

# Finance and Resources Committee

2.00p.m., Wednesday, 13 May 2015

## Report by the Accounts Commission – An overview of local government in Scotland 2015

Item number	7.7
Report number	
Executive/routine	
Wards	

### Executive summary

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As part of its annual programme of scrutiny, Audit Scotland, on behalf of the Accounts Commission, has prepared a report on the financial challenges being faced by Scottish local authorities.

Recognising the scale of the challenge, the report notes that the Accounts Commission expects councils to plan now for the period to 2017/18 and beyond, recognising the crucial role of longer-term planning. The report also references the challenge for councils in establishing effective health and social care partnerships with health colleagues.

### Links

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Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	n/a

## Report by the Accounts Commission – An overview of local government in Scotland 2015

### Recommendations

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- 1.1 It is recommended that the Committee
  - 1.1.1 notes the report by the Accounts Commission; and
  - 1.1.2 refers the report to the Governance, Risk and Best Value Committee, as part of its work programme.

### Background

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- 2.1 The Accounts Commission publish an annual overview report. This year's report, published in March, focuses on the budget challenge being faced by councils across Scotland.
- 2.2 The report recognises the achievements of councils – both councillors and officers – in managing austerity, reducing resources, increasing demand for services and ever increasing public expectations, yet recognises that more must be done in the future.

### Main report

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- 3.1 The 2015 overview report can be seen in Appendix 1 to this report. The report contains the following sections:
  - Key facts for Scottish local authorities (*page 4*)
  - An introduction by the chair of the Accounts Commission (*page 5*)
  - A summary of the report's findings (*page 7*)
  - The financial context in which councils are operating, highlighting the overall financial position and pressures on budgets (*page 11*); and
  - How councils are managing the financial challenges, highlighting what councils and their partners need to do to help deal with the ongoing and increasing pressures they will face in 2015/16 and following years (*page 23*).
- 3.2 The report makes three specific references to the City of Edinburgh Council. The first of these is in relation to the Council's performance in its capital monitoring in 2014/15 (*paragraph 17, page 16*). Underspends across councils varied from 1% of budget (*Edinburgh*) to 45% in Aberdeen City Council and 46% in East Dunbartonshire Council. The Finance and Resources Committee

considered a report on the capital outturn for 2014/15 at its meeting on 28 August 2014, which set out the figures reported in the Accounts Commission's report.

- 3.3 The second reference is in relation to how councils are managing funding gaps (*paragraph 19, page 17*), with particular reference to the £67m that Edinburgh will need to find to balance its budget by 2017/18. Members considered a report on this at the March meeting of this Committee, together with a suite of reports by the Director of Governance on the transformation projects currently underway. Members will continue to receive regular reports in the coming months.
- 3.4 The third, and final, reference is to the importance of councils having comprehensive workforce plans and strategies to help manage the impact of significant staff reductions. The report refers to the Best Value report on Edinburgh Council which highlighted the crucial role of a workforce strategy in enabling councils to plan and manage required savings and to ensure that councils:
- Have sufficient capacity for change and improvement; and
  - Can meet increased demand for services in the context of financial constraints.
- 3.5 The Finance and Resources Committee, on 19 March 2015, considered two reports on workforce, one relating to the workforce strategy 2015-2020 and one relating to 'supporting managers' control framework. Members will therefore be aware that work is being undertaken in this area, and will continue to receive regular updates on this.

## Measures of success

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- 4.1 Relevant measures in setting the Council's revenue budget include:
- Accurate capturing and quantification of the key determinants of the Council's overall expenditure requirement and available sources of income, allowing a balanced overall budget for 2016/17 to be set as part of a longer-term framework;
  - Development of savings and investment options aligned to the Council's priority outcomes, with due opportunity provided for public consultation and engagement; and
  - Subsequent delivery of the approved savings, particularly where these are linked to additional service investment.

## **Financial impact**

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- 5.1 The financial impact will be considered and impacted through the decisions made as part of the budget process.
- 5.2 Delivery of a balanced budget in any given year is contingent upon the development, and subsequent delivery of corresponding savings, alongside management of all risks and pressures, particularly those of a demand-led nature.

## **Risk, policy, compliance and governance impact**

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- 6.1 An annual report on the risks inherent in the budget process is considered by the Finance and Resources Committee in January and Council in February.
- 6.2 A savings assurance process is applied which is intended to ensure that, as far as practicable, those proposals approved by Council deliver the anticipated level of financial savings in a way consistent with the anticipated service impacts.

## **Equalities impact**

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- 7.1 Proposals comprising the budget framework are assessed for their corresponding potential equalities and human rights impact. The Committee receives an annual report on the results of these assessments, with the report also being referred to Council to ensure that members pay due regard to them in setting the budget.

## **Sustainability impact**

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- 8.1 The proposals comprising the budget framework are also subject to an assessment of their likely corresponding carbon impacts. As with the equalities impacts, the Committee receives an annual report on the results of these assessments, with the report also being referred to Council to ensure that members pay due regard to them in setting the budget.

## **Consultation and engagement**

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- 9.1 The contents of the budget framework are the subject of considerable public stakeholder engagement as part of the Council's budget process. The Committee receives an annual report on the main themes emerging from the public engagement prior to setting the budget.

## Background reading/external references

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[Capital Monitoring 2013/14 – Outturn and Receipts](#) – Report to Finance and Resources Committee, 28 August 2014

[Revenue Budget Framework 2016-2020 Update](#) – Report to Finance and Resources Committee, 19 March 2015

[An engaged and empowered workforce: workforce strategy 2015-2020](#) – Report to Finance and Resources Committee, 19 March 2015

[An engaged and empowered workforce: ‘supporting managers’ control framework](#) – Report to Finance and Resources Committee, 19 March 2015

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## Links

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<b>Coalition pledges</b>	P30 – Continue to maintain a sound financial position including long-term financial planning
<b>Council outcomes</b>	CO25 – The Council has efficient and effective services that deliver on objectives
<b>Single Outcome Agreement</b>	n/a
<b>Appendices</b>	Appendix 1 – An overview of local government in Scotland – report by the Accounts Commission

# An overview of local government in Scotland 2015



 ACCOUNTS COMMISSION

Prepared by Audit Scotland  
March 2015


# The Accounts Commission

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

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

Our work includes:

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

You can find out more about the work of the Accounts Commission on our website: [www.audit-scotland.gov.uk/about/ac](http://www.audit-scotland.gov.uk/about/ac) 

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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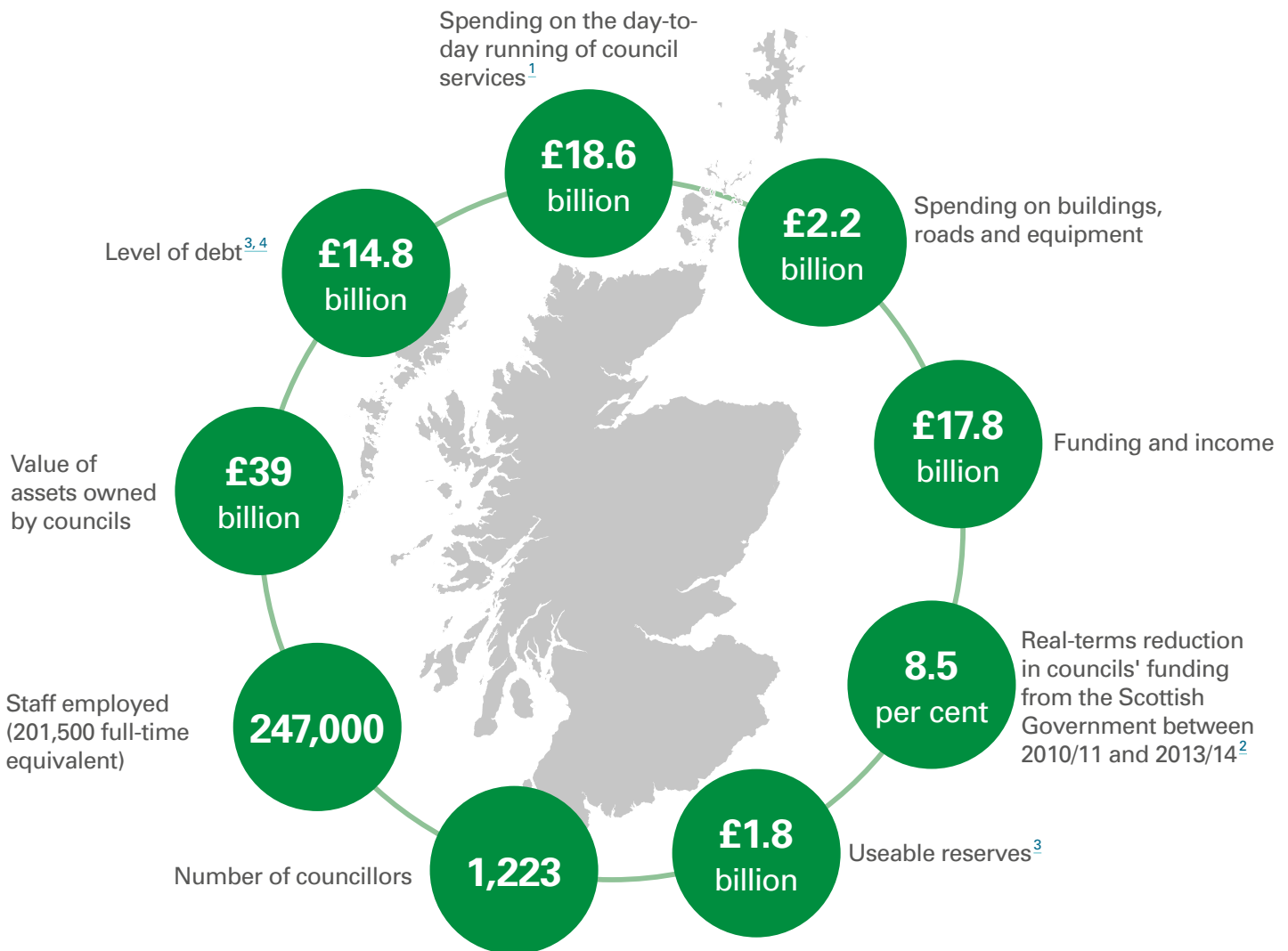
## Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

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# Key facts



Councils' accounts showed an aggregate deficit on the provision of services of £0.8 billion in 2013/14. After making adjustments, mainly to reflect the accounting rules for pensions and capital, the aggregate amount held by councils in usable reserves was almost the same as it was at the end of 2012/13. Unuseable reserves fell by £0.8 billion.

## Notes:

1: The Police and Fire Reform (Scotland) Act transferred responsibility for police and fire and rescue services from councils to the Scottish Government, creating new national services from April 2013. We have excluded police and fire data from figures prior to 2013/14 but some expenditure cannot be separately identified so trend information should be treated with caution.

2: This figure is in real terms, that is, taking inflation into account. We note in the report wherever we have adjusted figures to reflect inflation, particularly when stating the percentage increase or decrease compared with previous years.

3: Reserves and debt figures exclude Orkney and Shetland Islands councils, which hold large reserves and balances arising mainly from harbour and oil-related activities.

4: Total level of debt includes £12.1 billion of borrowing for investment in councils' assets, eg buildings, roads and equipment, and £2.7 billion of other debt (ie, Private Finance Initiative (PFI) and Non-profit Distributing (NPD) contracts) for investment in capital projects, mainly schools.

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# Chair's introduction



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For the last five years councils have had to cope with managing austerity, reducing resources, increasing demand for services, and ever increasing public expectations. The Accounts Commission recognises the achievements of councils – both councillors and officers – in meeting these challenges to date.

Councils tell us that they should manage budgetary pressures in 2015/16 but the years beyond that pose a level of challenge not previously experienced. That is why the Commission expects councils to plan now for the period to 2017/18 and beyond, not least because of the lag time between planning and delivering. Longer-term planning is crucial in building a shared understanding among councillors of the financial position. Comprehensive and accessible financial information helps identify what needs to be done now to avoid storing up problems for the future. It also helps inform local and national discussions about the options for council services. Councils are consulting with communities and service users but the challenges ahead make it all the more important to involve communities more in planning and delivering services.

Added to financial pressures is the challenge for councils in establishing effective health and social care partnerships with their health colleagues. This is the most significant change in the public service landscape in Scotland in recent years. There are clear lessons to be learned from our audit of community planning partnerships about the importance of councils and health boards investing time in building mutual trust and leadership capacity if these partnerships are to be successful from the outset.

In last year's overview report, the Commission said that in this complexity of change the foundation stones of good governance and accountability remain constant. Good governance concerns taking informed and transparent decisions which are subject to effective scrutiny. It also involves managing risk – the scale of the challenge means that councils cannot afford to be risk averse, so the focus is on being risk aware.

The public rightly expects scrutiny to be both effective and transparent. The Commission remains of the view that this will be best achieved where: the chair of the scrutiny or audit committee is not a member of the political administration; the committee has clear terms of reference, adequate support and access to independent advice; and members of the committee have the necessary skills and training to do their job. This may seem no more than an obvious statement of good practice. But where these characteristics are not in place scrutiny fails and the public interest is not met. Effective scrutiny is not just in the public interest, it is as much in the interest of the administration of a council.

In this quickly changing and challenging environment, systems and processes must be kept up to date and fit for purpose. Councillors also need to assure themselves that there is sufficient capacity within their councils to deal with day-to-day business as well as manage improvement and change. The role of chief executives, for example, is increasingly demanding. The political environment is complex, often involving coalitions, and they need to balance the task of supporting the administration and their responsibilities to the council as a whole. And because not all services are within the council's direct control, for example, where services are provided by arm's-length external organisations (ALEOs) and with the integration of health and social care services, chief executives need to build strong working relationships with partner organisations.

As with councils, the work of the Commission has evolved; for example our community planning partnership audits with the Auditor General and our new responsibility to audit health and social care partnerships. But our core role, on behalf of the public, of holding councils to account and, by doing so, helping them to improve will continue to be at the heart of our work. The Commission strongly believes that Best Value is as relevant and vital today as it was when it was introduced. The values and principles are essential to delivering the effective, high-quality public services that people expect. Councils that place Best Value at the centre of all they do are best placed to deal with pressures in 2015 and beyond.

The Commission expects councillors to use this report to assess the progress their councils are making with partners to improve outcomes and value for money for local people. We look forward to continuing to work with and support local government in meeting the challenges it faces.

**Douglas Sinclair**

**Chair of the Accounts Commission**

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# Summary



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## Key messages

- 1** Councils face increasingly difficult financial challenges. In the context of overall reductions in public sector budgets, between 2010/11 and 2013/14, Scottish Government funding for councils decreased by 8.5 per cent in real terms (allowing for inflation) to £10.3 billion. At the same time, demand for council services has increased, largely due to population changes.
  - 2** Many councils are now reporting gaps between their income and the cost of providing services. With further funding reductions expected, councils face tough decisions to balance their budgets. These decisions must be based on a clear understanding of the current financial position and the longer-term implications of decisions on services and finances. However, there is limited evidence of longer-term financial planning, which is critical in providing that understanding.
  - 3** Councils have managed the financial pressures well so far. Available performance information indicates that services have been improved or maintained. Public performance reporting is getting better but councillors need better financial and service information to help them set budgets and scrutinise performance. All councils prepared their annual accounts on time and met the required accounting standards.
  - 4** Almost all councils have reduced staff numbers to help make savings but this is not sustainable. Councils are considering ways of delivering services more efficiently and need to get better at using local data and involving service users and local communities in developing options to improve services and help save money. They must implement planned changes quickly to achieve their required savings.
  - 5** Councils need to ensure that the way they manage and control their work keeps pace with the quickly changing circumstances in which they operate. There can be no compromise on the importance of good governance, particularly where there are significant changes in personnel and systems. Not all councils systematically review governance when, for example, they change staff, management or political structures, or develop new ways of financing and delivering services. Community planning and health and social care integration require an ongoing focus on governance in partnership working, where the responsibility for good governance is shared and depends on a culture of trust.
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## Recommendations

We make a number of recommendations intended to help councillors. With the support of council officers, councillors should assess the position in their council and, where they decide action is required, ensure the recommendations are implemented successfully.

### Councillors should:

- assess whether they have appropriate knowledge and expertise, in areas such as assessing financial and service performance, to carry out their role effectively. They should review their training needs and request the training and support they require to help them consider options, make decisions and scrutinise performance
  - ensure that council officers provide high-quality financial and performance information to support effective scrutiny and decision-making. This includes having relevant and up-to-date performance data and making good use of benchmarking. Performance information should also be clearly reported to the public to help them understand their council's performance
  - ensure that councils, when developing their priorities, use local socio-economic data and work with service users and local communities to understand their needs and explore ways of meeting them. Council budgets should then be targeted towards agreed priorities, including those designed to prevent or reduce service demand in future
  - ensure that they consider all practical options for delivering services to meet the needs of service users and local communities, within the resources available. They should consider carefully the benefits and risks related to each option and make sure they receive information about the impact of the option they choose, including monitoring the risks associated with change
  - ensure that their council has financial plans covering the short term (1-2 years), medium term (3-5 years) and longer term (5-10 years). These plans should set out the council's financial commitments, identify any challenges with the affordability of services and set out clearly how the council ensures its financial position is sustainable over an extended period
  - review their council's governance arrangements following significant changes in staff, management and political structures. This includes ensuring their current management teams have the skills and capacity to provide effective leadership and management of finances, services and improvement programmes, and having succession plans for when senior managers retire or leave the council
  - ensure their council has a comprehensive workforce strategy to help manage the impact of staff reductions. The strategy should ensure that the council retains the ability to make changes and improvements, and is equipped to meet increased demand for services in the context of financial constraints.
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## About this report

**1.** This report draws on the findings from local government audit work in 2014 and provides a high-level, independent view on how councils are managed and perform. This includes audits of financial statements, Best Value, community planning partnerships (CPPs) and performance. Reports on individual councils' 2013/14 audits are available on [Audit Scotland's website](#) .

**2.** The report is primarily for councillors, as a source of information and to support them in their complex and demanding role:

- **Part 1** reviews the financial context in which councils are operating. It highlights the overall financial position and pressures on budgets.
- **Part 2** looks at how councils are managing the financial challenges. It highlights what councils and their partners need to do to help deal with the ongoing and increasing pressures they will face in 2015/16 and following years.

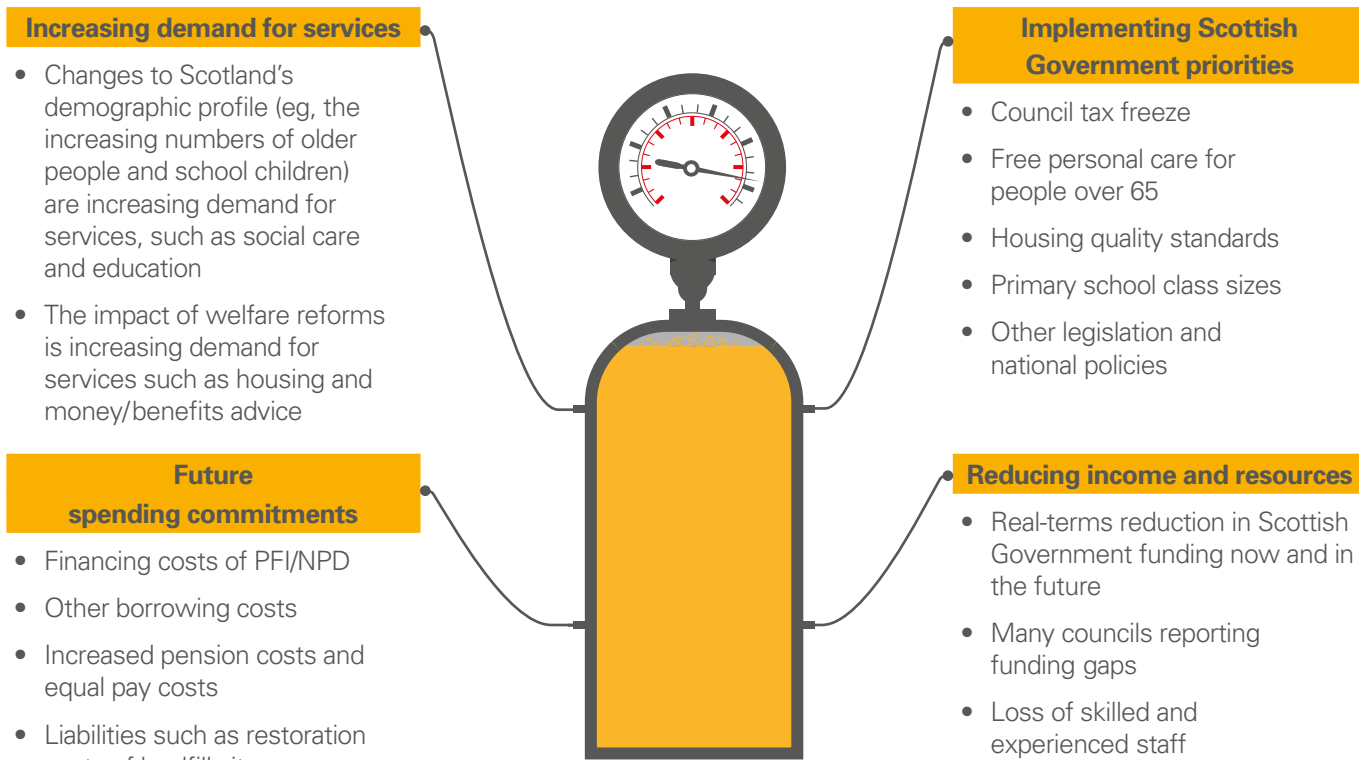
**3. Exhibit 1 (page 10)** provides a summary of the main issues covered in this report.

**4.** Our website contains a [Supplement: Self-assessment tool for councillors \[PDF\]](#)  to help them implement the recommendations we make in this report. We have also provided [a map \[PDF\]](#)  showing the 32 councils and key facts about each.

## Exhibit 1

### Local government overview 2015

Councils face increasing demand and resource pressures. They need to have the right information, skills and processes to help deal with the pressures in the future.



### Points for action for councillors in 2015/16

<b>Having the right information</b> Councillors should ensure that:	<b>Having the right skills and processes</b> Councillors should:
<p><b>High-quality financial and performance information is made available</b> to support effective scrutiny and decision-making and to report to the public</p>	<p><b>Review personal training needs</b> and, where necessary, request training and support to develop knowledge and expertise in, for example, assessing financial and service performance</p>
<p><b>Their council uses local socio-economic data and involves service users and local communities</b> to understand their needs and explore ways of meeting them. Council budgets should be targeted towards agreed priorities</p>	<p><b>Consider all practical options for delivering services</b> to meet the needs of service users and local communities, within the resources available. Consider carefully the benefits and risks and the full impact of each option</p>
<p><b>Their council has a long-term (5-10 years) financial plan</b> and plans covering the short (1-2 years) and medium (3-5 years) term, setting out financial commitments and how the council ensures its financial sustainability</p>	<p><b>Review governance arrangements</b> following significant changes in staff, management and political structures and when working with partners</p>
<p><b>Their council has a comprehensive workforce strategy</b> to help manage the impact of staff reductions</p>	<p><b>Satisfy themselves that their council’s management team has the skills and capacity</b> to provide effective leadership and management of finances, services and improvement programmes</p>

# Part 1

## The financial context



### Key messages

- 1** In the context of overall reductions in public sector budgets, between 2010/11 and 2013/14, Scottish Government funding for councils decreased by 8.5 per cent in real terms (allowing for inflation), to £10.3 billion. Further reductions in the Scottish budget are likely, particularly in 2016/17 and 2017/18.
- 2** Councils deliver a wide range of local services. Demand is rising because of population changes, in particular demand for services for older people. Alongside this, councils deliver national policies such as those relating to school class size targets and housing quality standards and by deciding to freeze council tax levels.
- 3** There are other matters which potentially place pressures on councils' finances for example, increasing borrowing costs, equal pay claims and welfare reforms. Almost all councils are now predicting a gap between their income and the cost of providing services.

### Councils' funding is decreasing in real terms, so it is important that they consider options to increase their income

**4.** Scottish councils' total income in 2013/14 was £17.8 billion. The majority of this comes from Scottish Government funding and the rest comes from council tax, fees for services they provide and housing rents ([Exhibit 2, page 12](#)). Councils' share of the Scottish budget has remained relatively constant over the last few years. However, in the context of overall reductions in public sector budgets the amount of funding that councils receive from the Scottish Government has gone down. In 2013/14, the Scottish Government allocated £10.3 billion to councils. This is 8.5 per cent lower, in real terms, than in 2010/11.

**5.** Due to differences in services and funding, direct comparison with the position in England is not possible. However, it is clear that councils in England have faced more severe cuts; between 2010/11 and 2015/16 the UK Government will have reduced its funding to English councils by 37 per cent, in real terms.

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**councils  
continue  
to face  
increasing  
challenges to  
their financial  
sustainability**

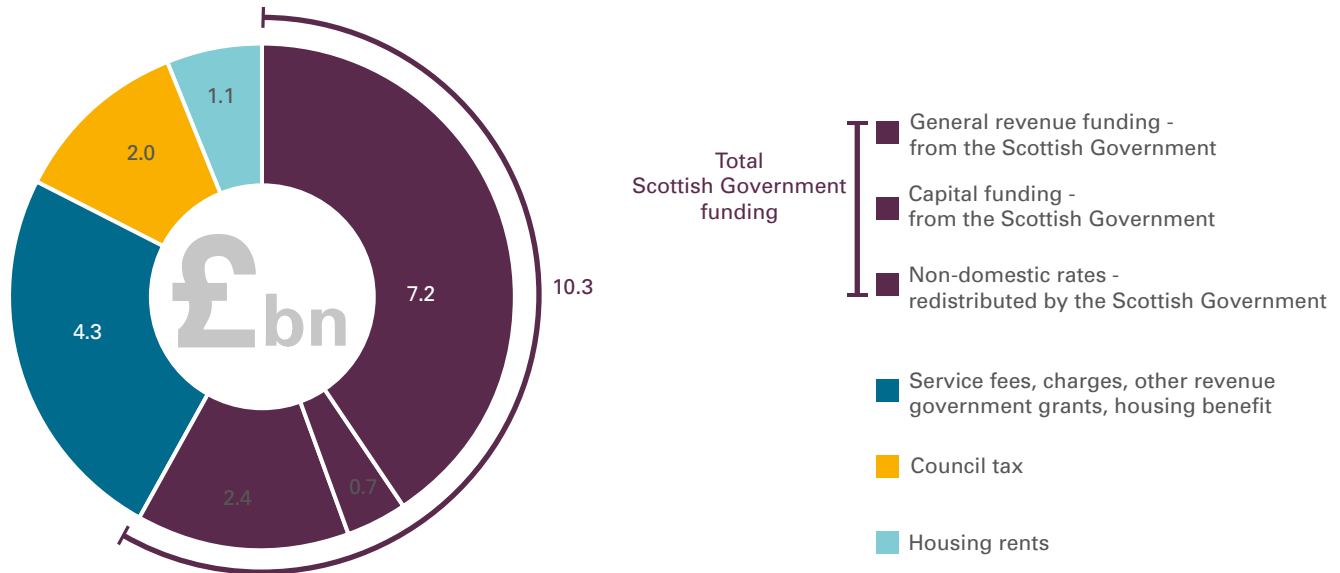
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## Exhibit 2

### Council income in 2013/14 (£ billion)

Funding from the Scottish Government totalled £10.3 billion.



#### Notes:

1: Figures add to £17.7 billion, rather than £17.8 billion, due to rounding.

2: For the first time in 2013/14, councils received the council tax benefit element of their council tax income directly from the Scottish Government as part of the general revenue funding. This amounted to £351 million, effectively bringing the total income from council tax to £2.4 billion.

Source: Councils' audited annual accounts, 2013/14

**6.** Most of the 2013/14 Scottish Government funding (£9.6 billion) was for the day-to-day running of council services, including staff salaries. This is known as revenue funding. This is distributed to councils based on a range of indicators, including population, deprivation and pupil numbers. The remainder (£0.7 billion) was to buy, build or refurbish assets, such as buildings, roads and equipment. This is known as capital funding. Between 2010/11 and 2013/14, budgeted revenue funding from the Scottish Government decreased by seven per cent and capital funding by 33 per cent, both in real terms ([Exhibit 3, page 13](#)).<sup>1</sup> Capital funding is set to rise again in 2014/15 and 2015/16.

### Councils have relatively limited scope to increase their income

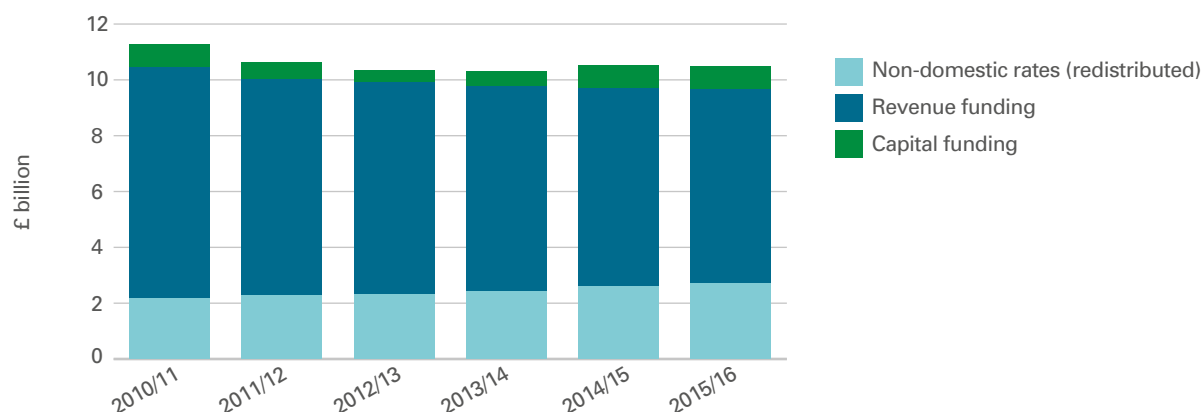
**7.** Less than a third of councils' total income is within their direct control. They must set the rate of council tax, determine rent levels for council tenants and decide whether, and how much, to charge for specific services, such as some social care services and parking. However, there are limitations. For example, councils have agreed to freeze council tax in exchange for additional funding from the Scottish Government. Councils improved their council tax collection rates to over 95 per cent in 2013/14, increasing council tax income by nearly one per cent since 2012/13 (in real terms).

**8.** Councils also have relatively little control over local business tax income, known as non-domestic rates (NDR). The Scottish Government sets the annual business tax rate, councils collect the money from local businesses and the Scottish Government redistributes the money as part of its funding allocation to councils.

### Exhibit 3

#### Trend in budgeted revenue and capital funding from the Scottish Government (real terms)

Total funding from the Scottish Government has fallen by 8.5 per cent in real terms between 2010/11 and 2013/14, seven per cent in revenue funding and 33 per cent in capital funding.



#### Notes:

- 1: Budgeted figures differ slightly from the actual amount of funding received, due to adjustments made during the year.
- 2: All figures exclude funding for police and fire and rescue services. The budgeted revenue funding was decreased slightly in 2013/14 because councils were allowed to keep 49 per cent of reserves for police services and 100 per cent of reserves for fire and rescue services.
- 3: For the first time in 2013/14, revenue funding included the council tax benefit element of council tax income, amounting to £351 million.

Source: Local Government Financial Circulars, Scottish Government, 2009-15

**9.** Councils have more control over the income they receive from service fees and charges. Charges serve different purposes:

- They are a vital source of income for councils.
- They are used to influence behaviours – for example, low gym charges can be used to encourage exercise or car parking charges can be used to discourage people from taking their cars into city centres.

**10.** In the last few years, some councils have increased or introduced new service charges. However, councils have to consider the benefits that the extra income brings alongside the impact that higher charges have on the people using the services and the administrative cost of collecting these charges. Councils' income from fees and charges was an estimated £1.3 billion in 2012/13.<sup>2</sup>

### Councils have many commitments to manage within reduced budgets

#### Over half of councils' spending is on education and social work

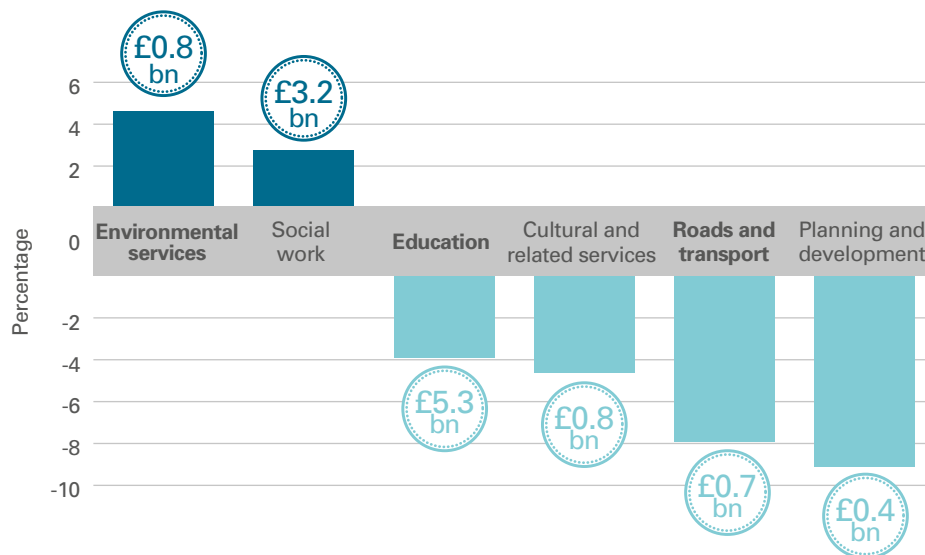
**11.** Councils spent a total of £18.6 billion on delivering services in 2013/14. This was a slight increase, in cash terms, compared to 2012/13 (£18.5 billion), but a real terms decrease of one per cent. The largest proportion of this spending was on education (30 per cent), followed by social work services (22 per cent).

Spending on most of the main services has fallen since 2010/11, except on social work and environmental services (**Exhibit 4**). Some of the smaller services, in terms of net spending, have generally experienced a higher percentage of budget reductions. The increase in social work spending is due in part to increased spending on care for older people, reflecting the population trend. The net increase in environmental services is due mainly to changes in the way that some trading activities are reported in councils' accounts, and a new accounting requirement to plan for the costs of restoring landfill sites.

## Exhibit 4

### Percentage change in net spending per service, between 2010/11 and 2013/14 (in real terms)

Percentage changes in spending vary between services.



Note: Figures in circles show net spending per service in 2013/14 before accounting adjustments are made.

Source: Councils' audited annual accounts, 2013/14

**12.** Councils deliver a wide range of public services. Some of these services and functions are more prescribed in legislation than others, but councils generally have discretion on the level of services they provide and how they provide them. For example, legislation states that councils must provide education for all children aged between five and 16 years old, and sets rules and targets about teacher numbers, their professional qualifications, class sizes and the curriculum. However it does not prescribe, for example, how many hours of education children must receive or how many days they should be in school; councils have the discretion to decide this.

### Councils' decisions about how they deliver national and local policies affect their financial commitments

**13.** The Scottish Government depends on councils to implement a number of its national policies, including:

- reducing the number of pupils in each primary school class
- delivering free personal care for older people
- maintaining the freeze on council tax
- meeting the Scottish Housing Quality Standard ([Exhibit 5](#)).

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## Exhibit 5

### The Scottish Housing Quality Standard (SHQS)

Councils expect to spend over £850 million to bring their houses up to standard.

The Scottish Government introduced the SHQS in February 2004 and it is the principal measure of housing quality in Scotland. It has set a target for landlords, including councils, to bring the quality of their housing stock up to the standards described in the SHQS, where it applies, by April 2015. In 2012/13, councils brought 13 per cent of their houses up to the standard but 22 per cent of houses still did not comply, mainly because the houses did not meet energy efficiency standards. Councils predict that it will cost a total of £853 million to bring all their housing stock up to standard.<sup>3</sup> This includes £302 million already spent in 2012/13 and predicted spending of £551 million between April 2013 and March 2015.

Source: Audit Scotland

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**14.** National policies commit councils to spending in these areas although, in some cases, the Scottish Government provides extra funding for councils to help them implement the policies. For example, since 2011/12 the Scottish Government has made available an additional £70 million a year to councils if they decide to maintain council tax at the same level it was in 2007/08.


**15.** As well as national policies, councils make local commitments that they must also manage within their budget. For example, some councils have policies against compulsory redundancy. This restricts their ability to manage changes or reductions to their workforce and make associated savings. Councils also have to deal with commitments from past decisions, such as equal pay claims. In 2013/14, 20 councils settled claims worth £73.2 million. This is more than in 2012/13 (£32 million). The cumulative amount paid in equal pay settlements to March 2014 is £580 million. Councils have set aside a further £108 million to meet expected future claims.

**16.** In addition to upgrading their housing stock to meet the SHQS, councils need to ensure that other assets used to deliver services are fit for purpose. They do this through a programme of capital investment. This includes spending money on new buildings, such as schools, and on maintaining and repairing existing assets, including local roads. Improving facilities, buildings and other assets can help councils deliver services more efficiently and effectively and enhance people's experiences of council services. Councils' capital spending in 2013/14 was £2.2 billion, with £0.7 billion coming from Scottish Government funding and the remaining £1.5 billion funded mainly by borrowing.

**17.** Twenty-six councils reported that they had underspent against their 2013/14 capital budgets. The level of underspend varied widely, from around one per cent of budget in the City of Edinburgh Council to 45 per cent in Aberdeen City Council and 46 per cent in East Dunbartonshire Council. Reasons for the underspend in Aberdeen City Council include unexpected withdrawal of, or delays caused by, external partners in projects to develop new waste management facilities, build a new bypass (the Western Peripheral Route) and introduce hydrogen-powered buses. In East Dunbartonshire Council the main reason for the underspend was a decision not to proceed with building new office and depot accommodation when further investigation at the chosen site found it to be unsuitable. There are many other reasons why councils spend less than planned on their capital programmes, including delays in starting or progressing projects. Ongoing underspending may mean that councils do not have the most appropriate assets in place to deliver services effectively.

### Most councils are reporting funding gaps

**18.** Financial sustainability is about balancing spending and income over time. Growing demand for services and expected reductions in funding have led many councils to report a funding gap in 2015/16 and beyond. The funding gap means that, to pay for services, councils will have to increase their income, improve efficiency, divert money from lower priority services, or a combination of these. If they are unable to do this they will have to use some of their reserves, although this is a short-term option. Many councils have reported funding gaps, but over different time periods. For example, North Lanarkshire Council predicted a gap of £62.4 million over three years to 2015/16 and Fife Council predicts a gap of £77.2 million in 2017/18.

**19.** It is not clear if councils' planned savings will be enough to cover the reported gaps in funding or if they will need to make more savings. This is the case, for example, for the City of Edinburgh Council. Our [Best Value report \[PDF\]](#)  found that the council needs to make recurring annual savings of £138 million by 2017/18. It also highlighted that there is a gap of £67 million between the savings the council needs to make in 2017/18 and those it has already identified in its financial plans.<sup>4</sup> At the start of 2015 the council was considering options to bridge the £67 million gap, including working with voluntary groups to save £10.8 million a year and reducing its workforce by 1,200 staff (full-time equivalent (FTE)).<sup>5</sup>

**20.** The challenge for councils is to implement strategies that bridge the funding gaps. Almost all councils' auditors have indicated risks to councils' financial positions in the medium to long term. Specific risks identified by auditors include councils:

- spending more money than they planned
- not making the savings they planned
- having to compromise unexpectedly on the quality of services they deliver, without having worked with service users to review and evaluate other options
- being unable to meet the increasing demand for services
- not having enough money in their reserves that they can use, if required.

Service users and local communities will suffer if important services are affected because councils fail to secure financial sustainability over an extended period of time.

#### **Reserves are available but councils can only use this money once**

**21.** Councils hold useable reserves to help them manage unpredictable financial pressures and plan for their future spending commitments. Councils had a total of £1.8 billion of useable reserves at 31 March 2014. This was a small decrease of two per cent in 2013/14, a change in the trend of increasing reserves in recent years ([Exhibit 6, page 18](#)).

**22.** Useable reserves are made up of different funds, including general, capital, housing etc. In 2013/14, general funds accounted for over half (£1.03 billion) of councils' total useable reserves. Councils allocated most of their general funds (£0.71 billion or 69 per cent) for specific purposes, such as modernisation initiatives and local development projects. The remainder (£0.32 billion or 31 per cent) of councils' general fund reserves was unallocated. Councils usually hold unallocated reserves as a contingency to help deal with unforeseen events such as rising interest rates, delays in receiving payments, relieving the pressure on demand-led services, or other unplanned spending.

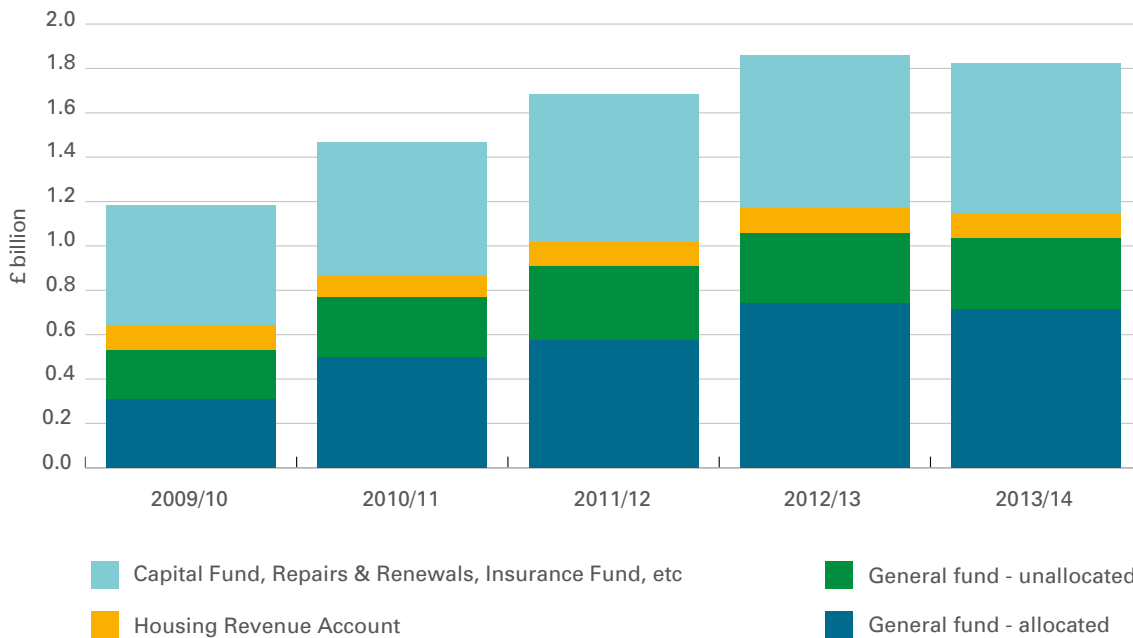
**23.** Councils need to consider both their level of reserves, and how they plan to use them, when developing financial plans and setting annual budgets. The chief financial officer (see [paragraph 77](#) for more information about this role) is responsible for advising the council on the level of reserves it should hold and ensuring that there are clear procedures for keeping and using reserves.

**24.** Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) states that the chief financial officer should take account of the strategic, operational and financial risks facing the council, when deciding the appropriate level of unallocated reserves.<sup>6</sup> Auditors reported that not all councils carried out a formal risk analysis to determine the appropriate level of reserves. Most councils had a policy to maintain unallocated general fund reserves at around two to four per cent of their net spending on services.

## Exhibit 6

### Councils' useable reserves from 2009/10 to 2013/14

Useable reserves stopped increasing in 2013/14 after three years of growth.



Note: Figures exclude Orkney and Shetland Islands councils, which hold large reserves and balances arising mainly from harbour and oil-related activities.

Source: Councils' audited annual accounts, 2009/10 to 2013/14



**25.** Councils can use their reserves to help deliver services. But they can only use them once. Reserves cannot help councils deal with budget gaps in the longer term. Twenty councils reduced their level of useable reserves in 2013/14, 11 councils increased their level and one council's level remained the same.

**26.** Councils also have other reserves that are not available to spend on providing services (known as unuseable reserves). These are the result of accounting practice to comply with financial reporting standards. Unuseable reserves increase and decrease to reflect updated estimates of the current value of certain council's assets and liabilities, including the value of pensions that the council will have to fund in future.

### Further budget reductions are expected and demands for services are increasing

**27.** The Scottish Government's funding for councils in 2014/15 is £10.8 billion. This is an increase of 2.1 per cent in real terms, compared to 2013/14. In 2015/16, funding is expected to increase by a further 1 per cent in cash terms to £10.9 billion. This is a decrease of 0.5 per cent in real terms. Councils expect further reductions in funding from the Scottish Government, particularly in 2016/17 and 2017/18. The UK Office for Budget Responsibility indicated that UK expenditure could be cut by 6.4 per cent in 2016/17, 4.9 per cent in 2017/18 and 1.9 per cent in 2018/19 and 2019/20 (in real terms).<sup>7</sup> If this is reflected in the UK Government's budget allocation to Scotland, the Scottish Government faces further difficult decisions about how much funding to allocate to councils alongside its other responsibilities and priorities.

**28.** In addition to reduced funding, councils face other pressures as demand for services continues to increase. The increasing demand for services is largely due to changes in the population, which is increasing by about 0.2 per cent a year. People are also living longer; the percentage of people aged 65 or over is projected to increase from 17 per cent in 2012 to 25 per cent by 2037 ([Exhibit 7, page 20](#)). An older population has implications particularly for social care and housing services. For example, analysis by Midlothian Council suggests that without a significant shift in the way services are provided there will be a need for an estimated 300 additional care home places, at a cost of £6 million a year, due to its increasing older population.

**29.** The growing population can also affect councils' education services. The number of children aged 0-15 years across Scotland is predicted to rise by 5.5 per cent by 2037. Between 2014 and 2018, the number of primary school pupils is expected to go up by 3.9 per cent. The position across Scotland varies widely. For example, Aberdeen, Glasgow and Dundee City councils have predicted increases of 20, 13 and 11 per cent respectively. Clackmannanshire, East Renfrewshire and Stirling councils have predicted decreases of between three and four per cent.<sup>8</sup> For those councils most affected by the increasing number of pupils there are pressures on:

- revenue budgets, for example paying for teachers' salaries
- capital budgets, for example building and refurbishing schools.

In council areas where numbers are falling, councils must monitor the impact of this on their required resources, such as staff, buildings, facilities and transport.

### **An increasing proportion of councils' budgets will be required to repay debts and other financial commitments**

**30.** As councils make decisions on how to allocate their reduced budgets, they need to be clear about both their short and long-term liabilities. For example, since 2000/01 councils have financed around £4 billion of capital projects using Private Finance Initiative (PFI) and Non-Profit Distributing (NPD) contracts, mostly for new and refurbished schools. Capital projects funded through PFI and NPD generally do not involve using a council's capital budget. Instead, the project costs are met upfront by private sector contractors and the council meets the cost of this, typically over 20 to 30 years, through ongoing revenue payments. Payments to the contractor include repaying the cost, plus interest, of building the asset along with any related services, such as ongoing maintenance and service management costs. Under these contracts councils are committed to paying nearly £17 billion in total. Councils have paid £3.4 billion already and must pay a further £13.4 billion between 2014/15 and 2041/42 ([Exhibit 8, page 20](#)).

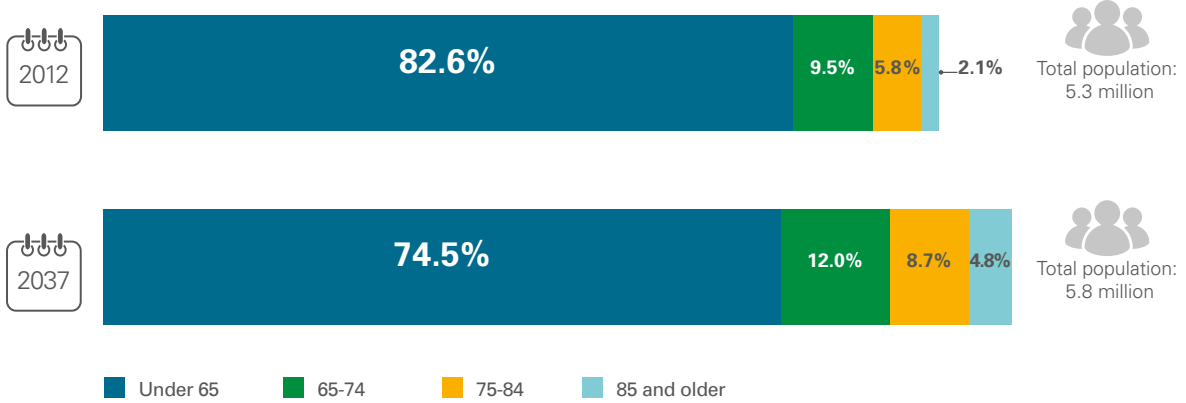
**31.** In addition to PFI and NPD, councils have borrowed £12.1 billion to finance investment in assets. The current value of councils' assets is £39 billion. Borrowing helps councils spread the cost of building and refurbishing their assets over a number of years. However, it means that councils commit a proportion of their future budgets to financing charges, that is repaying debt and interest. Annual interest and debt repayments on borrowing have increased from £946 million in 2009/10 to £1.5 billion in 2013/14. Repayments for current PFI and NPD contracts totalled £488 million in 2013/14 and are predicted to peak at around £600 million a year between 2024/25 and 2027/28. Higher financing commitments leave councils with less money available to spend on the other day-to-day costs of running services.



### Exhibit 7

#### Scotland's population is changing

The percentage of the population aged 65 and over is expected to increase considerably.

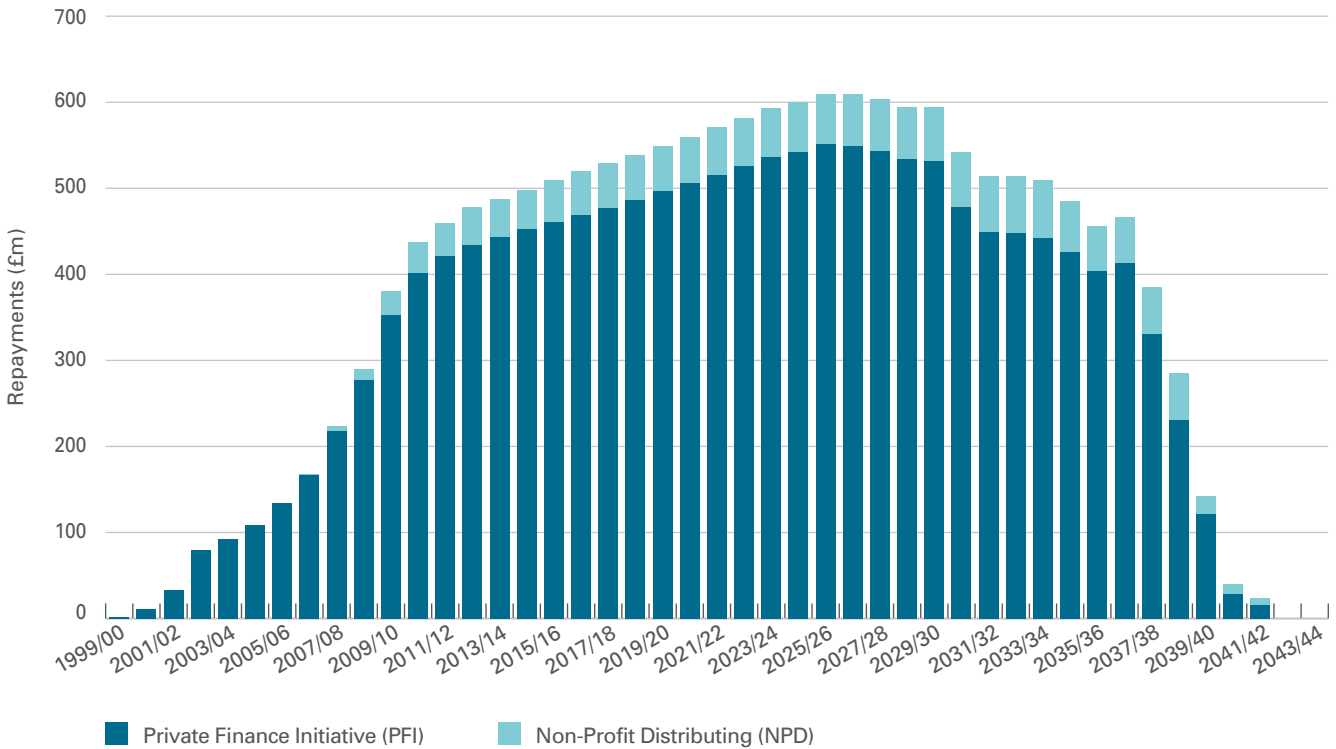


Source: *Projected Population of Scotland (2012-based), National Records of Scotland, 2013*

### Exhibit 8

#### Private Finance Initiative (PFI) and Non-Profit Distributing (NPD) payments, 1999/00 to 2043/44

Councils' committed payments on current PFI and NPD contracts continue to rise until 2026/27.



Note: These figures do not take inflation into account.

Source: Audit Scotland, from HM Treasury (2014) Private Finance Initiative Projects: current projects as at 31 March 2014



**32.** Population projections indicate that there will be increasing demand for council services at the same time as financing charges are anticipated to peak. These longer-term challenges further support the case for longer-term financial planning ([paragraph 69](#)). Our report on borrowing and treasury management, which we will publish in March 2015, will consider whether councils can demonstrate that their borrowing is affordable and sustainable in the long term.

### There are a range of other matters affecting councils' finances

**33.** The Welfare Reform Act 2012 is the biggest reform of the UK welfare system for 60 years and is expected to have significant implications for households and councils. The reforms include introducing a cap on the amount of benefits that people can claim. The impact on people's ability to pay what they owe in housing rent, council tax and other fees and charges is not yet clear. Councils paid £29.4 million in government-funded Discretionary Housing Payments to people who needed help to pay their rent in 2013/14. However, housing rent arrears also increased by 24 per cent between 2012/13 and 2013/14 and this may, in part, be a result of welfare reforms. The full impact of welfare reforms will not be known for some time. The reforms may create greater demands on services if more people are in debt or in need of suitable council homes.

**34.** Auditors report that, so far, councils are managing the impact of welfare reform and many are spending money on support for people affected, including:

- establishing working groups to coordinate help and support
- creating specific funding pots to help people in need
- setting up telephone hotlines to deal with queries and offer advice
- providing information on their websites.

**35.** Councils face increased costs when they implement some national policies and legislation, such as self-directed support and the Children and Young People (Scotland) Act 2014.<sup>9</sup> The Scottish Government includes additional costs in the general funding it gives councils. For example, the costs associated with implementing the Children and Young People (Scotland) Act 2014 are estimated at £79.1 million in 2014/15. These are expected to rise to £138.9 million in 2016/17, and then decrease to £108.9 million by 2019/20.<sup>10</sup> The estimated costs largely relate to two of the proposals, both of which are mainly councils' responsibility to implement:

- providing a single point of contact (a named person) for every child in Scotland
- increasing the amount of free early learning and childcare.

**36.** Councils are also facing other potential financial liabilities. For example, councils must pay the costs of restoring landfill sites used for waste disposal; some may have to pay for restoring open cast mines previously owned by companies that no longer exist; or spend money they did not plan to on paying staff for underpaid holiday pay.

### Further changes are expected that may affect councils' finances

**37.** Councils are likely to face increased costs due to changes in pension schemes. These changes mean that members of workplace pension schemes and their employers no longer pay reduced National Insurance contributions from April 2016. Councils need to be sure that their pension funds are sufficient and well managed so that there is enough money to pay current employees' pensions when they retire.

**38.** There are potential changes to both the council tax and NDR systems which may affect councils' income. The Scottish Government and the Convention of Scottish Local Authorities (COSLA) have set up an independent commission to examine alternatives to the existing council tax system. The commission is expected to consult with communities before recommending how to develop a 'fairer system of local taxation' to help pay for council services. The commission will report in the autumn of 2015.<sup>11</sup> In addition, the Community Empowerment Bill proposes to give councils some flexibility to control their NDR income along with the ability to set local rates to attract businesses to their area or encourage existing businesses to grow.

**39.** More generally, the overall environment for public finances in Scotland is changing substantially. From April 2015, new taxes on land and buildings transactions and disposing of waste to landfill come into force. The Scottish Government will also have new borrowing powers. From April 2016, the Scottish Parliament must set a new Scottish rate of income tax. In addition, the recent Smith Commission report sets out proposals by Scotland's main political parties to provide more powers to the Scottish Parliament. The proposals are extensive and include further changes to the welfare system and more financial responsibilities.<sup>12</sup>

# Part 2

## Dealing with pressures in 2015/16



### Key messages

- 1** Councils have reduced staff numbers to help make savings. They have paid out £352 million in voluntary severance since 2010/11. There is an increasing risk that reductions in staff numbers, and the associated loss of skills and experience, will affect essential support services, such as HR and finance.
- 2** Despite reductions in funding, available data indicates that councils have continued to improve or maintain services. However, sustaining improvement is becoming more challenging and councils face increasingly difficult decisions about providing services.
- 3** Effective financial and performance management help councils relieve pressures through, for example, targeting resources (such as money and staff) at their priority areas, and identifying better ways to provide services. Councils need to take more account of service users' priorities and get better at using local data and involving communities in planning and delivering services.
- 4** Effective planning and budgeting help councils target resources, but there is limited evidence of longer-term financial planning. Eighteen councils do not have long-term financial plans covering a period of five or more years. This can limit how well they understand the full implications of their spending and borrowing.
- 5** Governance needs to keep pace with changes in staff, management and political structures. This applies within councils and in joint working between councils and their partners, particularly in community planning. Health and social care integration, which councils and health boards are working to implement fully by April 2016, requires effective governance arrangements for the new joint bodies.
- 6** Councillors need clear information to help them scrutinise services and make effective decisions. Good information helps councils demonstrate that they use public money properly and effectively. There has been an improvement in councils' public performance reporting. Councillors should also make sure they get the training and support they need to help them fulfil their demanding roles.

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**strong financial management and good governance are critical to making changes successfully**

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## Savings plans are in place but councils will need to consider more fundamental changes

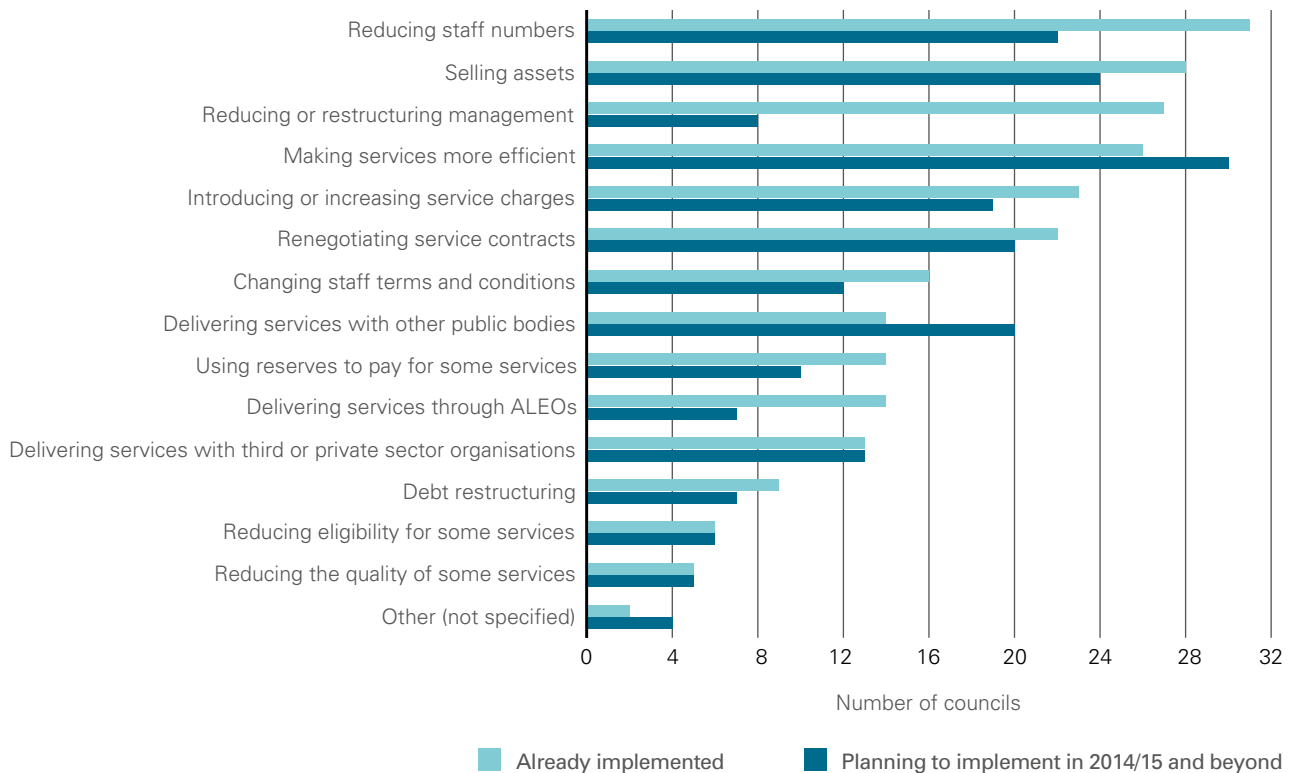
40. Councils have made savings in the last few years through various initiatives, mainly by reducing staff numbers, restructuring and reducing management, and disposing of assets such as buildings and equipment (Exhibit 9). Other sources of savings include improvements in the way councils purchase the supplies and support they need to deliver services. *Procurement in councils* [PDF] for example, found that councils had identified procurement as a source of significant savings.<sup>19</sup> During 2013/14, 23 councils reported that they were planning to make £27 million of savings from procurement. This was 13 per cent of their overall savings targets at the time.

41. To make further savings in 2014/15, most councils were planning to make their services more efficient. They were also considering new service delivery models, including working with other public bodies and setting up arm’s-length external organisations (ALEOs). ALEOs are separate companies or trusts set up and fully owned by councils, but with separate financial and governance arrangements. Whatever the delivery model, councils retain responsibility for public money and the quality of services delivered.

### Exhibit 9

#### Actions taken and planned to make savings

The three most common actions councils have taken to make savings are reducing staff numbers, restructuring and reducing management, and disposing of assets.




### Almost all councils have reduced staff numbers to help deliver savings

**42.** Councils have reduced their workforce by 12 per cent since 2008, from around 228,700 to 201,500 (FTE).<sup>14</sup> This reduction includes staff now working in ALEOs and so the actual reduction in staff providing council services will be smaller than 12 per cent. For example, 7,759 facilities management and social care staff in Glasgow City Council transferred to one of its ALEOs, Cordia. Only Aberdeenshire Council has increased its workforce since 2008, from 9,200 to 10,000 (FTE). The council attributes this to growth in demand for services as a result of a five per cent increase in the population between 2010 and 2013, and to the fact that it has not outsourced any services. At least half of councils intend to make further staff reductions in 2014/15 and beyond. For example, East Renfrewshire Council's three-year savings plan proposes a reduction of 200 posts to help close a £22 million funding gap.


**43.** Staff reductions have cost councils £352 million in voluntary severance payments and associated costs over the last three years (2011/12 to 2013/14). Each council produces estimates of the savings it expects to achieve from reducing its workforce. For example, North Lanarkshire Council estimated that deleting 237 staff posts in 2013/14 would cost £4.1 million for voluntary severance and early retirement, but would save £7.4 million from its staff costs each year.

**44.** In 2014, nearly half of councils restructured their management to save money. For example:

- Scottish Borders Council restructured its management to help bridge a £28.7 million funding gap over five years. This included appointing two new deputy chief executives and reducing the number of heads of service from 19 to 12.
- Midlothian Council reviewed its leadership and middle management structures to deliver savings of £1.3 million. This included reducing the number of heads of service from ten to eight and considering reductions in the number of middle managers, from 162 to 143.
- Highland Council has reduced the number of service directors from seven to five to help save £0.35 million a year on senior management costs from 2014/15 onwards. Since 2007, the council has reduced the number of managers by 44 posts to make annual savings of £3.25 million.

**45.** Although councils have reduced their staff numbers to make savings, it is crucial that they understand and manage the effect of these reductions and continue to improve or maintain the impact their services have on people's lives. Councils tell us they have tried to protect front-line staffing and concentrate the reductions among support staff and management. Our [School education \[PDF\]](#)  report found that councils' spending on education fell by five per cent in real terms between 2010/11 and 2012/13, largely as a result of employing fewer staff.<sup>15</sup> Teacher numbers (FTE) were reduced by two per cent between 2010 and 2013. They fell further in 2014, to 50,824, which is the lowest number in the last ten years. This coincides with pupil numbers increasing since 2012 and, in the last year, the total pupil-teacher ratio increased from 13.5 to 13.6. The primary school pupil-teacher ratio increased from 16.5 to 16.7. We recommended that councils need to fully assess the potential longer-term impact of staff reductions on pupil attainment and wider achievement, and they need to be alert to the potential impact of increased

workloads on remaining staff. Teacher numbers and related funding have been the subject of recent discussion between the Scottish Government and councils.

**46.** Where further staff reductions are planned, it is important that councils have comprehensive workforce plans and strategies to help manage the impact of significant staff reductions. Our [Best Value report on the City of Edinburgh Council \[PDF\]](#)  highlighted the crucial role of a workforce strategy in enabling councils to plan and manage required savings and to ensure that councils:

- have sufficient capacity for change and improvement
- can meet increased demand for services in the context of financial constraints.

#### **Available data indicate that councils maintained or improved service performance in 2013/14 but pressures on services are increasing**

**47.** Councils have generally managed workforce reductions well while maintaining or improving their performance indicators in most service areas between 2010/11 and 2013/14 ([Exhibit 10, page 27](#)).

#### **Decisions on how to reduce spending are becoming even tougher**

**48.** Faced with increasing demand and reduced budgets, councils are finding it harder to continue to improve or maintain the level and standard of services. Councils and their partners need to make sure they are targeting their resources (that is, money and staff) in the right way. To date, councils have relied mainly on staff reductions to achieve the savings they require, but this approach alone is not sustainable.

**49.** To help manage further budget reductions, Scottish councils need to continue:

- reviewing how they deliver services
- assessing whether what they are doing is the most efficient and effective option, both in the current circumstances and in the future. If this is not the case, councils need to consider fundamental changes.







**50.** There are a number of actions that councils should take to help them identify how best to target their resources. These include making better use of local socio-economic data and involving service users in deciding their priorities ([Exhibit 11, page 28](#)).

**51.** There is also an increasing need, and expectation, that councils and their partners deliver more integrated services. This will help councils to make best use of their resources, achieve value for money and improve outcomes for people and communities. Community planning involves councils, NHS boards, other public sector bodies, businesses and voluntary groups, working together with local communities to deliver better services. All councils have established a community planning partnership (CPP) in their area. CPPs are required to identify local priorities and set these out in a Single Outcome Agreement (SOA). The Community Empowerment (Scotland) Bill proposes to give the public bodies involved in CPPs a legal duty to work in partnership to plan and improve outcomes for their area.

## Exhibit 10

### Improving service performance in 2013/14

Performance indicators in most service areas show improvements since 2010/11.

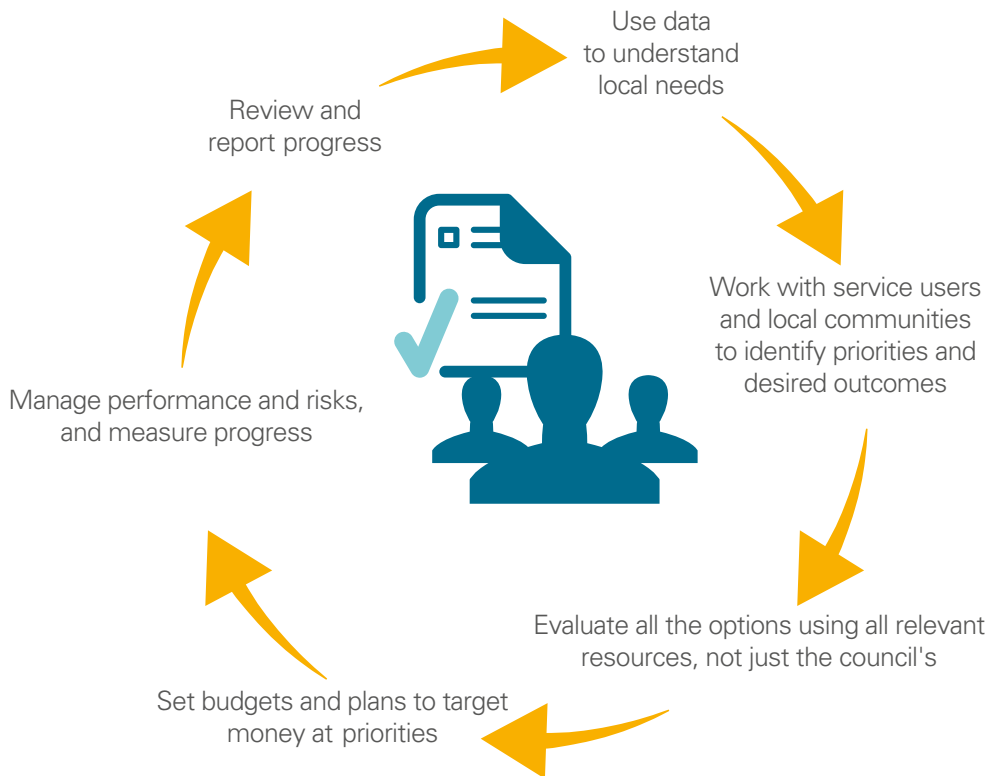
<p><b>Education</b> </p> <ul style="list-style-type: none"> <li>• The proportion of secondary school pupils achieving five or more SQA Level 6 awards has increased from 23 per cent to 28 per cent.</li> <li>• The proportion going on to positive destinations has risen from 89 per cent to 92 per cent.</li> <li>• The cost per secondary school pupil has fallen by 3.6 per cent, while the number of pupils decreased by 3.9 per cent.</li> <li>• The cost per primary school pupil has fallen by 7.4 per cent, while the number of pupils has increased by 3.3 per cent.</li> <li>• The cost per pre-school place has fallen by 15.3 per cent, while the number of places has gone up by 11.8 per cent.</li> </ul>	<p><b>Culture and leisure</b> </p> <ul style="list-style-type: none"> <li>• Visitor numbers for sports have increased by 17.3 per cent, reported to be the result of significant capital investment across Scotland ten years ago.</li> <li>• The number of library visits has increased by 26.6 per cent, boosted by numbers of virtual visits, use of public access computers and adjusting opening hours to better suit user demand.</li> <li>• Museum visits have gone up by 25.8 per cent. The increase in numbers has helped to reduce the costs per visit.</li> </ul>	<p><b>Environmental services</b> </p> <ul style="list-style-type: none"> <li>• Recycling rates increased to 42.2 per cent of household waste being recycled, as councils work towards Scotland's Zero Waste 60 per cent target in 2020, while costs per premise have reduced by 3.2 per cent.</li> <li>• Street cleaning costs per thousand population have fallen by 25.4 per cent and roads maintenance costs per kilometre have fallen by 21.2 per cent.</li> <li>• Waste collection costs crept up slightly between 2012/13 and 2013/14, suggesting that there may be few savings left to find now that councils have already introduced 'route optimising' systems, changes in working practices and collecting bins less frequently.</li> </ul>
<p><b>Adult social care</b> </p> <ul style="list-style-type: none"> <li>• The hourly cost of homecare for older people has fallen by 4.6 per cent.</li> <li>• The percentage of people with intensive needs cared for at home has increased from 32.2 per cent in 2010/11 to 34.7 per cent in 2013/14.</li> </ul>	<p><b>Housing</b> </p> <ul style="list-style-type: none"> <li>• Levels of rent lost due to houses sitting empty after a tenant has left have remained unchanged at 1.3 per cent.</li> </ul>	<p><b>Economic development</b> </p> <ul style="list-style-type: none"> <li>• The percentage of unemployed people helped into work by their council has risen from 9.6 per cent to 12.6 per cent.</li> </ul>
<p><b>Public satisfaction</b></p>		
<ul style="list-style-type: none"> <li>• Public satisfaction with councils' services has increased for waste collection, decreased for schools, social work and libraries and remained static for leisure, museums, parks and street cleaning.</li> </ul>		

Source: *National Benchmarking Overview Report 2013/14*, Improvement Service, January 2015



## Exhibit 11

### Actions councils should take to effectively target their resources



Source: Audit Scotland

**52.** More recently, health and social care integration under the Public Bodies (Joint Working) (Scotland) Act 2014 will bring about the most significant change in public services in Scotland in recent years. Councils and NHS boards have a major opportunity to add value to people's lives through improved, coordinated services.

#### Councils need to have good information for decision-making

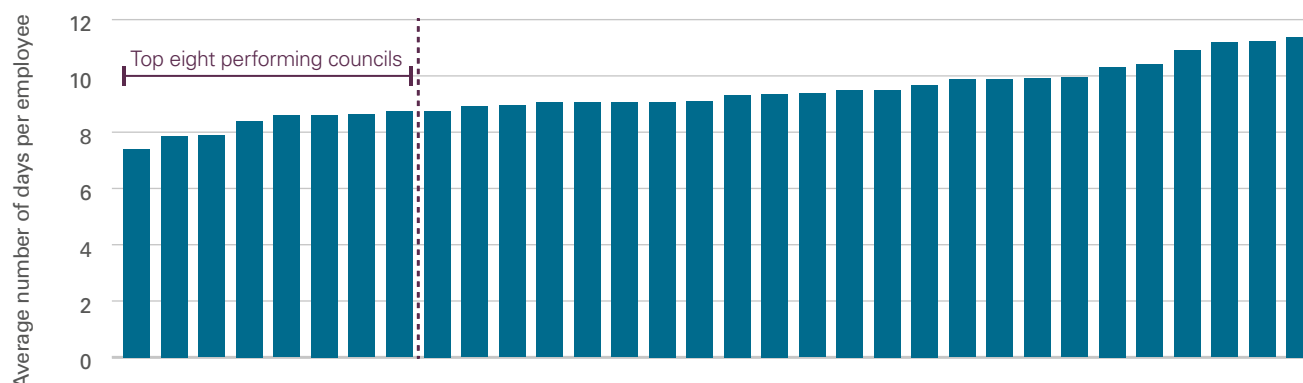
**53.** The Local Government Benchmarking Framework (LGBF) allows councils to assess and compare their performance and costs across all major service areas. The Improvement Service publishes the LGBF data by theme and by council. Councils can compare how much they spend, and how they perform, with other similar councils. This allows them to identify their strengths and areas where they could improve and to learn from good practice in other councils. For example, sickness absence varies across councils from an average of 7.4 days to 11.4 days per employee per year ([Exhibit 12, page 29](#)). If councils with high absence levels could lower this to match the top eight performing councils (lower than 8.8 days), that would gain the equivalent staff time of 450 full-time employees across Scotland. Councils have already saved the equivalent staff time of around 500 employees by improving sickness absence from an average of 9.8 days in 2010/11 to 9.2 days in 2013/14.

**54.** Our overview report on community planning found that councils and their partners need to get better at using data to understand local areas if they are to maximise their impact. It found that the more developed SOAs used data at a neighbourhood level to help target CPPs' activity and spending.<sup>16</sup>

## Exhibit 12

### Sickness absence in councils, 2013/14

Sickness absence in the top eight performing councils was less than 8.8 days per employee.



Source: *National Benchmarking Overview Report 2013/14*, Improvement Service, January 2015




**55.** West Lothian CPP, for example, has recognised that using data effectively is important to develop a successful CPP. The council recruited a data analyst to develop local profiles for areas in West Lothian. The CPP aims to use this data to better understand its communities so that it can target resources, such as funding and staff, to where they are most needed. Ultimately, the CPP aims to predict local needs, and then prevent specific issues, such as high rates of teenage pregnancies. Similarly, Glasgow's CPP used available data to select three key priorities in its SOA, providing it with a clear strategic direction for the next ten years.

### Councils are consulting with service users and communities but need to involve them more in planning and delivering services

**56.** To target their limited resources effectively, councils need to work with local people to understand what their needs are and what services will have the best and most sustainable impact on their lives. Local people can bring insights and experiences to planning, developing and delivering services, complementing those of council staff.

**57.** Many councils and CPPs do not draw on the results of consultation activity when making decisions and setting priorities. There is significant potential for councils to improve how they involve the public. For example:

- Comhairle nan Eilean Siar brought together views of communities and used them to influence decisions and develop services.
- Falkirk CPP is involving older people in developing new ways of providing services to help them remain independent for as long as possible.
- Perth and Kinross Council is facilitating work in communities where people who need social care services and their families are developing local services to meet their shared needs.

**58.** While CPPs continue to improve how they consult with local people, they are not yet working with them to improve local services.<sup>17</sup> Our report on [Self-directed support \[PDF\]](#)  found that genuinely involving users in decisions about how services are delivered, sometimes called co-production, is typically not happening.<sup>18</sup>

**59.** In June 2014, the Scottish Government introduced the Community Empowerment (Scotland) Bill to the Scottish Parliament. It includes proposals for:

- providing greater rights for communities to plan and manage public services
- placing CPPs on a statutory basis, by putting a legal duty on a range of public sector bodies to work together in partnership with communities to plan and improve outcomes for their areas.

**60.** While this should help improve communities' involvement in decisions about local services, councils will have to adopt fundamentally different ways of working with communities to enable them to participate effectively.

**61.** The Bill also contains provisions to improve access to information about the common good assets in each council area. These are properties and other assets that are held by a council on behalf of its residents. The total value of these in Scotland was £0.3 billion as at 31 March 2014.

### Councils are reviewing and changing the way they deliver services

**62.** As budgets are cut, councils need to review thoroughly how they deliver services and identify new, more efficient or better ways of delivering them. They need to act on the results of the reviews, which should be informed by better use of data and user views, to improve services.

**63.** Councils are considering, and consulting on, areas of potential service reductions, such as closing, or reducing opening hours for, libraries or other leisure facilities. As they consider proposals to reduce or stop services, councils need to identify the benefits and risks associated with each option. These include the implications for how services perform, the impact on service users and the effect on longer-term outcomes for people and communities. For example, reducing services to older people that help them live independently at home may produce savings in the short term but may result in people needing more intensive, expensive support sooner than would otherwise have been the case.

**64.** A number of councils have reviewed and changed the way they deliver services ([Case study 1, page 31](#)). It is important that councils monitor how their services are performing so they can understand whether they are making the anticipated improvements and savings. They should also review the process of making the changes and apply lessons learned to future changes.

**65.** There is limited evidence of councils moving towards preventative services. These services help prevent or delay people's need for a service, for example an older person requiring a place in a care home. In a climate of reduced resources it is difficult for councils and their partners to divert money from delivering existing services to more preventative services. However, prevention is an important element in managing future demand for services, and is therefore an important


## Case study 1



### Examples of councils reviewing and changing services

- East Ayrshire and South Ayrshire councils jointly launched the Ayrshire Roads Alliance to deliver a range of roads services. These include roads maintenance, winter maintenance, design and infrastructure, traffic and transportation, and road safety. The councils expect the shared services arrangement to deliver more than £8 million in savings over the next ten years. The savings will be mainly from reduced management and administrative costs and from better deals on larger orders.
- Glasgow City Council partially funds the Social Care Ideas Factory, a voluntary organisation, to develop ideas for changing and improving social care services. The Ideas Factory gets social care providers, service users, carers and the council together to test ideas that help people with social care needs to regain or retain full lives at home and in their communities.

Source: Audit Scotland

element in securing financial sustainability. Our report on [Reshaping care for older people \[PDF\]](#)  found that more needs to be done to target resources on preventing or delaying ill health and on helping people to stay at home.<sup>19</sup>

**66.** Our [Community planning report \[PDF\]](#)  found that while CPPs are starting to focus more on prevention, much of this activity is on a small scale. It also acknowledged that moving resources towards preventative activity will be more challenging as financial and demand pressures increase. There are, however, some examples of councils and CPPs investing in prevention activity:

- Stirling Council's social work services propose to save £442,000 over five years by extending the current re-ablement services for older people. These will now include people under 65 with physical disabilities, learning disabilities and mental health problems. Re-ablement focuses on building people's skills, capabilities and confidence to enable them to retain, or regain, their independence living at home with little, or no, support.
- Perth and Kinross Council offers a support service to people who claim Discretionary Housing Payments and Scottish Welfare Funds. The council does this to try to understand the reasons for their difficulties and stop them from happening. Officers review claimants' finances with them and try to maximise their income wherever possible, for example, by identifying additional benefits they may be entitled to or how claimants can spend less money. The council anticipates that taking this approach will greatly reduce the number of people needing its help.
- West Lothian CPP has agreed a comprehensive ten-year prevention plan. It sets out 68 prevention projects and identifies a number of broad areas to focus on in the future, such as reducing reoffending and alcohol misuse by young people.<sup>20</sup>

**67.** As the pressures on councils and their partners mount in the coming years, they may have to consider more fundamental changes. In England, councils have faced more severe budget cuts in the last few years. Between 2010/11 and 2015/16, the UK Government will reduce its funding to English councils by 37 per cent, in real terms.<sup>21</sup> As with Scottish councils, cuts so far have been managed mainly through workforce reductions. English councils are now increasingly relying on new, untested ways of making savings. There is also evidence that core services, such as homecare and day care for adults, are being reduced. Birmingham City Council, for example, is now actively looking to stop some services to help achieve its required £72 million of savings in 2015/16, and is planning to:

- cut services for those with physical disabilities by 50 per cent
- contract out a range of care services, such as sheltered housing
- cut over half of its library staff
- increase parking charges and other fees, such as waste disposal for businesses
- remove subsidies for public events.

**68.** In these circumstances, where there are greater risks in using untested approaches, it is even more important that councils identify the risks and manage them carefully. Responding effectively to the current and continuing financial pressures means that councils will have to be bold and take risks. They cannot afford to be risk averse, so the focus is on being risk aware.

### **Effective planning and budgeting help councils target resources, but there is limited evidence of longer-term financial planning**

**69.** It is important that councils develop and maintain long-term financial plans, looking five to ten years ahead, to direct and control their finances and set the context for annual budgets. Plans should also show whether the council's finances are sustainable over this period of time. They can help the council identify potential problems at an earlier stage, for example identifying significant demographic change or increasing costs for repaying debts. Long-term plans need to make assumptions about future funding, spending and activities, so they should set out different scenarios and their implications for the council's future budgets.

**70.** Plans should include both annual revenue spending on services and capital spending to invest in buildings and equipment, showing clearly how the two types of spending relate to each other. In the current financial environment, councils need to plan and budget in a way that focuses more on their priorities and links their planned spending more closely with the outcomes they want to achieve.

**71.** Eighteen councils do not have long-term financial plans covering a period of five or more years. This can limit how well they understand the full implications of their spending and borrowing. A long-term financial plan should include estimated income and costs, and the savings that may be required to bridge any gaps. It should provide councillors and senior managers with a good understanding of the financial health of the council, including anticipated pressures and options for addressing them ([Exhibit 13, page 33](#)).

## Exhibit 13

### Important features of long-term financial planning

Councils should have financial plans which cover a period of five to ten years.

Element	This should include:
<b>Income</b> 	An assessment of expected income, including projected changes to council tax income. It should set out options to increase income, for example policies on fees and charges
<b>Costs</b> 	A clear understanding of the council's costs, including those of individual services, borrowing costs etc. It should highlight future cost pressures and identify options for relieving these
<b>Savings</b> 	An analysis of required savings along with evidence-based options for achieving these. This should set out details of one-off and recurring savings and the risk of these not being achieved
<b>Funding gaps</b> 	Details of any funding gaps between projected income and the cost of providing services, including the reasons for these and how these will be managed
<b>Assets, liabilities and reserves</b> 	An assessment of assets and liabilities showing how these will change over time. There should also be a reserves policy, setting out details of adequacy, why reserves are held and what they will be used for
<b>Scenario planning</b> 	Different scenarios that show the best, worst and most likely financial positions. This should set out the assumptions used, and take into account long-term economic forecasts and interest rate projections
<b>Capital investment activity</b> 	Details of investment needs and plans and how these will be paid for. This should include details of estimated financing charges
<b>Demand</b> 	Analysis of demand for services, taking into account various population projections. It should also include the impact of demand on capital investment needs
<b>Risks</b> 	An analysis of significant financial risks, their implications and how these might be mitigated
<b>Links</b> 	Clear links to the council's corporate strategy and CPP objectives and to other relevant information, for example workforce and asset management plans

### Some councils are taking a priority-based approach to budgeting

**72.** Effective budgeting is an important part of good financial management because it:

- can help councils understand where best to direct their resources, such as money and staff, to achieve the greatest benefits
- sets out where and how much money will be allocated
- allows councils to monitor throughout the year the financial position against the budget.

**73.** It is important that councils are clear about local priorities and national policies and develop their budgets to target resources at these. One way of doing this is to use a priority-based approach to budgeting. There are some examples of councils using this approach to budgeting, for example Aberdeen City Council and Stirling Council, but many councils are not yet aligning their budgets with their priorities. Aberdeen City Council is now developing its approach to target resources at specific outcomes. There should be clear connections between the local priorities that the council and its partners have set out in their SOA and the way they target the combined money resources they have available for public services in the area.

### Governance arrangements must be kept up to date and fit for purpose


**74.** There have been major changes to staffing and management structures as a result of workforce reductions and organisational changes. This affects existing governance arrangements, for example from losing people and posts that authorised or reported important financial and performance information. Governance arrangements include rules for authorising decisions and spending, systems for managing risks, processes for reporting and scrutinising financial and service performance, and standards for the way councillors and staff behave. It is important that councils review the core elements of governance by:

- creating and implementing a vision for the local area and focusing on outcomes for the local community
- councillors and council officers working together to achieve a common purpose, with clearly defined functions and roles
- promoting the council's values and upholding high standards of conduct and behaviour
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- developing the capacity and capabilities of councillors and officers
- engaging with local people and other stakeholders to ensure robust public accountability.<sup>22</sup>


**75.** There is a risk that some councils' management teams may now be too small, or lack the skills and experience, to oversee and control their wide-ranging responsibilities. This can make effective leadership and management more challenging. Smaller management teams need to have clear arrangements for all the important functions they need to fulfil, including effective systems of control over finances and performance. Councils also need to ensure they have enough people with the right skills to deliver their ambitious change and improvement programmes, both now and in the future.

**76.** The chief executive role is crucial to the success of the council. The role is complex and demanding. It requires a good balance between responsibilities to the political administration and to the council as a whole, and the need to build effective relationships with people in organisations that work with or for the council to deliver public services, such as health and social care partnerships and ALEOs.

**77.** The chief financial officer, also known as the section 95 officer or proper officer for finance, has a crucial role in providing advice on all aspects of finance and is central to effective governance. Councillors should satisfy themselves that the chief financial officer has appropriate access to, and influence over, decision-makers to perform this role effectively. From 2014/15, councils' annual accounts must include a statement of responsibilities and this must accurately reflect the responsibilities of the chief financial officer.<sup>23</sup>

**78.** Councillors also need to be aware of the important contributions provided by statutory officers who, similar to the chief financial officer, act independently to promote and enforce good governance ([Exhibit 14, page 36](#)). The chief financial officer and the monitoring officer in particular provide independent advice to the council on the affordability and legality of options for services and savings. Fuller information on the statutory officers and their roles, which are undertaken alongside their wider responsibilities for the management of the council, is available on the [Improvement Service website](#) .

### **There is an increasing risk that reductions in staff numbers will affect essential support services, such as HR and finance.**

**79.** There is an increasing risk that reductions in staff numbers will affect essential support services, such as HR and finance. There are signs of pressure in councils' finance departments, such as delays in preparing annual accounts and supporting papers. We have asked Audit Scotland to examine the impact on finance departments of reduced staff numbers. We will report our findings in next year's overview report. Our [Scotland's public finances—follow-up audit \[PDF\]](#)  stressed the need for council leaders and senior managers to consider the ability of finance departments to supply councillors with clear information to allow them to scrutinise budgets.<sup>24</sup>

**80.** There are similar concerns about reductions in skills and experience in internal audit and fraud prevention teams. The recently revised accounting regulations introduce the new requirement for an effective internal auditing service in accordance with recognised standards and practices set out in the public sector internal audit standards.<sup>25;26</sup> The regulations also require councils to assess the efficiency and effectiveness of internal audit.



## Exhibit 14

### Roles of statutory officers in councils

Statutory officers have an important role in promoting and enforcing good governance, alongside their wider responsibilities in the council.

Role	Established by	Statutory responsibilities
Head of paid service (chief executive)	Local Government and Housing Act 1989	Council staff structures and numbers; ensuring the work in different departments is coordinated
Chief financial officer (or section 95 officer or proper officer for finance)	Local Government (Scotland) Act 1973	Proper administration of the financial affairs of the council
Monitoring officer	Local Government and Housing Act 1989	Advising councillors about the legal position of proposed actions
Chief social work officer	Social Work (Scotland) Act 1968	Advising councillors and senior officers on the delivery of social work services

Source: Audit Scotland


**81.** Effective and transparent scrutiny is an essential component of good governance and, where issues have been identified, councils are taking actions to improve. For example, our [Best Value report on South Ayrshire \[PDF\]](#)  in February 2014 found that there were significant weaknesses in the way councillors scrutinised how the council and services performed.<sup>27</sup> We reported in December 2014 that the council had reviewed its scrutiny arrangements and implemented a new governance structure which appears to have a tighter focus on governance and service performance.

**82.** Our reports highlight the crucial role of effective leadership from councillors and senior managers:

- School education – found that effective leadership was crucial for improving educational attainment.
- Self-directed support – found that councillors and senior managers were not providing effective leadership in every council for implementing this important social care policy.

**83.** We reported last year that political tensions were getting in the way of effective leadership in some councils. There are signs that this continues. For example, our 2013 report on [Argyll and Bute Council \[PDF\]](#)  highlighted our serious concerns about substantial risks to the council caused by the instability of leadership by councillors since the last council election.<sup>28</sup> Our [follow-up report \[PDF\]](#)  in 2014 found that the political dynamics of the council were more stable than before, and new political management arrangements were in place, although some underlying tensions were still

evident.<sup>29</sup> Similarly, Falkirk Council's auditor noted that following the introduction of a new decision-making structure in May 2013, not all councillors were attending executive and scrutiny committee meetings and scrutiny and policy development panels.

**84.** Our 2014 report on [Community planning \[PDF\]](#)  found that CPP boards are not yet fulfilling their role effectively.<sup>30</sup> Strategic leadership, oversight and challenge (for example, of individual partners' contribution to the CPP's priorities) still tends to happen at a level, or at levels, below the CPP board.

**85.** Many councils have set up ALEOs as an alternative way of delivering council services. ALEOs most commonly provide culture and leisure services and property management, but also deliver social care, transport and other targeted community services. As more councils use ALEOs to save money or run more efficient services, they must satisfy themselves that arrangements are in place to ensure the new structures deliver good services within budget. In particular they must manage the financial risks to the council and service users if the ALEO fails. Councils should also regularly review existing, long-standing ALEOs to ensure their governance arrangements remain effective. Aberdeen City Council has plans to strengthen its governance arrangements for ALEOs ([Case study 2](#)).

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## Case study 2

### Aberdeen City Council's new governance hubs



Following advice from its auditors to review its governance arrangements for ALEOs, Aberdeen City Council is creating three new governance hubs:

- Social Care, Wellbeing and Safety
- Enterprise, Strategic Planning and Infrastructure
- Education, Culture and Sport.

Each governance hub will consist of service representatives and officers from the council's finance, legal, human resources, risk management and procurement departments. Their role will be to scrutinise in detail each of the council's significant ALEOs. This will involve regularly meeting with the ALEOs and reviewing a range of risk and performance information.

The hubs will report to service committees twice a year on ALEOs' operational performance (including financial performance), people performance, risk management and service quality.

The hubs will also report quarterly to the Audit, Risk and Scrutiny Committee, which retains overall responsibility for scrutinising performance.

Source: Audit Scotland

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### Governance arrangements need to reflect changes in structures and services

**86.** Councils should review their governance arrangements whenever they make changes to the way they manage or deliver services to ensure they remain effective. They should also regularly review long-standing arrangements in case they have become less effective over time.

**87.** A crucial element of governance is audit committee arrangements, and these were the subject of consultations leading to the 2014 accounting regulations. The regulations do not make audit committees mandatory. However, it is clear that Scottish Ministers consider that councils should devote sufficient resources to enable the audit committee, along with other scrutiny functions, to carry out its role effectively. All councils have at least one audit committee. We believe that effective and transparent scrutiny is best achieved where:

- the chair of the scrutiny or audit committee is not a member of the political administration
- the committee has clear terms of reference that set out their role in independent scrutiny of council decisions and performance
- the committee has adequate support and access to independent advice
- members of the committee have the necessary skills and training to do their job.

**88.** Across Scotland, new service arrangements are being put in place. These include health and social care integration and the new single police service. There are also new local service arrangements, such as joint working between councils and making use of ALEOs. Councils should review governance arrangements when changes like these are introduced to make sure roles, responsibilities and accountabilities are appropriate to the new models.

**89.** Health and social care integration, which councils and health board partners are working to implement fully by April 2016, requires effective governance arrangements for the new joint bodies. Responsibility for setting up the new joint bodies and establishing good governance arrangements is shared between the two partners. In our report on community planning we said that effective leadership, challenge and scrutiny depends on a culture of trust between partners, in which there are not only good ongoing relationships but the ability to challenge and hold each other to account. The same applies to health and social care bodies. There are also changes to the governance arrangements for pension funds. From April 2015, the law requires that schemes have pension boards comprising employer and employee representatives; currently pension fund committees comprise councillors only.

### Councillors need clearer information to help them scrutinise services more effectively

**90.** Councillors need good information to scrutinise services and make effective decisions. It also helps councils demonstrate that they use public money properly and effectively. Councils have a duty to report their performance publicly. There has been an improvement in councils' overall approach to public performance reporting. It is easier to find information and more councils

now have performance information clearly signposted on their websites.

Our [Best Value report on Comhairle nan Eilean Siar \[PDF\]](#) found that the council improved its public performance reporting arrangements during 2013 when it introduced its public performance calendar.<sup>31</sup> The calendar presents a range of information, structured around its SOA, as well as service-specific information. However, there is scope to improve performance reporting in some councils. The Improvement Service is developing guidance to assist councils in how they report their performance.

**91.** Our [SPF follow-up report \[PDF\]](#) found that all public bodies, including councils, need to improve the level and consistency of information provided for scrutiny and decision-making. It reported cases where:

- reporting of financial information was limited in frequency and content
- actions, responsibilities, measurable outcomes or timescales were unclear
- scrutiny of plans and savings took place in private and the decisions were not reported.<sup>32</sup>

**92.** Audited annual accounts are an important element of the public reporting of financial performance. Councils' accounts, for financial year 2013/14, were all completed on time and were signed off by auditors without qualified opinions (this means that the 2013/14 accounts present a 'true and fair' view of the financial position). Unqualified audit opinions were also issued for each of the 11 pension funds run by councils. We welcome this achievement by councils and the assurance it provides to the public and other stakeholders, including the Scottish Government. For the first time in 2013/14, a full audit of registered charities' accounts where a council or some council members are the sole trustees was required by regulation.

**93.** Financial reporting takes a number of forms, including the audited annual accounts, budget documents, published plans and council papers. Financial risks, uncertainties and the quickly changing context we outline in this report reinforce the need for comprehensive, transparent, reliable and timely financial reporting. An overall picture of the financial position which includes details of what is owned (assets) and what is owed (liabilities) along with annual income and spending levels is essential to understand the risk to financial sustainability.


**94.** Councils' accounts are complex and include technical accounting adjustments to meet statutory requirements. As a result, it is not always clear to those without a financial background how councils performed against their budgets, or the extent to which they anticipate future funding gaps.

**95.** It is also difficult to get a clear picture of the overall liabilities and the likelihood and timing of meeting the liabilities in future. For example, while accounting rules require disclosure of a council's involvement in an ALEO in its annual accounts, councillors may not have a comprehensive picture of the overall, potential liabilities associated with their council's involvement in ALEOs. If ALEOs experience financial difficulties, the council may be required to provide additional financial support beyond that included in the council's budget.

**96.** This is an area for further consideration and development. We therefore welcome recent changes to the accounting regulations which require councils to include a management commentary in their accounts. In addition, the CIPFA/LASAAC Local Authority Accounting Code Board is continuing to work on a project to simplify how councils should report their financial performance in the financial statements.<sup>33</sup>

### **Councillors need training to help them set budgets and scrutinise performance**

**97.** It is more important than ever that councillors have appropriate knowledge and expertise to carry out their role effectively:

- Our SPF follow-up report highlighted the funding arrangements for major capital investment, such as tax incremental financing and NPD, as an example of a complex area. Councillors and other public sector leaders may require help to ensure they are fully aware of the key issues, risks and impact of these financing models on public finances.
- Our [Procurement in councils report \[PDF\]](#)  emphasised the importance of councillors having a good knowledge of procurement rules. We recommended that councils should encourage councillors sitting on the main committee or committees dealing with procurement to complete specific training to help them perform their role more effectively.
- Our report on borrowing and treasury management, which we will publish in March 2015, will consider whether councillors have enough expertise to challenge decisions in this complex area.








**98.** Where necessary, councillors should seek advice and training to support them in their role and councils should assure themselves that they provide appropriate support. For example, North Lanarkshire Council produces an annual learning and development programme and runs training courses for councillors. Two-thirds of councillors attended at least one training session in 2013/14. For the last few years, the Improvement Service has offered a voluntary Continuous Personal Development (CPD) framework for councillors. Alongside SOLACE, the Improvement Service is developing a programme of training for council chief executives, senior managers and councillors.

**99.** In addition to reviewing their training needs, councillors should ensure the recommendations in this report are implemented, where appropriate. We have provided a self-assessment tool on our website to help them do this.

# Endnotes



- ◀ 1 *Local Government Financial Circulars*, Scottish Government, 2012, 2013 and 2014.
- ◀ 2 [How councils work: an improvement series for councillors and officers – Charging for services: are you getting it right? \[PDF\]](#)  Audit Scotland, October 2013.
- ◀ 3 *Scottish Housing Quality Standard Progress update 2012/13*, Scottish Housing Regulator, March 2014.  
This figure excludes Stirling Council as they did not provide Regulator with data.
- ◀ 4 [The Audit of Best Value and Community Planning. The City of Edinburgh Council. A follow-up report \[PDF\]](#)  Audit Scotland, December 2014.
- ◀ 5 *BOLD business cases - delivering a lean and agile council*, The City of Edinburgh Council Finance and Resources Committee, 15 January 2015.
- ◀ 6 *LAAP Bulletin 99: Local Authority Reserves and Balances*, CIPFA, July 2014.
- ◀ 7 *Economic and fiscal outlook*, Office for Budget Responsibility, December 2014.
- ◀ 8 *Pupils projections - 2012 based*, Scottish Government, August 2014.
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- ◀ 10 Children and Young People (Scotland) Bill Financial Memorandum, 2013 and letter from Aileen Campbell MSP to Kenneth Gibson MSP, 12 September 2013.
- ◀ 11 *The Government's Programme for Scotland 2014-15*, Scottish Government, November 2014.
- ◀ 12 *Report of the Smith Commission for further devolution of powers to the Scottish Parliament*, The Smith Commission, November 2014. Note: The UK Government established the Smith Commission following the referendum on Scottish independence in September 2014. Its remit was to consider what further powers should be devolved to the Scottish Parliament.
- ◀ 13 [Procurement in councils \[PDF\]](#)  Audit Scotland, April 2014.
- ◀ 14 *Public sector employment statistics*, Scottish Government, 2014. Figures exclude police and fire and rescue services.
- ◀ 15 [School education \[PDF\]](#)  Audit Scotland, June 2014.
- ◀ 16 [Community Planning: Turning ambition into action \[PDF\]](#)  Audit Scotland, November 2014.
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- ◀ 22 *Delivering Good Governance in Local Government, Guidance Note for Scottish Authorities*, SOLACE/CIPFA, 2008.
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- ◀ 24 [Scotland's public finances – a follow-up audit: Progress in meeting the challenges \[PDF\]](#)  Audit Scotland, June 2014.
- ◀ 25 *The Local Authority Accounts (Scotland) Regulations 2014*.
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- ◀ 27 [South Ayrshire Council. Best Value Audit. \[PDF\]](#)  Audit Scotland, December 2014.
- ◀ 28 [Argyll and Bute Council. Statutory report \[PDF\]](#)  Audit Scotland, October 2013.
- ◀ 29 [The Audit of Best Value and Community Planning. Argyll and Bute Council. Follow-up audit \[PDF\]](#)  Audit Scotland, July 2014.
- ◀ 30 [Community Planning: Turning ambition into action \[PDF\]](#)  Accounts Scotland, November 2014.
- ◀ 31 [The Audit of Best Value and Community Planning. Comhairle nan Eilean Siar. A follow-up report \[PDF\]](#)  Audit Scotland. May 2014.
- ◀ 32 [Scotland's public finances a follow-up audit: Progress in meeting the challenges \[PDF\]](#)  Audit Scotland, June 2014.
- ◀ 33 LASAAC - Local Authority (Scotland) Accounts Advisory Committee.

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