councils show improving practice but scope for more improvement when considering service delivery options such as ALEOs.</li> <li>• There is more evidence of councils collaborating with other public-sector bodies, however there is limited evidence of councils sharing services</li> </ul>	<ul style="list-style-type: none"> <li>• Five of the Year 3 BVAR councils are at an early stage of rolling out their current transformation plans.</li> <li>• There is little audit evidence of options appraisal being used systematically by councils, when making decisions about service redesign.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Councils need to be more systematic in appraising options for service redesign.</li> <li>• 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.</li> <li>• There is evidence of strong partnership working across Scotland.</li> <li>• Some community planning partnerships are successfully delivering improved outcomes.</li> <li>• Councils continue to work well with partners to develop and deliver city region and growth deals.</li> <li>• IJBs face significant financial challenges.</li> </ul>

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

2018 AARR (reported in January 2019)	2019 AARR (reported in February 2020)	2020 AARR (reported in March 2021)
<p><b>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.</b></p>		
<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Many councils could improve on how they report performance information to the public.</li> <li>A more systematic approach to self-evaluation is required in many councils.</li> </ul>	<ul style="list-style-type: none"> <li>A small number of councils use self-evaluation effectively to drive improvements, but more systematic self-evaluation is required in many councils.</li> <li>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.</li> </ul>

# Annual assurance and risks report

## Local government

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