

Agenda



Audit Committee

Date: Wednesday, 13 June 2018

Time: 14:00

Venue: Civic Space,
Council Offices, 16 Church Street, Dumbarton

Contact: Craig Stewart, Committee Officer
Tel: 01389 737251 craig.stewart@west-dunbarton.gov.uk

Dear Member

Please attend a meeting of the **Audit Committee** as detailed above. The business is shown on the attached agenda.

Yours faithfully

JOYCE WHITE

Chief Executive

Distribution:

Councillor John Mooney (Chair)
Councillor Jim Brown
Councillor Karen Conaghan
Councillor Daniel Lennie
Councillor Jonathan McColl
Councillor John Millar
Councillor Martin Rooney
Councillor Brian Walker
Mr SJ Doogan
Ms E McKerry

All other Councillors for information

Chief Executive
Strategic Director - Transformation & Public Service Reform
Strategic Director - Regeneration, Environment & Growth
Chief Officer of West Dunbartonshire Health & Social Care Partnership

Date of issue: 31 May 2018

AUDIT COMMITTEE
WEDNESDAY, 13 JUNE 2018

AGENDA

1 APOLOGIES

2 DECLARATIONS OF INTEREST

Members are invited to declare if they have an interest in any of the items of business on this agenda and the reasons for such declarations.

3 MINUTES OF PREVIOUS MEETING 5 - 10

Submit for approval as a correct record, the Minutes of Meeting of the Audit Committee held on 21 March 2018.

4 OPEN FORUM

The Committee is asked to note that no open forum questions have been submitted by members of the public.

5 AUDIT ACTION PLANS To follow

Submit report by the Strategic Lead - Resources advising of:-

- (a) recently issued Internal Audit action plans; and
- (b) progress made against action plans previously issued contained within Internal Audit and External Audit reports.

6 INTERNAL AUDIT ANNUAL REPORT TO 31 MARCH 2018 11 - 21

Submit report by the Strategic Lead - Resources advising of the work undertaken by Internal Audit in respect of the Annual Audit Plan 2017/18 and advising Members of the contents of the Annual Assurance Statement given to the Section 95 Officer (Strategic Lead - Resources) in support of the Statement of Internal Financial Control/Governance Statement.

7 INTERNAL AUDIT CHARTER - UPDATE 23 - 39

Submit report by the Strategic Lead - Resources providing an updated version of the Audit Charter previously submitted to the meeting on 9 March 2016.

8 CODE OF GOOD GOVERNANCE 41 - 46

Submit report by the Strategic Lead - Resources advising of the outcome of the annual self-evaluation undertaken of the Council's compliance with its Code of Good Governance.

9 ACCOUNTS COMMISSION REPORT: LOCAL GOVERNMENT IN SCOTLAND CHALLENGES AND PERFORMANCE 2018 47 - 96

Submit report by the Strategic Lead - Resources providing a national audit report, for information and consideration, which has been received from the Accounts Commission.

10 AUDIT SCOTLAND REPORT: WEST DUNBARTONSHIRE COUNCIL: MANAGEMENT REPORT 2017/18 – MAY 2018 97 - 106

Submit report by the Strategic Lead - Resources providing for information a report which has been received from the Council's external auditors, Audit Scotland, and, in addition, information on management actions implemented following receipt of the report.

AUDIT COMMITTEE

At a Meeting of the Audit Committee held in Committee Room 3, Council Offices, Garshake Road, Dumbarton on Wednesday, 21 March 2018 at 2.00 p.m.

Present: Councillors Karen Conaghan, Jonathan McColl, John Mooney, Martin Rooney, Brian Walker and Lay Member Ms Eilidh McKerry.

Attending: Angela Wilson, Strategic Director - Transformation & Public Service Reform; Stephen West, Strategic Lead - Resources; Colin McDougall, Audit and Risk Manager; Stephen Daly, Customer Service Manager; Jennifer Ogilvie, Section Head (Strategic Finance and Development) and Craig Stewart, Committee Officer.

Also Attending: Carol Hislop, Senior Audit Manager and Zahrah Mahmood, Senior Auditor, Audit Scotland.

Apologies: Apologies for absence were intimated on behalf of Councillors Daniel Lennie and John Millar and Lay Member Mr Stevie Doogan. Apologies were also intimated from Joyce White, Chief Executive.

Councillor John Mooney in the Chair

DECLARATIONS OF INTEREST

It was noted that there were no declarations of interest in any of the items of business on the agenda.

MINUTES OF PREVIOUS MEETING

The Minutes of Meeting of the Audit Committee held on 13 December 2017 were submitted and approved as a correct record.

OPEN FORUM

The Committee noted that no open forum questions had been submitted by members of the public.

PRUDENTIAL INDICATORS 2017/18 TO 2025/26 AND TREASURY MANAGEMENT STRATEGY 2018/19 TO 2025/26

A report was submitted by the Strategic Lead – Resources providing an update on the proposed Prudential Indicators for 2017/18 to 2020/21 and Treasury Management Strategy (including the Investment Strategy) for 2018/19 to 2020/21.

After discussion and having heard the Strategic Lead – Regulatory and the Section Head (Strategic Finance and Development) in further explanation and in answer to Members' questions, the Committee agreed to note that Council had approved the following at its meeting on 5 March 2018:–

- (1) The following Prudential Indicators and Limits discussed in Appendix 1 to the report and set out within Appendix 6 to the report for the period 2018/19 to 2020/21:-

Capital Expenditure and Capital Financing Requirements (Tables A and B);

Forecast and estimates of the ratio of financing costs to Net Revenue Stream (Table D);
- (2) The policy for loans fund advances discussed in Appendix 1 in section 3.3 of the report;
- (3) The Treasury Management Strategy for 2018/19 to 2020/21 (including the Investment Strategy) contained within Appendices 2 to 6 of the report;
- (4) The following Treasury Prudential Indicators and Limits discussed in Appendix 2 to the report and set out within Appendix 6 to the report for the period 2018/19 to 2020/21:-

Operational Boundaries (Table F);

Authorised Limits (Table G);

Counterparty Limits (Table J); and

Treasury Management Limits on Activity (Table L);
- (5) The draft Prudential and Treasury Management Indicators for the period 2021/22 to 2025/26 discussed in Appendices 1 and 2 and set out within Appendix 6 to the report;
- (6) The statement by the Section 95 Officer regarding the gross debt level in comparison to the Capital Financing Requirement (Appendix 2 – Point 2.3);
- (7) The Treasury Management Policy Statement set out in Appendix 7 to the report;

- (8) The Treasury Management Clauses to be formally Adopted set out in Appendix 8 to the report; and
- (9) The Treasury Management Role of the Section 95 Officer set out in Appendix 9 to the report.

AUDIT ACTION PLANS

A report was submitted by the Strategic Lead – Resources advising of:-

- (a) recently issued Internal Audit action plans; and
- (b) progress made against action plans previously issued contained within Internal Audit and External Audit reports.

After discussion and having heard the Audit and Risk Manager and relevant officers in further explanation and in answer to Members' questions, the Committee agreed:-

- (1) that progress against actions should also outline whether these actions are on track to be completed or not by due date.
- (2) otherwise to note the contents of the report.

PUBLIC INTEREST DISCLOSURES AND OTHER INTERNAL AUDIT INVESTIGATIONS – 1 JULY TO 31 DECEMBER 2017

A report was submitted by the Strategic Lead – Resources advising on public interest disclosures and other Internal Audit investigations received during the period 1 July to 31 December 2017.

After discussion and having heard the Strategic Director and the Audit and Risk Manager in further explanation and in answer to Members' questions, the Committee agreed:-

- (1) to note the terms of the discussion that had taken place in respect of this matter; and
- (2) otherwise to note the content of the report.

COUNTER FRAUD AND CORRUPTION STRATEGY

A report was submitted by the Strategic Lead – Resources advising of a revised "Counter Fraud and Corruption Strategy".

After discussion and having heard the Audit and Risk Manager and relevant officers in elaboration and in answer to Members' questions, the Committee agreed to approve the new Counter Fraud and Corruption Strategy and noted the planned awareness campaign for the Council's existing Public Interest Disclosure Policy.

EVALUATION OF EFFECTIVENESS OF AUDIT COMMITTEE

A report was submitted by the Strategic Lead – Resources advising of an action relating specifically to the Council's Audit Committee arising from the recent review of the Local Code of Good Governance.

After discussion and having heard the Audit and Risk Manager, the Committee agreed:-

- (1) to note the contents of the report and approved the suggestion at paragraph 4.2 of the report in order to progress this matter; and
- (2) to note that a report on the outcome of the self-assessment would be provided to a future meeting of this Committee for consideration.

AUDIT SCOTLAND – REVIEW OF ADEQUACY OF INTERNAL AUDIT ARRANGEMENTS

A report was submitted by the Strategic Lead – Resources advising of the External Auditor's assessment of the adequacy of the Council's Internal Audit arrangements.

After discussion and having heard the Audit and Risk Manager in further explanation of the report and in answer to Members' questions, the Committee agreed:-

- (1) that as part of the review of the effectiveness of the Audit Committee, mentioned in the previous item, that consideration would be given to the suggestion by Audit Scotland that all completed audit reports should go to each committee, rather than a summary; and this would in due course be reported back to a future meeting of the Committee for Members' determination; and
- (2) otherwise to note the contents of the report.

AUDIT SCOTLAND ANNUAL AUDIT PLAN 2017/18

A report was submitted by the Strategic Lead – Resources presenting Audit Scotland's Audit Plan for the audit of financial year 2017/18 to Committee for information.

After discussion and having heard Ms Hislop, Senior Audit Manager, Audit Scotland and the Strategic Director in further explanation and in answer to Members' questions, the Committee agreed to note Audit Scotland's audit plan for the audit of financial year 2017/18.

INTERNAL AUDIT PLAN 2018/19

Submit report by the Strategic Lead – Resources advising of the planned programme of work for the Internal Audit section for the year 2018/19.

After discussion and having heard the Audit and Risk Manager in further explanation of the report and in answer to a Member's question, the Committee approved the Audit Plan for 2018/19.

ACCOUNTS COMMISSION REPORT: LOCAL GOVERNMENT IN SCOTLAND FINANCIAL OVERVIEW 2016/17

A report was submitted by the Strategic Lead – Resources providing information regarding a report recently published by the Accounts Commission as prepared by Audit Scotland.

After discussion and having heard Ms Hislop, Senior Audit Manager, Audit Scotland and the Strategic Director in further explanation of the report and in answer to Members' questions, the Committee agreed:-

- (1) to note the terms of the report, along with the checklist contained at Appendix 2 of the report and noted that it was planned to undertake development work with Members in relation to the report as part of a future Elected Members' development session; and
- (2) that a copy of Appendix 2, *Scrutiny tool for Councillors*, would be sent to all Elected Members, for their consideration and attention.

SCOTTISH PUBLIC SERVICES OMBUDSMAN COMPLAINTS REPORT 2016/17

A report was submitted by the Strategic Lead – Communications, Culture & Communities presenting the Scottish Public Services Ombudsman (SPSO) report on complaints handling by West Dunbartonshire Council for the year 1 April 2016 – 31 March 2017.

After discussion and having heard the Customer Services Manager in further explanation of the report and in answer to Members' questions, the Committee agreed:-

- (1) to note the information contained within the report;

- (2) to note the terms of the discussion that had taken place in respect of this matter, particularly where this year-end report should be reported to;
- (3) to note a commitment to improve response times for complaints to ensure compliance with Scottish Public Services Ombudsman (SPSO) timelines;
- (4) to encourage a culture that welcomes complaints in any form so that the Council captured all expressions of dissatisfaction for future improvement;
- (5) to note that complaints improvement activity in collaboration with Customer Services and the Policy Planning and Performance (PPP) team was ongoing with a focus on learning from complaints;
- (6) to note learning outcomes were recorded in Covalent by PPP for management and to evidence outcomes; and
- (7) to note local management team meetings have been established with involvement of Customer Service Management to drive improvement activity across all areas.

The meeting closed at 3.20 p.m.

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead – Resources

Audit Committee: 13 June 2018

Subject: Internal Audit Annual Report to 31 March 2018

1. Purpose

- 1.1 The purpose of this report is to advise Members of the work undertaken by Internal Audit in respect of the Annual Audit Plan 2017/18 and to advise Members of the contents of the Assurance Statement given to the Section 95 Officer (Strategic Lead - Resources) in support of the Statement of Internal Financial Control / Governance Statement. This report outlines how audit assurances are obtained.

2. Recommendations

- 2.1 It is recommended that Members note the contents of this report.

3. Background

- 3.1 The Public Sector Internal Audit Standards (PSIAS) became effective on 1st April 2013 (revised in 2017) and require that:

“The chief audit executive [WDC: Audit and Risk Manager] must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

The annual report must incorporate:

- *The opinion;*
- *A summary of the work that supports the opinion; and*
- *A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme”*

- 3.2 Attached at Appendix A is information on the completion of the key audit work, i.e. systems audits, computer audits and a significant investigation. The Assurance Statement is included at Appendix B. A suite of Key Performance Indicators is detailed at Appendix C.

3.3 A six monthly progress report was provided to the Audit Committee during the course of 2017/18.

4. Main Issues

4.1 The risk-based systems audits and ICT audits contained within the Audit Plan for 2017/18 are shown in the tables included at Appendix A, showing the number of agreed actions for each of these reports. The numbers in brackets denotes the number of outstanding actions as at 31 May 2018 and the information in the “Comments Column” provides further information on the status of outstanding actions. As a result of a significant amount of investigations work to which the Internal Audit team has had to respond to during 2017/18, three risk-based audits have been rolled forward into 2018/19. This approach has been agreed in discussion with External Audit. In addition, three audits are still in the process of being completed with the draft reports currently being discussed with management.

4.2 On the basis of the key Internal Audit work performed in 2017/18 as summarised in Appendix A, it can be concluded that the Council’s control procedures in key areas are operating as expected during the period under review, although it is recognised that:

- For risk-based audits, 71 recommendations were made by Internal Audit to improve controls of which 42 have now been implemented;
- For ICT audits, 11 recommendations were made by Internal Audit to improve controls of which 4 have now been implemented; and
- For investigations all the actions have been completed.

4.3 The Audit and Risk Manager is pleased to report good progress across the Council on audit recommendations and is of the opinion that reasonable assurance can be placed upon the adequacy and effectiveness of West Dunbartonshire Council’s systems of governance, risk management and internal control in the year to 31 March 2018.

4.4 The work of Internal Audit, External Audit and external inspection agencies who reported on the Council’s work has been reviewed. Assurances were sought from Strategic Directors and Strategic Leads on the implementation of action plans and recommendations and the Chief Executive, Strategic Directors and Strategic Leads have been asked to provide assurance statements to the Audit and Risk Manager, including their opinion of the control environment operating within their own service areas.

4.5 The Internal Audit Annual Report for 2017/18 included at Appendix B includes the Audit and Risk Manager’s independent and objective opinion as to the adequacy and effectiveness of internal controls within the Council and has informed the Council’s annual Governance Statement.

4.6 A suite of Key Performance Indicators is detailed at Appendix C.

5. People Implications

5.1 There are no people implications.

6. Financial and Procurement Implications

6.1 As a result of Corporate Fraud Team activity, actual recoveries, charges and re-billings of £312,000 have been identified during 2017/18, against a target of £195,000.

6.2 There are procurement implications arising from this report.

7. Risk Analysis

7.1 There is a risk that failure to deliver the Internal Audit Plan would result in an inability to provide assurances over the Council's system of internal financial control to those charged with governance.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads.

10. Strategic Assessment

10.1 This report relates to Assuring Our Success through strong financial governance and sustainable budget management.

.....
Stephen West
Strategic Lead - Resources
Date: 31 May 2018

Person to Contact: Colin McDougall, Audit and Risk Manager Telephone (01389) 737436
E-mail: colin.mcdougall@west-dunbarton.gov.uk

Appendix A: Audit Plan 2017/18: Completed Audits

Appendix B: Assurance Statement for the year ended 31 March 2018 from the Audit and Risk Manager

Appendix C: Key Performance Indicators

Background Papers: Audit & Performance Review Committee – 8 March
2017: Internal Audit Plan 2017/18

Wards Affected: All wards

APPENDIX A**Audit Plan 2017/18: Completed Audits**

<u>Report Title</u>	No. Of Agreed Actions			<u>Comments</u>
	<u>High</u>	<u>Medium</u>	<u>Low</u>	
<u>Systems Audits</u>				
Purchasing Cards (from 2016/17 Audit Plan)	0 (0)	1 (0)	7 (1)	The one outstanding action is overdue.
Register of Gifts, Hospitality & Interests	0 (0)	4 (1)	2 (1)	The two outstanding actions are overdue but are 95% complete.
Guardianship Cases (MHO involvement)	0 (0)	3 (1)	2 (1)	One of the two outstanding actions is overdue.
Creditors	2 (0)	10 (1)	9 (1)	The two outstanding actions are not yet due.
Schools Estate Strategy	0 (0)	2 (2)	0 (0)	The two outstanding actions are not yet due.
Employment Support	1 (0)	5 (1)	3 (1)	The two outstanding actions are overdue.
Payroll - Overtime	0 (0)	2 (2)	0 (0)	The two outstanding actions are not yet due.
Scottish Social Services Council Registration (from 2016/17 Audit Plan)	0 (0)	1(0)	1 (0)	Both actions completed.
Data and Information Security – Governance and Practice	0 (0)	5 (5)	4 (4)	None of the outstanding actions is due as yet.
Use of Care First Functionality for Financial Management	0 (0)	7 (7)	0 (0)	None of the outstanding actions is due as yet.
Total	3 (0)	40 (20)	28 (9)	
<u>Computer Audits</u>				
ICT Disaster Recovery/Business Continuity Controls (from 2016/17 Audit Plan)	0 (0)	5 (3)	2 (0)	One of the outstanding actions is overdue.
IT Procurement (Hardware and Software)	0 (0)	0 (0)	1 (1)	The one outstanding action is not yet due.
Remote access controls	0 (0)	1 (1)	1 (1)	The two outstanding actions are not yet due.
Help Desk / Service Desk	0 (0)	0 (0)	1 (1)	The one outstanding action is not yet due
Total	0 (0)	6 (4)	5 (3)	
<u>Investigations</u>	9 (0)	6 (0)	0 (0)	All actions complete.
TOTAL	12 (0)	52 (24)	33 (12)	

NB: Figures in () denote actions which remain outstanding as at 31 May 2018

Assurance Statement for the year ended 31 March 2018
from the Audit and Risk Manager

To the Members of West Dunbartonshire Council, the Chief Executive and the Section 95 Officer (Strategic Lead - Resources)

As Audit and Risk Manager of West Dunbartonshire Council, I am pleased to present my annual statement on the adequacy and effectiveness of the internal financial control system of the Group Accounts prepared by the Council for the year ended 31 March 2018.

Respective responsibilities of management and internal auditors in relation to internal control

It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal financial control and to monitor the continuing effectiveness of that system. It is the responsibility of the Audit and Risk Manager to provide an annual overall assessment of the robustness of the internal financial control system.

The Council's framework of governance, risk management and internal control

The Council has a responsibility to ensure that its business is conducted in accordance with legislation and proper standards.

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and how it accounts to communities. It enables the Council to monitor the achievement of its strategic priorities and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The main objectives of the Council's internal control systems are to ensure:

- Adherence to management policies and directives in order to achieve the organisation's objectives;
- Economic, efficient, effective and safe use of resources and assets;
- The relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- Compliance with statutory requirements.

The system of internal control is a significant element of the governance framework. Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its systems of internal control in order to identify and prioritise

the risks that would prevent the achievement of the Council's strategic objectives

The work of internal audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Council's Internal Audit Section operates in accordance with the *Public Sector Internal Audit Standards* (PSIAS) which have been agreed to be adopted from 1st April 2013 by the relevant public sector Internal Audit Standard setters. PSIAS applies the Institute of Internal Auditors International Standards to the UK Public Sector.

PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed in order to provide assurance that internal audit activity:

- Is conducted in accordance with an Internal Audit Charter;
- Operates in an efficient and effective manner; and
- Is perceived to be adding value and improving operations.

An internal self-assessment of internal audit practices has been carried out by the Audit and Risk Manager every year since PSIAS became effective on 1st April 2013, with improvements identified and implemented as appropriate. PSIAS also requires, as outlined in Standard 1300 "QAIP", that:

"External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment or a self-assessment with independent external validation".

To meet this requirement, a reciprocal arrangement to complete a programme of inspections has been developed by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG). This process identified South Lanarkshire Council as the Authority to undertake the independent review of WDC's Internal Audit function's level of compliance with PSIAS and the external review was carried out during 2015/16. The next external review is due to be carried out in the next two to three years.

The Internal Audit Section undertakes an annual programme of work based on a risk assessment process which is revised on an ongoing basis to reflect evolving risks and changes within the Council. All Internal Audit reports identifying system weaknesses and / or non-compliance with expected controls are brought to the attention of management and the Audit and Performance Review Committee together with appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to Internal Audit reports and that appropriate action is taken on audit recommendations. The internal auditor is required to

ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. A programme of follow-up on assignment findings and recommendations provides assurance on the complete and timeous implementation of both internal Audit and External Audit recommendations.

Internal Audit and Corporate Fraud staff regularly attended the following external user group meetings:

- SLACIAG, the purpose of which is to develop and improve the practice of internal audit activity with Scottish local authorities. It achieves this by meeting to discuss issues of common concern, commissioning work to develop ideas, sharing good practice, working in partnership with other professional / governing bodies and promoting SLACIAG as the representative body for internal audit in local authorities. The Council's Audit and Risk Manager attended three out of four of the quarterly meetings of SLACIAG during 2017/18 (the remaining one was cancelled in March due to adverse weather conditions) and also further meetings in his role as a member of the SLACIAG management committee;
- SLACIAG Computer Audit sub group: either an Auditor or the ICT Security Officer attends this forum which has the aim of ensuring that audit teams are better equipped to perform technical Information Systems auditing; and
- The Scottish Local Authority Investigators Group (SLAIG): This group consists of fraud practitioners from local authorities in Scotland, with the objectives of:
 - Raising the profile of the counter fraud agenda;
 - Sharing good practice;
 - Raising awareness of the risk of fraud; and
 - Ensuring that fraud is investigated in a professional manner.

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- The audit work undertaken by Internal Audit during the year to 31 March 2018, including risk based systems audits, ICT audits, investigations, follow-up reviews and one-off exercises;
- The assessment of risk completed during reviews of the annual audit plan;
- The assurance statements signed by the Strategic Directors and Strategic Leads on the operation of the internal financial controls for the services for which they were responsible during the year to 31 March 2018;
- The assurance statement signed by the Chief Executive for the overall Council for the year ended 31 March 2018;

- Reports issued by the Council's External Auditors, Audit Scotland, and other review agencies; and
- My knowledge of the Council's governance, risk management and performance monitoring arrangements.

Limitation to Resources or Scope of Internal Audit Work

There were sufficient resources available to deliver the programme of audit assignments contained within the 2017/18 Audit Plan and no significant threats emerged to the independence of the internal audit activity such as inappropriate scope or resource limitations.

Opinion

It is my opinion, based on the above, that reasonable assurance can be placed upon the adequacy and effectiveness of West Dunbartonshire Council's systems of governance, risk management and internal control in the year to 31 March 2018.

Signature:

Title: Audit and Risk Manager

Date: 31 May 2017

Key Performance Indicators

<u>Performance Indicator</u>	<u>Actual for 2017/18</u>	<u>Target for 2017/18</u>	<u>Actual for 2016/17</u>
Efficiency of Adherence to Audit Plan	95%	90%	101%
Percentage of planned risk based audits completed by 31 May (following year end)	79%	100%	79%
Training days per Auditor	5.2	4	2
Audits completed within budgeted days	77%	80%	60%
Draft reports issued within 21 days of fieldwork completion	71%	80%	80%
Final reports issued within 14 days of agreement of action plan	86%	80%	100%
Level of full compliance with the Public Sector Internal Audit Standards (PSIAS)	100%	100%	100%
Corporate Fraud Team – savings	£312K	£190K	£222K

WEST DUNBARTONSHIRE COUNCIL**Report by Strategic Lead - Resources****Audit Committee: 13 June 2018**

Subject: Internal Audit Charter - Update**1. Purpose**

- 1.1 The purpose of this report is to provide the Committee with an updated version of the Audit Charter previously submitted to the meeting on 9 March 2016.

2. Recommendations

- 2.1 It is recommended that Members approve the revised Internal Audit Charter.

3. Background

- 3.1 In accordance with the Public Sector Internal Audit Standards (PSIAS), effective from 1 April 2013 (as revised in April 2017), the Council should formally define the terms of reference for the purpose, authority and responsibility of the internal audit activity in an Internal Audit Charter. The PSIAS requires that the Audit Charter be reviewed by the Chief Internal Auditor on an annual basis, with any changes advised to the CMT and approved by the Audit Committee.
- 3.2 The previous version of Internal Audit Charter was approved by the Audit and Performance Review Committee on 9 March 2016.

4. Main Issues

- 4.1 The authority for the operation of the Internal Audit Section is contained within the Council's Financial Regulations. The Internal Audit Charter provides further information on the detailed arrangements on how Internal Audit effectively discharges its role and provides the necessary annual assurance assessment to Council.
- 4.2 The current Internal Audit Charter, approved by Committee in March 2016, needs to be reviewed against the PSIAS requirements which were most recently revised in April 2017 and a revised Internal Audit Charter produced. The changes in the updated version of the Internal Audit Charter are required by the revision to the PSIAS requirements, particularly around making more explicit reference to mandatory elements of professional guidance including the Mission of Internal Audit, the Code of Ethics and the Standards and Definitions of Internal Auditing. Other than this, there are no substantive or material changes

from the previously approved Charter, with the fundamental purpose, authority and responsibility of Internal Audit remaining unchanged. The expectations placed upon Internal Audit continue to be delivering a high quality and effective Internal Audit service consistent with recognised professional standards.

5. People Implications

5.1 There are no personnel issues.

6. Financial and Procurement Implications

6.1 There are no financial implications.

7. Risk Analysis

7.1 The aim of the Internal Audit Section is to help the Council discharge its responsibilities and achieve its objectives by systematically reviewing how well it manages its risks and operates internal control and governance procedures. Compliance with the PSIAS, including the preparation of an updated Internal Audit Charter, reduces the risk that Internal Audit may be diverted from its key purposes as the Charter clearly identifies the role and objectives, authority, scope, responsibility, resources and reporting function of Internal Audit.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads.

10. Strategic Assessment

10.1 This report relates to all five of the Council's Strategic Priorities.

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Stephen West
Strategic Lead - Resources
Date: 11 May 2018

Person to Contact: Colin McDougall, Audit and Risk Manager
Telephone 01389 737436
Email: colin.mcdougall@west-dunbarton.gov.uk

Appendices: A – Internal Audit Charter

Background Papers: Report to Audit and Performance Review
Committee on 9 March 2016 (Internal Audit
Charter and PSIAS Update)
Public Sector Internal Audit Standards

Wards Affected: All Wards



INTERNAL AUDIT CHARTER

DRAFT

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1. **INTRODUCTION**

1.1 This Charter identifies the role and objectives, authority, scope, responsibility, resources and reporting function of Internal Audit. The main determinant of the effectiveness of the Internal Audit function within the Council is that it is seen to be independent. To ensure this, Internal Audit will operate within a framework that allows:

- Unrestricted access to senior management and elected members;
- Reporting in its own name; and
- Segregation from line operations.

1.2 The Public Sector Internal Audit Standards (PSIAS) came into effect on 1st April 2013 and was updated on 1st April 2017. These standards are mandatory and provide a clear specification for the arrangements that should be put in place for an internal audit service. The PSIAS are based on the International Standards of Internal Auditing and developed and issued by CIPFA, the Chartered Institute of Internal Auditors UK (CIIA) and HM Treasury. They provide a coherent and consistent internal audit framework for the whole of the public sector. The PSIAS apply to all internal audit service providers, whether in-house, shared service or outsourced.

1.3 In terms of the PSIAS, *“the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter”*.

1.4 The authority for Internal Audit to operate in West Dunbartonshire Council is contained in the Council’s Financial Regulations. This Internal Audit Charter expands upon that framework by defining the detailed arrangements and sets out the Audit and Risk Manager’s (hereinafter in this document referred to as the Chief Internal Auditor) strategy for discharging his role and providing the necessary annual assurance opinions.

1.5 The Mission of Internal Audit as defined in the PSIAS is:

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.

1.6 The PSIAS defines Internal Auditing as follows:

“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

2. ROLE AND OBJECTIVES OF INTERNAL AUDIT

- 2.1** As an independent appraisal function within the Council, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources and the management of risk. In addition, the other objectives of the function are to:
- Support the Strategic Lead - Resources to discharge his duties as Proper Officer (Section 95, Local Government Scotland Act 1973);
 - Contribute to and support the Resources Service's objective of ensuring the provision of, and promoting the need for, sound financial systems;
 - Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets; and
 - Conduct special assignment and investigations into any matter or activity affecting the probity, interest and operating efficiency of the Council.
- 2.2** Internal Audit will have regard to the possibility of malpractice, fraud and other illegal acts, and will seek to identify serious defects in the internal control system which may permit such irregularities. The Council's Business Irregularity Procedures will be used to deal with any irregularities identified.

3. AUTHORITY OF INTERNAL AUDIT

- 3.1** All Internal Audit activity is carried out in accordance with the Council's Financial Regulations to the effect that a continuous internal audit, under the independent control and direction of the Strategic Lead - Resources, shall be undertaken (per Financial Regulations, paragraph I1).
- 3.2** In accordance with paragraph I2 of the Financial Regulations, the Strategic Lead - Resources (Section 95 Officer) or his authorised representatives shall have authority to:
- Enter at all reasonable times any Council premises or land;
 - Have access to all records, documents and correspondence relating to financial and other transactions of the Council;
 - Require and receive such explanations as are necessary concerning any matter under examination; and
 - Require any employee of the Council to produce cash, stores, or any other Council property under his/her control.
- 3.3** Internal Audit staff will as necessary be provided with a separate log-in to any computer system within the Council and have full access to any

system, personal computer or other devices being used for Council business purposes.

4. POSITION OF INTERNAL AUDIT WITHIN THE ORGANISATION

4.1 Internal Audit is an independent review activity. It is not an extension of, or a substitute for, the functions of line management and must remain free from any undue influence or other pressure affecting its actions and reporting.

4.2 In accordance with paragraph 11 of the Financial Regulations:

A continuous internal audit, under the independent control and direction of the Strategic Lead - Resources, as described in the Council's Internal Audit Charter and in accordance with the Public Sector Internal Audit Standards (PSIAS), shall be undertaken.

4.3 Management's responsibilities in relation to governance and control include:

- Maintaining proper internal controls in all processes for which they have responsibility to ensure probity in systems and operations;
- The prevention, detection and resolution of fraud and irregularities;
- Co-operating fully with Internal Audit and ensuring that Internal Audit can properly fulfill their role; and
- Considering and acting upon Internal Audit findings and recommendations or accepting responsibility for any resultant risk from not doing so.

4.4 The status of Internal Audit should enable it to function effectively, with recognition of the independence of Internal Audit fundamental to its effectiveness. The Chief Internal Auditor should have sufficient status to facilitate the effective discussion of audit strategies, plans, results and improvement plans with senior management of the organisation.

4.5 Within West Dunbartonshire Council, the Chief Internal Auditor reports on an administrative basis to the Strategic Lead - Resources who is the Council's nominated Section 95 Officer. However the Chief Internal Auditor also has unrestricted access to those charged with governance, specifically: Elected Members; the Chief Executive; Strategic Directors; and to the Strategic Lead - Regulatory who is the Council's Monitoring Officer as well as all other Strategic Leads.

The Chief Internal Auditor has direct access to the Chair of the Audit and Committee to discuss any matters the committee or auditors believe should be raised privately. One of the functions of the Audit Committee is to ensure that no unjustified restrictions and limitations are made to the scope and activities of Internal Audit. Additionally, unrestricted access to all Officers of the Council is afforded to all members of the Internal Audit service.

4.6 Within the PSIAS and the associated Local Government Application Note (LGAN), widespread use is made of the term “board”. For the purposes of overseeing the activities of the Council’s internal audit function, the “board” is defined as the Audit Committee. In terms of accountability and independence, the Chief Internal Auditor reports functionally to the Audit Committee. In this context functional reporting means the Audit Committee will be asked to:

- Approve the preparation of the Internal Audit Charter;
- Approve the preparation of the Annual Audit Plan;
- Receive regular reports from the Chief Internal Auditor on Internal Audit activity, including action plans on work carried out; and
- Make appropriate enquiries of management to ensure that Internal Audit is adequately resourced to meet assurance and other key responsibilities.

4.7 The Internal Audit Section uses a risk based methodology to determine the key elements of the annual audit plan. Within the PSIAS and the associated LGAN, widespread use is made of the term “senior management”. For the purposes of overseeing the activities of the Council’s internal audit function, “senior management” is defined as the Council’s Corporate Management Team (CMT), otherwise known as the Performance and Monitoring Group, (i.e. the Chief Executive, the three Strategic Directors and all Strategic Leads). On an annual basis, each member of the CMT individually provides the Chief Internal Auditor with an assurance statement in relation to the adequacy and effectiveness of his / her department’s internal financial control system. In recognition of the responsibility of the Chief Executive, Strategic Directors and Strategic Leads to provide an assurance statement, the annual audit plan is prepared in consultation with the CMT.

4.8 In addition to managing the work of the Internal Audit function, the Chief Internal Auditor also has management responsibility for:

- Corporate Fraud; and
- ICT Security.

4.9 A structure chart showing access available for Internal Audit to those charged with governance is included at Appendix 1.

5. SCOPE OF INTERNAL AUDIT

5.1 The scope of Internal Audit allows for unrestricted coverage of the authority's activities and unrestricted access to all records and assets deemed necessary in the course of the audit.

5.2 The overall remit of Internal Audit covers the activities of:

- West Dunbartonshire Council;
- WD Leisure (West Dunbartonshire's Leisure Trust);
- Dunbartonshire and Argyll & Bute Valuation Joint Board;
- Argyll, Bute and Dunbartonshire Criminal Justice Social Work Partnership; and
- Such other related bodies as the Strategic Lead - Resources may from time to time determine as being appropriate.

5.3 Internal Audit will seek to foster good working relationships with Elected Members, Council management, External Audit and other agencies as appropriate.

5.4 In liaising with External Audit the main objectives will be to:

- Minimise the incidence of duplication of effort;
- Ensure appropriate sharing of information; and
- Ensure co-ordination of the overall audit effort.

5.5 The existence of Internal Audit does not diminish the responsibility of management to exercise sound systems of internal control. It is clearly and solely a management responsibility to ensure that activities are conducted in a secure, well-ordered manner and finances are safeguarded and used to maximum effect. This includes identifying and managing risks.

6. INTERNAL AUDIT RESPONSIBILITY

6.1 The main areas of Internal Audit responsibility within the Council are to:

1. Review, appraise and report on:
 - The extent to which the assets and interests are accounted for and safeguarded from loss;
 - The soundness, adequacy and application of internal controls;
 - The suitability and reliability of financial and other management data, including aspects of performance measurement.
2. Investigate frauds and irregularities (as detailed in the Council's Business Irregularity Procedures and Strategy for the Prevention and Detection of Fraud). See further paragraph 6.2 below
3. Advise on internal control implications of new systems; and
4. Conduct VFM studies.

6.2 In accordance with the Council's Business Irregularity Procedures, only the Strategic Lead - Resources and the Strategic Lead - People & Technology can approve the commencement of an investigation. This authority will be exercised on behalf of the Strategic Lead - Resources or the Strategic Lead - People & Technology by Internal Audit Staff or nominated Investigation Officer.

6.3 The Chief Internal Auditor will prepare and maintain an annual audit plan in consultation with departmental senior management and with reference to the Council's risk register. The annual audit plan will be ratified by the Strategic Lead - Resources and presented to the Audit Committee for approval.

6.4 The Chief Internal Auditor will establish a framework to assess the Council's system of internal control. An annual assurance statement will be provided to the Strategic Lead - Resources and Elected Members.

6.5 Internal Audit will fulfill its responsibilities in accordance with:

- Relevant codes of ethics standards and guidelines issued by the professional institutes;
- Relevant corporate governance documents, standards, policies and procedures; and
- Its own Audit Manual and other internal standards, which will be adhered to by its entire staff including any contracted external specialists where appropriate.

6.6 Internal Audit adheres to the Public Sector Internal Audit Standards issued by the Internal Audit Standards Advisory Board in 2013 which as from

1 April 2013 have superseded the previously issued CIPFA Code of Practice for Internal Audit in Local Government (2006) and will sit alongside the CIPFA Role of the Head of Internal Audit document.

7. AUDIT RESOURCES

- 7.1** The staffing structure of the Internal Audit Section will comprise a mix of qualified and technician posts with a mix of professional specialists to reflect the varied functions of the Section.
- 7.2** Internal Audit staff will at all times conduct themselves with proficiency and due professional care and in accordance with the relevant Code of Ethics and standards laid down by the PSIAS, LGAN and other relevant professional guidance in respect of integrity, objectivity, confidentiality and competency. Internal Audit staff will also adhere to all relevant Council policies and procedures.
- 7.3** As far as is practicable, Internal Audit staff will not participate in the day-to-day operation of any systems of internal financial control. However, there are occasions when internal audit staff may have to contribute to a Departmental or Corporate initiative. In these circumstances audit personnel may be called upon to carry out non-audit work on a short life basis only.
- 7.4** Members of the Internal Audit Section may be expected to contribute to the general management and conduct of Council business through membership of working groups and participation in ad hoc exercises.
- 7.5** Individual Auditors will not be assigned to review or be involved in any activity where they have previously had any operational or other involvement, usually within a period of one year.
- 7.6** In order to avoid conflicts of interest, the Council's the Code of Conduct provides guidance for employees on the nature and type of interests that should be declared, including paid employment outside the Council and interests in the work of the Council. Members of the Internal Audit team must declare any such interests in accordance with the Code of Conduct. In addition, Internal Audit staff are required to disclose any potential conflicts of interest which may affect their audit work, for example previous employment with the Council, relatives employed with the Council, etc. Such information is updated / reviewed on an annual basis and is recorded in a register, even in the case of a nil return.
- 7.7** The Chief Internal Auditor may request from the CMT that appropriate specialists should be made available to Internal Audit to assist in any audit work which requires specialist knowledge and expertise.

7.8 The Chief Internal Auditor will carry out an annual review of the development and training needs of all audit personnel and will arrange appropriate training, as allocated budgets will permit.

8. AUDIT REPORTING

8.1 Internal Audit has a protocol for reporting findings. This protocol covers both formal written reports and verbal communications, as appropriate.

8.2 Audit reports will explain the scope and objectives of the audit and give an assessment of the risks identified. The report will present findings and conclusions in an objective manner and make appropriate recommendations.

8.3 Internal Audit will provide departmental management with a draft report to provide an opportunity to agree the factual accuracy of the content before the final report is issued with an action plan.

8.4 In accordance with the reporting protocol, departmental management will be required to provide a formal response to the action plan contained in the final audit report.

8.5 Findings and recommendations are categorised and have expected implementation timescales for completion as follows:

Category	Expected implementation timescale
<u>High Risk:</u> Material observations requiring immediate action. These require to be added to the department's risk register	Generally, implementation of recommendations should start immediately and be fully completed within three months of action plan being agreed
<u>Medium risk:</u> Significant observations requiring reasonably urgent action.	Generally, complete implementation of recommendations within six months of action plan being agreed
<u>Low risk:</u> Minor observations which require action to improve the efficiency, effectiveness	Generally, complete implementation of

and economy of operations or which otherwise require to be brought to the attention of senior management.	recommendations within twelve months of action plan being agreed
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8.6 Internal Audit will provide the Audit Committee with regular reports on the implementation by departmental management of agreed action plans for both Internal Audit and External Audit reports. In addition, Internal Audit will also undertake appropriate follow-up on assignment findings and recommendations derived from its own work.

8.7 The Chief Internal Auditor will periodically report to the CMT and the Audit Committee on the Internal Audit function's purpose, authority and responsibility as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by the CMT and the Audit Committee.

8.8 In addition, the Chief Internal Auditor will inform the CMT and the Audit Committee on the internal audit function's quality assurance and continuous improvement programme, including results of ongoing internal self-assessments and external assessments conducted at least every five years.

9. CONSULTANCY WORK

9.1 Internal Audit, using its systematic and disciplined approach, plays an important role for the Council within its business transformation programme and performance improvement framework through the provision of advice and consultancy services to:

- advise on cost effective controls for new systems and activities to balance risk and control;
- highlight opportunities to reduce costs through greater economy and efficiency within systems and activities as part of strategic and service reviews;
- provide quality assurance on projects involving major change and systems development; and
- provide an independent and objective assessment of the evidence on progress with implementing action plans to demonstrate continuous improvement.

9.2 Increasingly departmental management have engaged Internal Audit at an early stage in new developments and business transformation programmes and projects to conduct consultancy work. Acceptance of

the assignment will be dependant on available resources, the nature of the assignment and any potential impact on assurances.

- 9.3** The role of Internal Audit in a consultancy assignment is to provide advice, facilitation and support to departmental management who retain the responsibility for the ultimate decisions taken within the area under review.

10. STANDARDS

- 10.1** Internal Audit standards will be consistent with the Public Sector Internal Audit Standards (PSIAS).

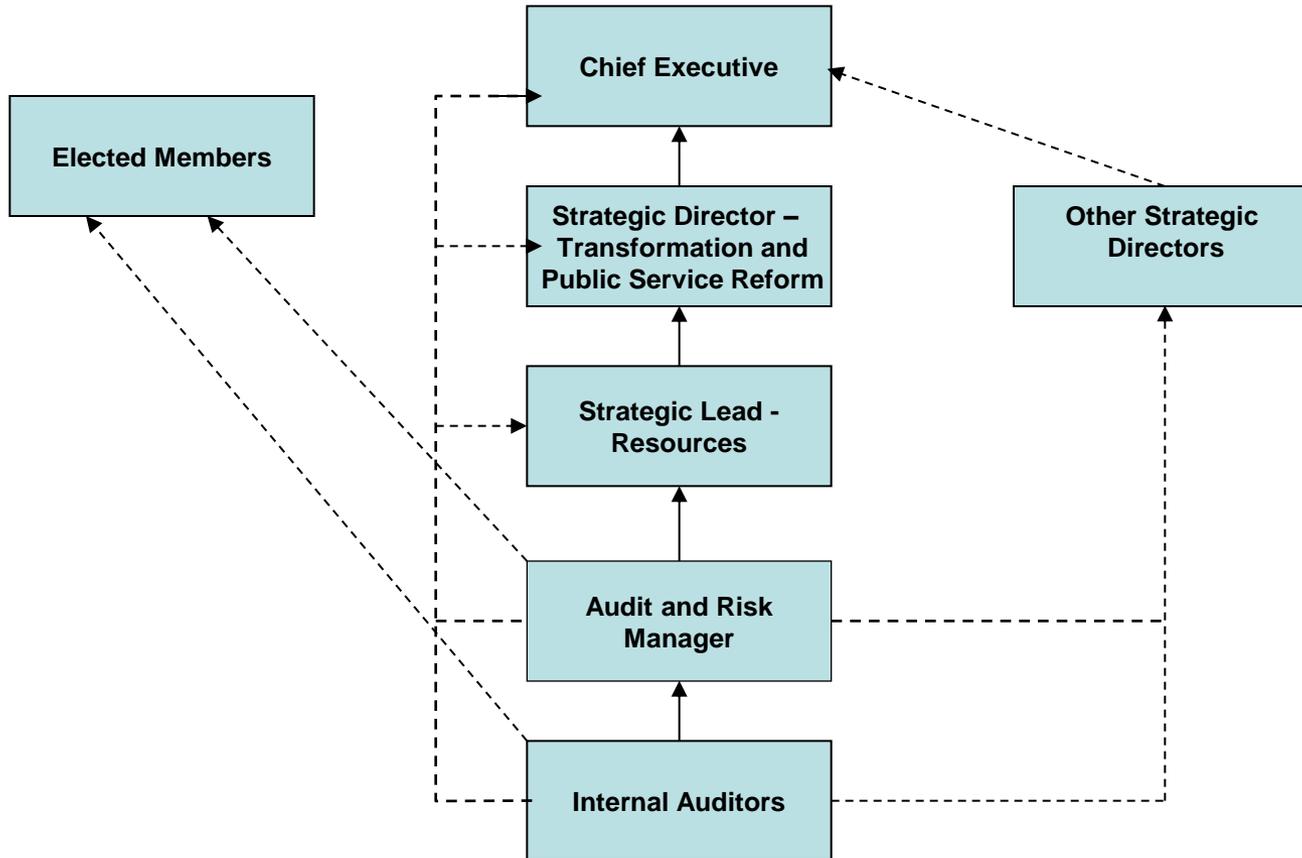
11. FINANCIAL ADVICE

- 11.1** Internal Audit is often asked to provide financial advice. Wherever possible assistance will be provided to clients, however the Chief Internal Auditor is alert to the potential for conflicts of interest to arise and considers each request on its merits.

May 2018

DRAFT

Internal Audit Access to those charged with Governance



WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Audit Committee: 13 June 2018

Subject: Code of Good Governance**1. Purpose**

- 1.1 The purpose of this report is to advise Committee of the outcome of the annual self-evaluation undertaken of the Council's compliance with its Code of Good Governance.

2. Recommendations

- 2.1 The Committee is asked to note:

- the outcome of the recent self-evaluation process in considering how the Council currently meets the agreed Code of Good Governance; and
- the issues identified and improvement actions.

3. Background

- 3.1 *Delivering Good Governance in Local Government: Framework*, published by CIPFA in association with Solace in 2007, set the standard for local authority governance in the UK. CIPFA and Solace reviewed the Framework in 2015 to ensure it remained 'fit for purpose' and published a revised edition in spring 2016. The new *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016) applies to annual governance statements prepared for the financial year 2016/17 onwards.

- 3.2 The concept underpinning the revised Framework is that it assists local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. This Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities;
- there is sound and inclusive decision making; and
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

- 3.3 In order to demonstrate a commitment to sound governance, local authorities are encouraged to publish a governance statement on an annual basis.

3.4 The annual governance statement is the formal statement that recognises, records and publishes a Council's governance arrangements as defined in the CIPFA/SOLACE Framework. The statement requires to be signed off by the most senior officer [Chief Executive] and the most senior member [Council Leader]. Clearly the signatories must be satisfied that the document is supported by reliable evidence.

4. Main Issues

4.1 A revised local code was developed for the Council and agreed at the Audit and Performance Review Committee on 8 March 2017.

4.2 A Governance Report is produced annually and is based on an annual self-evaluation of compliance against the Council's Code of Good Governance.

4.3 The annual self-evaluation review for 2017/18 has been carried out by a group of Officers and has identified that current practice is mainly compliant against our revised Code of Governance, while identifying some areas for improvement. Areas for improvement are detailed on the attached Appendix.

5. People Implications

5.1 There are no personnel issues.

6. Financial and Procurement Implications

6.1 There are no financial or procurement implications arising from this report as all improvement actions will be managed from within existing resources.

7. Risk Analysis

7.1 There is a risk that a failure to maintain a local code and develop a framework to support the gathering and updating of the necessary evidence will leave the Council unable to produce a Governance Statement. The current approach to ongoing annual assessment of compliance and reporting to this Committee ensures that the Council can produce a meaningful Governance Statement.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues identified.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads.

10. Strategic Assessment

10.1 This report relates to all five of the Council's Strategic Priorities.

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Stephen West
Strategic Lead - Resources
Date: 21 May 2018

Person to Contact: Colin McDougall, Audit and Risk Manager
Telephone (01389) 737436
E-mail: colin.mcdougall@west-dunbarton.gov.uk

Appendix: Code of Good Governance - Improvement Action Plan

Background Papers: Report to Audit and Performance Review Committee (8
March 2017) – Revised Local Code of Good Governance

Report to Audit and Performance Review Committee (10
June 2014) - Code of Good Governance

Wards Affected: All Wards

**West Dunbartonshire Council Local Code of Good Governance
Action Plan 2018-19**

<u>No.</u>	<u>Action Required</u>	<u>Responsible Officer</u>	<u>Due Date</u>
1.	Continue to embed Be The Best Conversations council wide	Alison McBride	31 March 2019
2.	Ensure practical implementation of Procurement Policies and Guidance, through increasing % of spend that Corporate Procurement Unit view as being on contract; and updates of Category Strategies through PRMG	Annabel Travers	31 March 2018
3.	Ensure full implementation of the strategic improvement framework activity on user satisfaction and benchmarking.	Amanda Coulthard	31 December 2018
4.	Develop an organisational engagement calendar for corporate engagement activity, supported by use of the Engaging Communities Framework	Amanda Coulthard	30 September 2018
5.	Ensure a performance framework is in place that describes how the delivery of outcomes defined in the LOIP will be measured	Amanda Coulthard	31 October 2018
6.	Ensure clear links are made and evidenced in the capital plan to strategic asset management plans and other relevant strategies e.g. Environmental Strategy, Economic Regeneration Strategy	Gillian McNeilly	31 March 2019
7.	Explore how our approach to participative budgeting can inform service prioritisation and planning	Amanda Coulthard and Gillian McNeilly	31 March 2019

8.	Consider approaches to identifying, reporting and monitoring partnership risk	John Duffy	31 March 2019
9.	Embed sensitivity analysis in service level budget and service planning	Amanda Coulthard and Gillian McNeilly	30 September 2018
10.	Consider whether 'social value' (i.e. community benefits) is appropriately covered by current WDC approach to procurement	Annabel Travers	30 September 2018
11.	Improve approach to continuous improvement , including benchmarking and customer feedback approach	Amanda Coulthard	30 June 2019
12.	Develop, approve and introduce an Information Governance Scheme	Alan Douglas	31 March 2019
13	Review role of Audit Committee in line with Cipfa Guidance	Colin McDougall	31 December 2018

WEST DUNBARTONSHIRE COUNCIL**Report by Strategic Lead – Resources****Audit Committee: 13 June 2018**

Subject: Accounts Commission report: *Local government in Scotland Challenges and Performance 2018***1. Purpose**

- 1.1 The purpose of this report is to provide Committee a national audit report, for information and consideration, which has been received from the Accounts Commission.

2. Recommendations

- 2.1 The Committee is invited to note the report and the position of the Council in terms of the report's recommendations as detailed at 4.2.

3. Background

- 3.1 The report covers three areas:

- The current and future challenges facing councils;
- How councils are responding to these challenges; and
- The impact on performance in key service areas and public satisfaction.

- 3.2 The Accounts Commission report: ***Local government in Scotland Challenges and Performance 2018***, published in April 2018, is intended to inform the public and its representatives and, in particular, local government councillors and senior council officers to support them in their complex and demanding roles.

4. Main Issues

- 4.1 The report contains a number of key messages:

- Local government in Scotland continues to operate in a complex and changing environment that involves increasing levels of uncertainty. While details of the terms for the UK's withdrawal from the European Union are not yet clear, there will likely be significant and profound implications for our 32 councils. Meanwhile, the Scottish Government remains committed to a significant pace of public sector reform, with some major changes for local government at key stages of implementation. These events are taking place in the overall context of substantial reductions in public spending alongside increasing demand for many local public services.

- Developing new ways of working – or transformational change – is now an essential part of the agenda for councils as they respond to these challenges. Delivering savings is becoming increasingly critical, with forecast funding gaps higher than current levels of reserves for some councils. Where councils have properly scoped, resourced and managed their transformational work, they are more likely to successfully deliver sustainable service change. Cohesive, decisive leadership is required that brings officers, councillors and their communities together to address the major challenges councils face.
- Councils are engaging with the increasingly difficult task of managing the competing priorities of reducing costs and maintaining services for an ageing population. Under current arrangements, some councils can expect to see government funding fall further than others as their total population declines while their older population grows and demand for key services, such as social care, increases. Councils are also implementing significant policy and legislative changes, some of which increase expectations on, or the duties of, councils and many will have additional resource implications. The detail of what these changes will mean is not yet clear in some cases.
- Councils have done a considerable amount to manage the impact of continued budget reductions, and national indicators suggest they have maintained or improved performance in a number of areas. However, there is also evidence that budget cuts are having an impact on services, and customer satisfaction levels have fallen. Some services are not keeping up with demand and there is a risk that quality is being affected. Smaller services, which often include important regulatory functions, have borne the brunt of funding reductions although the impact of this on these services is not always made clear. In making difficult choices, councils need to continue to work with communities to understand the impact of reduced spending on services and communities and to clearly report this to the public.

4.2. The report contains a number of recommendations that councils should address. These are detailed in the table below along with WDC’s position – which shows that in relation to the recommendations the Council currently has processes, etc. in place, though clearly officers continually consider new or better ways of working and planning.

Report recommendation	WDC current position
<p>looking to the future:</p> <p>— continuing to improve understanding on how the landscape within which their council operates may change, by considering its demographics, the public spending environment and</p>	<p>Socio-economic profile and national outcome profiles provide information on demographics which inform longer term planning in key areas such as Education and Social Work.</p> <p>Development of the Long-term Finance Strategy continues, which considers the</p>

<p>policy changes</p> <ul style="list-style-type: none"> — using this information to inform council priorities — developing long-term financial and scenario planning that takes these factors into account and considers the impact on all their services and their users — considering how to make the most of new technology, for example streamlining processes and communicating differently with service users 	<p>wider landscape and how the Councils finances may be affected, including: demographics trends and projections; Scottish Government settlement expectations and restrictions; and known Scottish Government policy changes. The Long-term Finance Strategy currently undertakes scenario planning and scenario forecasting.</p> <p>The Strategic Financial Planning Framework requests completion of specific information on options for efficiencies and other savings to allow for full consideration of each option by Members. This includes identification of the likely impact to the level of service; political impact; and staff implications.</p> <p>The information provided to Members also includes details of what the likely impact is on the current Strategic Priorities and on service delivery.</p> <p>Having a long term workforce plan facilitates workforce projections and in turn considers actions needed to mitigate for future workforce requirements.</p> <p>There is continued development of HR management information for manager and staff self services.</p> <p>The Council has a strategy in place to Increase volume and range of services with online presence and reduce the volume of manual paper processes across the Council. This is supported by significant investment in ICT infrastructure and new ways of working.</p>
<p>working with communities</p> <ul style="list-style-type: none"> — so that they are actively involved in decision making, know the effect decisions are expected to have on services and communities and see the impact of community empowerment 	<p>Council Strategic Plan makes a commitment to meaningful engagement with active and informed citizens. This is delivered through a range of activities underpinned by the Council response to the Community Empowerment Act 2015. The engaging communities framework ensures that the approach to involvement</p>

	<p>consultation, engagement and empowerment of residents is consistent. It supports the planning and delivery of all community engagement activities and supports successful engagement.</p>
<p>focusing on the delivery of priority outcomes through:</p> <ul style="list-style-type: none"> — working with communities to understand their needs — establishing effective cross-party relationships to work together and make the sometimes difficult decisions needed to achieve the council's priorities — clearly linking budgets to plans and outcomes 	<p>Communities team lead on work to build community capacity and involve citizens in all aspects of planning for the future.</p> <p>The strategic planning framework supports the development, implementation and review of strategic plans across the organisational embedding core elements such as financial, workforce and risks plans and outcomes.</p>
<p>establishing robust change strategies and developing realistic plans for transforming services, which incorporate:</p> <ul style="list-style-type: none"> — effective leadership and good governance arrangements — robust options appraisal — strong financial management 	<p>Effective management structures, workforce and organisational development arrangements.</p> <p>Annual review of WDC against the Local Code of Good Governance, thereby assisting the Council in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way.</p> <p>The Council has detailed guidance on option appraisals, with templates available for use and training is undertaken as necessary. The guidance and the templates are flexible to accommodate different levels of spend on projects, with more detail required on larger projects.</p> <p>Option appraisals are undertaken by services for one off capital projects, taking account of all spend and funding implications; non- financial benefits; quality impact assessments; effect on other services within other Council;</p>

<p>— properly scoped and resourced plans</p>	<p>Council's key priorities; risks.</p> <p>Post evaluation reviews are mandatory for Council projects +£1m; and specific projects identified by the Strategic Asset Management Group, with a summary report to the Council's Audit Committee.</p> <p>Revenue projects (e.g. major staffing restructures) are reported to committee and have full Financial Business Partner involvement.</p> <p>Budgetary Control processes and reporting are robust and provide significant levels of information to Members and management on a timeous basis.</p> <p>Ongoing development and updating of the Long-term Finance Strategy provides Members and management with early awareness of financial issues into the future to allow appropriate planning to take place, though this is difficult in terms of Scottish Government recent single-year settlements.</p> <p>Long-term capital planning allows Members clear indications as to the affordability of investment decisions into the future.</p>
<p>ensuring change strategies are supported by:</p> <p>— realistic savings plans with long-term implications and mitigation against unintended impact on other services and communities</p> <p>— effective workforce planning to retain and recruit people with the right skills to deliver sustainable future services</p> <p>— income generation plans</p> <p>— workforce and member</p>	<p>The savings templates projects savings forward for 3 years (some savings will not be fully achieved in year 1), with information as to the implications for service delivery. The long term financial strategy also forecasts budgets forward at a very high level for 10 years (clearly the further forward the projection, the more variables)</p> <p>The Strategic Workforce Planning Framework aligns workforce planning with the Council's wider planning process, in order to ensure that service, financial and workforce plans are appropriately integrated.</p>

<p>support, training and development</p>	<p>Workforce planning takes place at a Council-wide and service level. At a Council-wide level, it looks at system-wide issues and strategies to support the Council's 5-year Strategic Plan, to address external workforce factors that affect the organisation, to maintain organisational capacity and to mitigate risk exposure. At a service level, it involves implementation of actions resulting from the Council-wide workforce plan, as well as responding to workforce factors that impact the particular Strategic Lead Area. There is an annual process of action planning and review. Training plans are generated following the Be the Best process.</p> <p>Charging levels are reviewed regularly and the Council has a Commercialisation Working Group in place to review opportunities around charging levels, and for new ways to generate income.</p> <p>An elected member induction programme is provided following local government elections. In addition a structured annual development programme is provided to support ongoing development on a collective and individual basis.</p>
<p>evaluating and reporting:</p> <ul style="list-style-type: none"> — the impact that significant budget reductions, savings, workforce changes and service redesign are expected to have and have had on service delivery and quality — using the data collected and monitored to report publicly on the quality of services, as well as user satisfaction with those services. 	<p>Budget options and consultation detail the potential impact of changes being made. This will continue to be refined through future consultation activity.</p> <p>A suite of data is collected and reported on an annual basis, including measures of satisfaction gathered through the citizens panel and telephone survey.</p> <p>Biannual performance is reported on Delivery Plans to relevant service Committees.</p>

5. People Implications

5.1 There are no direct people implications arising from this report.

6. Financial and Procurement Implications

6.1 There are no direct financial or procurement implications arising from this report.

7. Risk Analysis

7.1 Taking cognisance of the key messages in the report will help councillors and senior council officers in their complex and demanding roles

8. Equalities Impact Assessment (EIA)

8.1 There are no equalities issues arising from this report.

9. Consultation

9.1 This report has been subject to consultation with appropriate Strategic Leads.

10. Strategic Assessment

10.1 The report is for noting and, therefore, does not directly affect any of the strategic priorities.

.....
Stephen West
Strategic Lead - Resources
Date: 31 May 2018

Person to Contact: Stephen West, Strategic Lead - Resources
Council Offices, Garshake Road, Dunbarton
Telephone (01389) 737191
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Appendix: Accounts Commission report: *Local government in Scotland Challenges and Performance 2018*

Background Papers: None

Wards Affected: All Wards

Local government in Scotland

Challenges and performance 2018



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
April 2018

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.

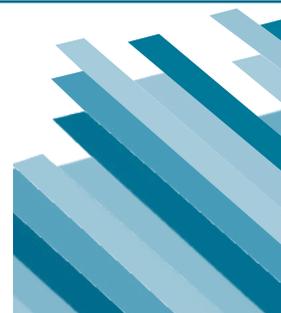
Our work includes:

- 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-us/accounts-commission 

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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Links

-  PDF download
-  Web link

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.

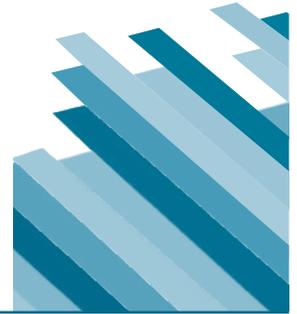


These question mark icons appear throughout this report and represent questions for councillors.

Audit team

The core audit team consisted of: Carol Calder, Sally Thompson, Claire Richards, Ashleigh Madjitey and Ruth Azzam, with support from other colleagues and under the direction of Ronnie Nicol.

Chair's introduction



This year's local government overview report, *Local government in Scotland: Challenges and performance 2018*, complements the Commission's [Local government in Scotland: Financial overview 2016/17](#)  published in November 2017. This overview focuses on the wider challenges and issues facing councils as well as their performance and the impact of reduced financial resources.

Councils continue to face challenges on a number of fronts, not least the challenge of continuing to deliver a wide range of services to local communities with reducing budgets. Councils have done much to reduce spend and at the same time continue to deliver services for their local communities. Transformational change is increasingly important to councils as they seek to improve local outcomes with less money. Implementing successful transformation is not easy and audit work shows progress across the 32 councils is mixed. The scale of the challenge means the pace of change needs to improve in some councils. Successful transformation requires robust planning, clear and coherent leadership and suitably skilled staff. Some councils may need to invest in the short term to save in the long term.

Another challenge is the changing landscape in which councils operate. These changes introduce significant uncertainty as well as increasing complexity. For example, the UK's decision to leave the European Union could have a significant impact on Scotland's councils, but the detail of this is not known. Both Scottish Government's review of education and of local governance could have a significant impact on the role councils play, but again the details are not yet evident. Similarly, the creation of economic partnerships could impact on each council's role in the important area of economic regeneration and growth.

The Accounts Commission recognises the difficulties such uncertainty and pressure bring to councils and the added challenge these represent for medium and long-term planning. However, these same uncertainties mean that planning has never been more important. Robust plans that project how council outcomes and priorities will be delivered and funded within reducing budgets are essential to ensure the sustainability of services for the public.

Last year was the first full operational year for Integration Joint Boards. This represented a major shift for local government and it is clear that councils, and their IJB partners, have a significant task in providing social care and support for those in need.

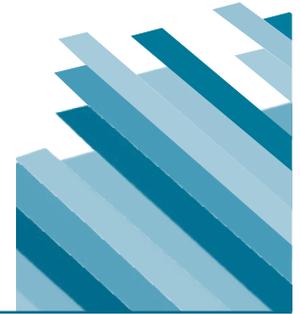
The impact of increasing social care demands from an ageing population on council budgets is clear and means a higher proportion of council money being spent on social care services. This has reduced the amount councils have to spend on other areas and going forward, this has the potential to cause tensions between local and national priorities and risk the viability of some services.

Good work is being done across local government, and there is much councils can learn and share with each other. Looking ahead, councillors and senior management, working closely with their communities, will continue to be faced with difficult decisions on where limited resources should be allocated. It is now more important than ever that these decisions are taken in a planned and coordinated way, and that the impact of decisions on communities and outcomes is transparent and understood.

I hope you find this overview useful, and would welcome any feedback you may have.

Graham Sharp
Chair of the Accounts Commission

Summary



Key messages

- 1** Local government in Scotland continues to operate in a complex and changing environment that involves increasing levels of uncertainty. While details of the terms for the UK's withdrawal from the European Union are not yet clear, there will likely be significant and profound implications for our 32 councils. Meanwhile, the Scottish Government remains committed to a significant pace of public sector reform, with some major changes for local government at key stages of implementation. These events are taking place in the overall context of substantial reductions in public spending alongside increasing demand for many local public services.
- 2** Developing new ways of working – or transformational change – is now an essential part of the agenda for councils as they respond to these challenges. Delivering savings is becoming increasingly critical, with forecast funding gaps higher than current levels of reserves for some councils. Where councils have properly scoped, resourced and managed their transformational work, they are more likely to successfully deliver sustainable service change. Cohesive, decisive leadership is required that brings officers, councillors and their communities together to address the major challenges councils face.
- 3** Councils are engaging with the increasingly difficult task of managing the competing priorities of reducing costs and maintaining services for an ageing population. Under current arrangements, some councils can expect to see government funding fall further than others as their total population declines while their older population grows and demand for key services, such as social care, increases. Councils are also implementing significant policy and legislative changes, some of which increase expectations on, or the duties of, councils and many will have additional resource implications. The detail of what these changes will mean is not yet clear in some cases.
- 4** Councils have done a considerable amount to manage the impact of continued budget reductions, and national indicators suggest they have maintained or improved performance in a number of areas. However, there is also evidence that budget cuts are having an impact on services, and customer satisfaction levels have fallen. Some services are not keeping up with demand and there is a risk that quality is being affected. Smaller services, which often include important regulatory functions, have borne the brunt of funding reductions although the impact of this on these services is not always made

clear. In making difficult choices, councils need to continue to work with communities to understand the impact of reduced spending on services and communities and to clearly report this to the public.

Recommendations

While councils have done much to reduce spend, deliver services differently and work with their communities, financial and population pressures are likely to continue. Effective leadership and robust planning is more important than ever to ensure council services remain sustainable.

Councils should ensure they are continuously improving their work in key areas by:

- looking to the future:
 - continuing to improve understanding on how the landscape within which their council operates may change, by considering its demographics, the public spending environment and policy changes
 - using this information to inform council priorities
 - developing long-term financial and scenario planning that takes these factors into account and considers the impact on all their services and their users
 - considering how to make the most of new technology, for example streamlining processes and communicating differently with service users
- working with communities - so that they are actively involved in decision-making, know the effect decisions are expected to have on services and communities and see the impact of community empowerment
- focusing on the delivery of priority outcomes through:
 - working with communities to understand their needs
 - establishing effective cross-party relationships to work together and make the sometimes difficult decisions needed to achieve the council's priorities
 - clearly linking budgets to plans and outcomes
- establishing robust change strategies and developing realistic plans for transforming services, which incorporate:
 - effective leadership and good governance arrangements
 - robust options appraisal
 - strong financial management
 - properly scoped and resourced plans

- ensuring change strategies are supported by:
 - realistic savings plans with long-term implications and mitigation against unintended impact on other services and communities
 - effective workforce planning to retain and recruit people with the right skills to deliver sustainable future services
 - income generation plans
 - workforce and member support, training and development
 - evaluating and reporting:
 - the impact that significant budget reductions, savings, workforce changes and service redesign are expected to have and have had on service delivery and quality
 - using the data collected and monitored to report publicly on the quality of services, as well as user satisfaction with those services.
-

About this report

1. This report provides a high level, independent view of the challenges facing councils in Scotland, how councils are responding to these challenges and how service performance has been affected. It draws on findings from [Local Government in Scotland: Financial Overview 2016/17](#) , local government audit work in 2017 (including annual audits, Best Value Assurance reports and national performance audits) and published performance data. All national and individual council audit reports are available on our [website](#) .

2. The report is not intended to be a comprehensive review of all issues facing councils. It highlights key challenges councils face and looks at some of the main ways councils are responding to increasing demand and reduced funding. Where specific examples of council activities or circumstances are referenced, the implication is not that the named councils are the only ones engaging in these activities or experiencing these circumstances. The report is intended to inform the public and its representatives and, in particular, local government councillors and senior council officers to support them in their complex and demanding roles. It covers three areas:

- [Part 1](#), the current and future challenges facing councils.
- [Part 2](#), how councils are responding to these challenges.
- [Part 3](#), the impact on performance in key service areas and public satisfaction.

3. The 2017 local government elections resulted in many new councillors and changes to the political make-up of councils. To help councillors, we have produced the following supplements to accompany this report.

- A scrutiny tool for councillors – this has example questions that councillors could ask to help them understand their council's position, scrutinise performance and assist in making difficult decisions. Councillors should feel

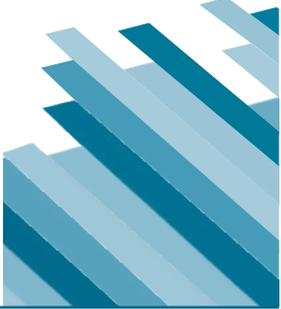
they fully understand, and are satisfied with, the answers to the questions that are most relevant to them in their role within the council.

- [An interactive online tool](#)  which contains performance information for individual councils. It is designed to allow councillors, officers and members of the public to better understand how their council is performing compared to others.

4. Where possible we have used financial information from Scottish Local Government Statistics as these provide a breakdown of spending by service. Where this has not been possible we have used figures from councils' annual accounts. We refer to real-term changes in the report, meaning that financial figures are adjusted for inflation. Our analysis of local government funding adjusts figures into 2018/19 prices to reflect the current year. Where the report focuses on council performance in 2016/17, figures have been adjusted to 2016/17 prices.

Part 1

The challenges for councils



Key messages

- 1** Councils are operating in a complex, changing and increasingly uncertain environment. The sector faces potentially significant change from the UK's decision to leave the European Union. The review of local governance announced by the Scottish Government and COSLA aims to give people more say in local decision-making, and may have a significant impact on councils.
- 2** Council revenue funding from the Scottish Government has fallen in real terms by 9.6 per cent between 2010/11 and 2018/19. This has presented councils with a major challenge in delivering services and making savings. However, some national policies, and ongoing spending commitments such as pension and debt costs, mean there are limitations on where councils can make savings. Smaller service areas, which often include important regulatory functions, have seen the biggest budget reductions, while education and social care services take up a growing proportion of council spend.
- 3** Scotland's population is getting older, leading to increased demand for social care services and fewer working age people to fund public services. Population change brings different challenges to different councils and also has financial implications. Under current arrangements, some councils can expect to see Scottish Government funding fall further than others as their total population declines, while their older population grows and demand for services increases.
- 4** New legislation involves councils developing fresh approaches to community empowerment. There are some examples of good work taking place, including new ways in which councils consult with, listen to and work with local people and communities. However, they are still at the early stages of realising the ambitions of the Community Empowerment Act and there are signs that these approaches do not reach everyone. In 2016, only 23 per cent of adults agreed that they can influence decisions affecting their local area.¹

Councils are operating in an increasingly complex and uncertain landscape

- 5.** Councils provide a wide range of important services for local residents and communities. Increasingly councils are working in partnership with other public, private and third sector organisations as they work to find the best way to deliver services in the future.



6. In recent years, the role of Scotland's councils and the services they provide have been subject to significant legislative and national policy changes from UK and Scottish governments. Some changes increase expectations on or duties of councils. Some change councils' role. Some have significant financial implications, while the implications of others are not clear. All of this means additional work for councils to understand these changes and manage and implement them accordingly [Exhibit 1](#)

Have you considered how policy and legislative change will affect how your council operates?

Exhibit 1

Implications for councils of key UK and Scottish legislative and policy changes

Legislative and policy changes often lack clarity or detail but can require substantial change.



Increased expectation



Change the role of council



Lack of clarity



Financial implications

Implication	Changes			
<p>Withdrawal from the European Union</p> <p>Impact of UK's decision to leave the European Union (EU) is unknown but could be significant for councils in terms of funding (Scotland has been allocated € 940 million in funding from the EU for 2014 to 2020) and workforce (19,000 EU nationals are employed in education, health and public administration).^{1,2}</p>			✓	✓
<p>City region deals and growth deals</p> <p>In its 2017/18 programme, the Scottish Government committed over £1 billion over the next ten to 20 years to five city region deals (Aberdeen, Edinburgh and the South East, Inverness, Glasgow, Stirling and Tay Cities).³ The UK Government and councils are also contributing significantly to the deals.</p> <p>City deals will require strong partnership working between councils and a wide range of public and private partners. Councils will need to determine roles and responsibilities, accountability and performance reporting. We will report on city deals in 2019/20.</p>	✓	✓	✓	✓
<p>Integration of health and social care</p> <p>All integration joint boards (IJBs) were operational in 2016/17. IJBs are responsible for commissioning health and social care services, so councils are no longer wholly responsible for social care services. Arrangements for financial planning, budget monitoring, risk and performance management vary and continue to evolve. We will audit the effectiveness of health and social care integration in 2018.</p>	✓	✓	✓	
<p>Education reform</p> <p>The Scottish Government aims to create a school and teacher led education system, where decisions and funding will be at school level and Regional Improvement Collaboratives (RICs) will provide support to schools.</p> <p>Under proposals, councils would retain their duty to improve the quality of school education but would do this through the RICs rather than directly. It is not clear yet how this would affect councils' roles in education or their ability to scrutinise performance. The financial implications of these proposals for councils are also unclear. The Scottish Government has also consulted on the funding model for school education.</p>		✓	✓	✓

Exhibit 1 (continued)



Increased expectation



Change the role of council



Lack of clarity



Financial implications

Implication	Changes			
<p>Barclay review of non domestic rates (NDR)</p> <p>In 2017/18, NDR made up 28 per cent of revenue funding from Scottish Government to councils. In August 2017, the Barclay review published 30 recommendations on NDR to better support business growth and long-term investment, and to better reflect changing marketplaces.</p> <p>The Scottish Government accepted most of the recommendations. There are expectations that implementing these could cost an additional £80 million a year. It is not yet clear who is responsible for these costs.⁴</p>				
<p>Enterprise and skills review</p> <p>The Scottish Government's review of the enterprise and skills system in 2016 recommended the creation of regional economic partnerships be led by councils.</p> <p>The implementation of this is still at an early stage but changes will impact on councils' work to support local businesses and business gateways.</p>				
<p>Early Learning and Childcare</p> <p>The Scottish Government is committed to extending free childcare for all three-and four-year-old children and some two-year-olds from 600 hours to 1,140 hours by 2020. Councils had to produce plans for the expansion by September 2017 without knowing the full details about funding or how the scheme will work.</p> <p>Our report Early learning and childcare found that there are significant risks that councils will not be able to deliver the additional hours by 2020.⁵</p>				
<p>Community Empowerment Act</p> <p>See paragraphs 8 to 13 below</p>				
<p>Named Person provision</p> <p>Under current Scottish Government plans every child in Scotland would have a named person responsible for helping them get the support they need. In many cases, these will be teachers. However, there are delays to the scrutiny of the Bill introducing the named person provision after the Supreme Court ruling against the scheme in July 2016.</p>				
<p>Local Governance review</p> <p>The Scottish Government aims to strengthen local decision-making and democratic governance in ways that improve outcomes for local communities and give greater control to those who live and work in the area. The Scottish Government and COSLA launched a review in December 2017 to consider how decisions are made about Scotland's public services with the aim of devolving more power to communities. The review's findings will contribute to a Local Democracy Bill which will be introduced before the end of the Parliament in 2021.</p>				

Cont.

Exhibit 1 (continued)



Increased expectation



Change the role of council



Lack of clarity



Financial implications

Implication	Changes			
<p>Islands Bill</p> <p>The Islands (Scotland) Bill was introduced to the Scottish Parliament in June 2017. It contains a number of measures to ensure a sustained focus on the needs of Scotland's island communities.</p> <p>Once in place, the Islands Bill will require public bodies to prepare an Island Impact Assessment when introducing new or revised policy, strategies or services that may impact island communities differently to other communities. This will require councils to identify the direct and indirect consequences and adjust their proposals accordingly. They will also be required to report every year on the impact of island proofing on their functions.</p>	✓	✓		
<p>Scottish Crown Estate Bill</p> <p>Crown Estate assets include most of the seabed, 590 square kilometres of foreshore, rural land, commercial property and the rights to wild salmon fishing and naturally occurring gold and silver.</p> <p>The Scottish Crown Estate Bill allows public bodies, including councils and community organisations, to manage the Crown Estate in Scotland. The Crown Estate will remain property of the Queen and any revenue will be paid to the Scottish Government.</p> <p>This would be an additional role for councils to manage which is likely to have financial and staffing implications.</p>	✓	✓		✓

Notes:

1. European funding in Scotland 2014-20, Scottish Parliament Information Centre, November 2016.
2. EU nationals living in Scotland, Scottish Parliament Information Centre, November 2016.
3. A Nation With Ambition: The Governments Programme for Scotland 2017/18.
4. Debate in Scottish Parliament, 12 September 2017.
5. [Early learning and childcare](#) , Audit Scotland, February 2018.

Source: Audit Scotland

Councils and their partners are developing fresh approaches to empowering local communities and actively involving them in making decisions

7. Councils are now required to fulfil the expectations of the Community Empowerment Act (Scotland) 2015. This seeks to ensure communities are actively involved in deciding how public services are planned and provided and seeks to empower community bodies through transferring ownership of land and buildings. It intends to enhance outcomes for communities by improving the process of community planning, involving communities at all stages and ensuring that local service providers work with communities to meet the needs of the people using the services.

8. Community empowerment is a complex area and will require new ways of thinking about what constitutes good and effective community empowerment and how to work most effectively with the range and diversity of local communities. Underpinning



How are you involving local communities and empowering them to design and deliver services that suit local need?

the Act is the intention to reduce inequalities. The Act could have staffing and funding implications as councils seek to work more closely with disadvantaged harder-to-reach groups or could provide savings where communities take over council services. Public sector partners will benefit from working together and sharing their learning experiences across sectors and organisations where possible.

9. All Community Planning Partnerships (CPPs) published a Local Outcome Improvement Plan (LOIP) for the first time in October 2017 setting out their local priorities. It will be important for CPPs to use a robust evidence base to target those groups of people in greatest need and reduce inequalities. Clackmannanshire Council and its partners worked closely with communities in developing the new LOIP. This includes a more focused set of priorities for specific geographic areas and particular groups of people such as children and women and these will provide a clear basis for prioritising resources in the future.² It is too early to assess the full impact of LOIPs. The Improvement Service will publish an overview of LOIPs in 2018, summarising the LOIPs and identifying good practice.

10. Best Value Assurance reports (BVARs) show that councils are committed to community empowerment and there are some examples of good work taking place. However, they are still at the early stages of realising the ambitions of the Act. Councils will need to continue to develop their approaches to community empowerment and there is some evidence that there is room for improvement. For example, in 2016 only 23 per cent of adults agreed that they could influence decisions affecting their local area; this figure has remained relatively static since 2009.³

11. Councils continue to use mainly traditional approaches of community engagement to find out local people's views, for example citizen's panels and periodic consultations on specific issues. However, there is also evidence that councils are starting to engage differently with their communities. Orkney Islands Council is providing a closer link with remote communities through its Empowering Communities project. The council funds two pilot 'Island Link Officers' on the islands of Papa Westray and Stronsay and has established a 'community office' on each island. This gives communities more influence on policies, decisions and services that affect them and also enables services to be more efficient and responsive to local issues and needs.

12. In addition to the Act, the Scottish Government and COSLA announced that by 2022 communities would decide how at least one per cent of local government budgets (around £100 million) will be spent. Councils are already adopting a range of approaches. For example, East Renfrewshire Council has set aside a £600,000 repair fund for residential roads. Community participants have ranked their top two preferences for which roads should be repaired first. Glasgow's Participatory Budgeting Evaluation Group, PB Consulting and What Works Scotland have produced a range of participatory budgeting guides and an evaluation toolkit to help councils.

The 2017 local government elections resulted in significant changes for councils

13. The 2017 elections resulted in significant changes for councils:

- A large number of councillors elected were new to the role. In some councils, for example City of Edinburgh Council, more than half of councillors were new.
- Three-quarters of councils are now run by different political groupings.



Does your council have regular discussions with communities about service priorities and what level of service the council can afford to provide in the future? What is your role as a councillor in this?

- There is no single majority political party in charge in any council - 16 councils are run by coalitions and 13 are minority administrations. The three island councils have a majority of independent councillors.
- For the first time since 1997, three political parties each have over 20 per cent of the vote.

14. These changes can bring additional pressures affecting how a council operates, during the transition period from one administration to another, or as political arrangements are established and bed in. Indeed, the administrations established in both Clackmannanshire and East Dunbartonshire Councils following the elections resigned during 2017. Having no single majority party in a council will often require more complex negotiations in the decision-making process to ensure sufficient support across all councillors. Whatever the result of democratic elections, councillors must continue to work together with senior management to address their corporate responsibilities in running a complex organisation that faces significant challenges in service delivery.

15. One of the Accounts Commission's strategic priorities relates to councillors having the right knowledge and skills to scrutinise council performance and decision making. This is particularly important for councils with a large number of new councillors with no experience of the role. Our BVARs show that councils were generally providing significant amounts of training for councillors. However, it is essential that councillors attend the training offered to gain the benefits intended, and there is evidence that attendance at training sessions is poor in a few areas.

16. It is important for a healthy democracy that councils represent and reflect the make-up of their communities in terms of gender, ethnicity and other socio-demographic characteristics. Yet, only 30.5 per cent of councillors elected in May 2017 were female and Comhairle nan Eilean Siar had no female councillors.⁴ Female representation at council level is below that at the Scottish Parliament (36 per cent) and UK Parliament (32 per cent). National data is not available on ethnicity and other socio-demographic characteristics of councillors. However, councils should explore how representative their elected bodies are and what, if anything, they can do to improve this.

Scottish Government funding has fallen in real terms in recent years and it is more difficult to make savings in some areas

17. Scottish Government funding is the largest source of income for councils. Revenue funding, that is funding for day-to-day services, from the Scottish Government increased by 0.2 per cent in real terms from £9,793 million in 2017/18 to £9,814 million in 2018/19. Between 2010/11 and 2018/19, revenue funding has fallen by 9.6 per cent in real terms.⁵

18. The reductions in funding from the Scottish Government present councils with a major challenge to continue to make savings and deliver services at current levels. However, there are limitations in where and how councils can make savings. For example, councils must make repayments on their borrowing and meet employee pension costs each year.

19. Councils and IJBs also deliver key Scottish Government policies and priorities, such as in education and free personal care for older people. Councils must spend some of the money they receive delivering these priorities. For example, the Scottish Government provided £51 million in 2017/18 to councils, on the basis



Do you know what training is available to help you fulfil your duties?

Does the training meet your needs? If not, do you know who to speak to?

that it would be spent on helping to maintain teacher-pupil ratios. The amount of money not for specific purposes has fallen at a faster rate than total revenue funding (10.5 per cent compared to 9.6 per cent since 2010/11). This could cause tensions for councils in delivering local and national priorities.

20. At the same time councils face increasing spending obligations through UK and Scottish Government policy priorities for which they do not always receive additional funding. In addition to those set out in [Exhibit 1 \(pages 11 to 13\)](#), there are a number of additional cost pressures:

- The end to the public sector pay cap - a one per cent increase to council staff wages would cost around £70 million a year.⁶
- The apprenticeship levy - requires a 0.5 per cent levy on organisations with wage bills above £3 million. This affects all councils and the trade union Unison estimates it could cost an additional £25 million a year.⁷
- Equal pay claims - 27 councils had 27,000 outstanding equal pay claims in September 2016. The cost to councils in settling these is unknown but could be significant.⁸
- Any future increases in national insurance contributions.

Smaller services have borne brunt of service cuts

21. In 2017/18, councils allocated 76 per cent of their budgets to education and social care services. Although it is possible to make efficiencies in these areas, national policies, specific funding and demand for services mean it is more difficult to do so. As we reported in the [Financial overview 2016/17](#) , the pattern has been one of larger reductions to relatively smaller service areas in recent years, although these often include important regulatory functions. Over the last five years, planning and development services have seen a 20 per cent reduction in spending and culture services 11 per cent compared with no change in real terms to social care and education spending.⁹

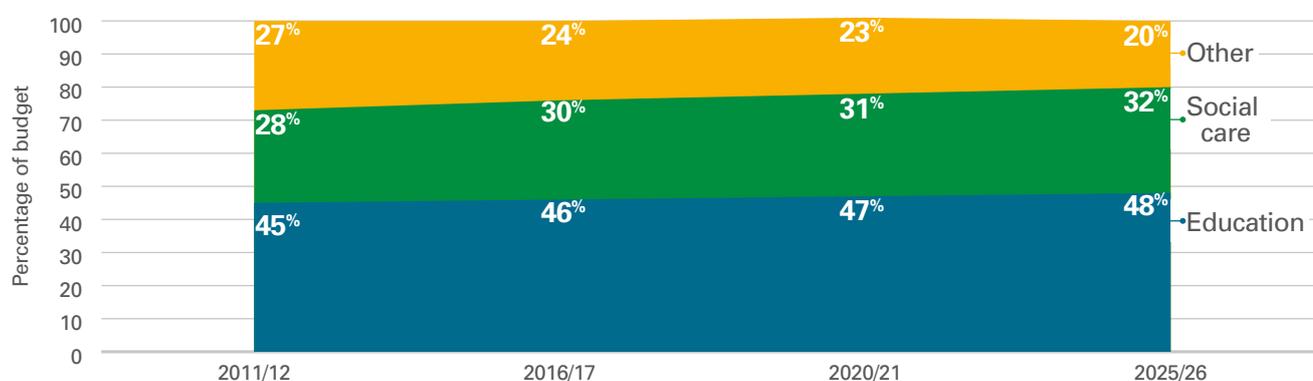
22. At an individual council level, North Ayrshire Council reports that it has made savings of 25 per cent to its base budget over the last eight years. This affected different services in different ways. The council has delivered savings of 16 per cent in education, 20 per cent in social care services and 50 per cent in economy and communities over this period.¹⁰

23. If current trends for spending on education and social care services continue, councils will have significantly less to spend on other services in future years. We have forecast councils' future spending patterns. For this, we assumed local government funding increases in cash terms in line with recent years (2012/13 to 2015/16); an increase in social care spend in line with the increased demand due to a higher number of people of a pensionable age in the population; an increase in education spend in line with recent years; and no service redesign or policy changes. This modelling shows that councils would spend 80 per cent of budgets on education and social care by 2025/26. This would leave only 20 per cent of budgets for all other council services such as road repairs, refuse collection and environmental health in 2025/26, seven per cent less than in 2011/12. planning and leisure and culture services [Exhibit 2 \(page 17\)](#).

Exhibit 2

Forecast of council spending patterns

Without service redesign or policy changes our modelling suggests that councils could spend 80 per cent of their budgets on education and social care by 2025/26.



Note: Calculations are based on cash terms.

Source: [Scottish Local Government Finance Statistics 2016/17](#)  Audit Scotland, November 2016



Population change affects demand for services and council funding

24. Scotland's population is predicted to grow by three per cent between 2016 and 2026 and five per cent between 2016 and 2041. This growth is entirely from inward migration as deaths will outnumber births in each year. The UK's decision to leave the European Union may have an impact on inward migration which could affect the predictions, particularly for the number of working age people.¹¹ Scotland's population is ageing. Over the next ten years the number of people aged 75 and over is predicted to increase by 27 per cent and by 79 per cent within the next 25 years [Exhibit 3 \(page 18\)](#).

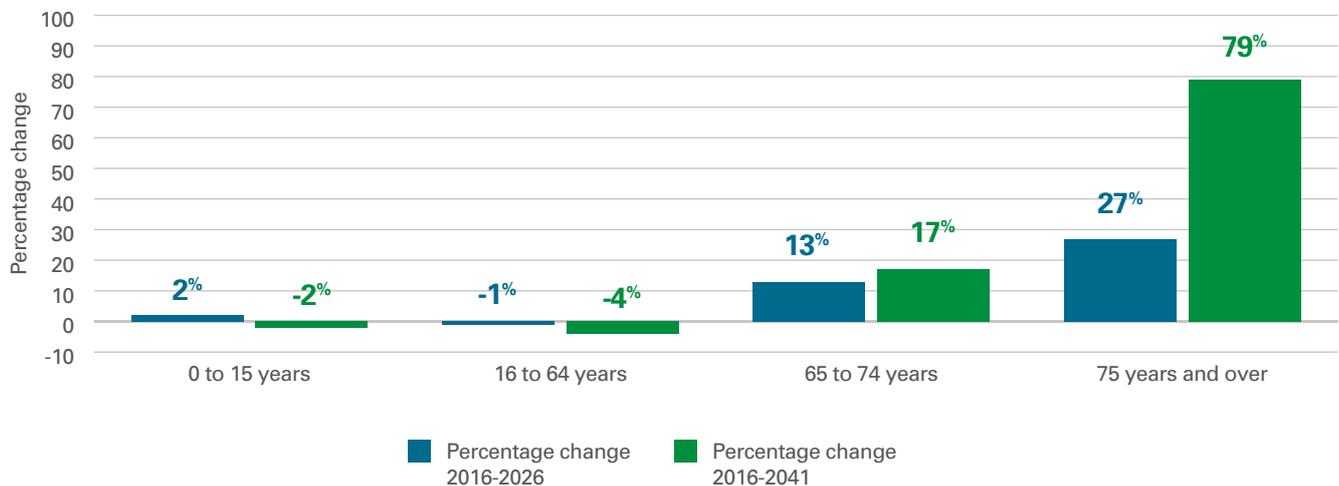
25. Predicted population change has significant implications:

- The sharp increase in the rise of older people is expected to lead to increased demand for social care services. The majority of over-65s in Scotland have two or more long-term conditions such as diabetes or heart disease and the majority of over-75s have three or more long-term conditions.¹² The Scottish Affairs Committee at Westminster concluded this will significantly increase demand for social care services.¹³
- There will be fewer working age people compared to people of pensionable age and school children. Working age people generate more money for public spending through taxation, while older people and children generally use more public services such as social care and education. In 2016, there were 574 people of pensionable age and school children for every 1,000 working age people. This is known as the dependency ratio. This is expected to increase to 640 people of pensionable age and children for every 1,000 people of working age by 2041.¹⁴ The Scottish Affairs Committee also concluded that demand for funding for services for an ageing population will grow quicker than generated income due to slower growth of the working age population.

Exhibit 3

Scotland's population projections, 2016-2026 and 2016-2041

Scotland's population is predicted to age significantly.



Source: National Records for Scotland, 2016 population projections

Population change brings different challenges for different councils

26. Predicted population change is not uniform across councils, meaning different councils face different challenges [Exhibit 4 \(page 19\)](#). Between 2014 and 2039, the population is expected to increase in 21 councils and decrease in 11. Midlothian Council is expected to see the biggest increase (26 per cent) and Comhairle nan Eilean Siar the biggest decrease (14 per cent).

27. The one constant trend across all Scottish councils is that the number of people of a pensionable age and over is expected to increase. This varies from a 48 per cent increase in West Lothian Council to an eight per cent increase in Dundee City Council. This will have differing impacts on demand for social care services.

28. In seven councils (Renfrewshire, Orkney Islands, Scottish Borders, Highland, Angus, South Lanarkshire, Moray) projected population increase is made up entirely of elderly population growth. For example in the Moray Council, the population is expected to grow by four per cent but the working age population and child population to fall by three per cent and eight per cent respectively. The population of a pensionable age and over will grow by 33 per cent over the same period.

29. There is significant variation in the predicted change in the population of children (defined as aged 0-15):

- Twenty councils are expected to see a decrease. These range from a 28 per cent reduction in Comhairle nan Eilean Siar to 0.1 per cent in Scottish Borders Council.
- Twelve councils are expected to see an increase. These range from 25 per cent in Midlothian Council to two per cent in Fife Council ([Exhibit 4](#)).

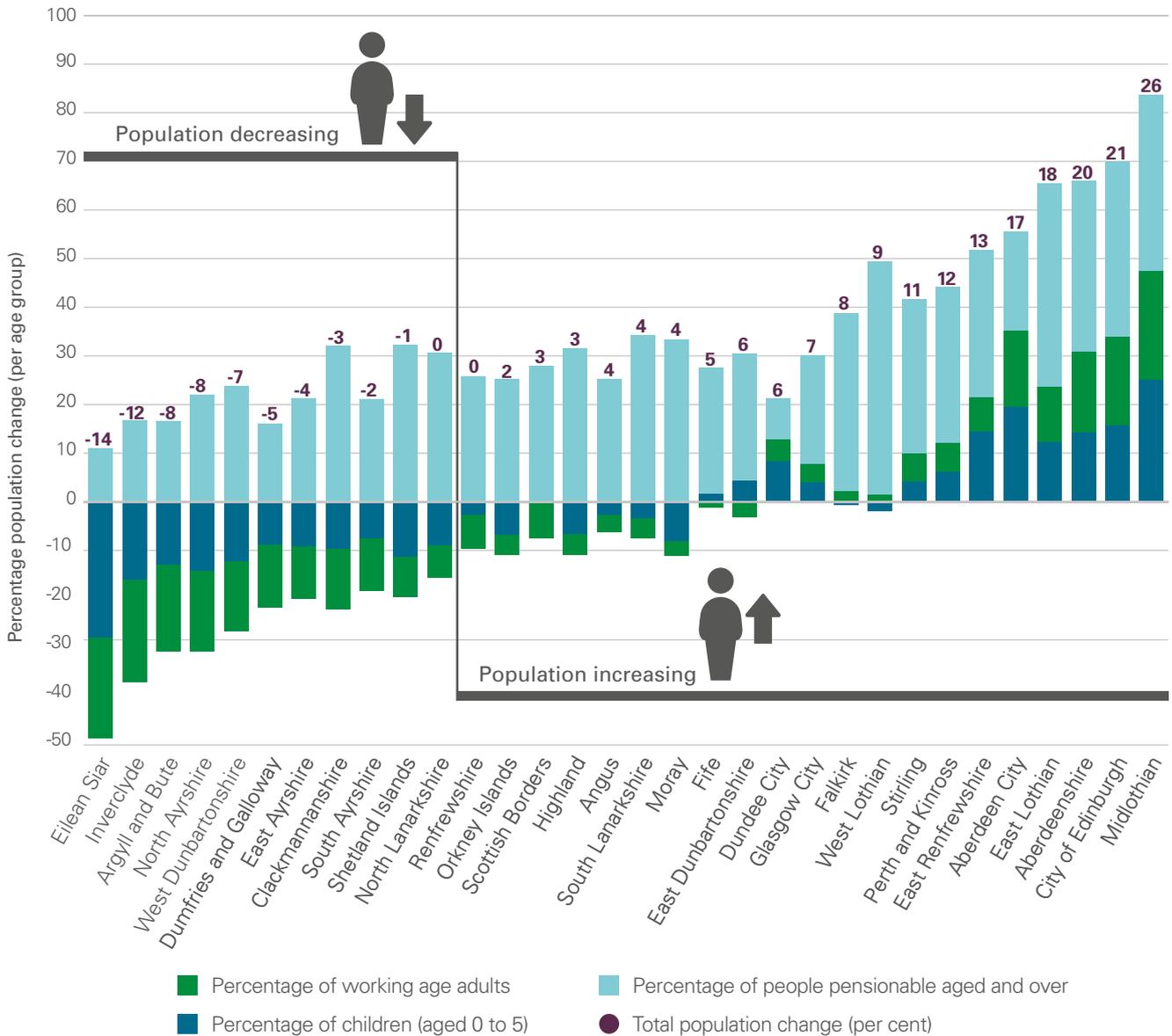


Have you considered the demographics of your council and how this will impact on service delivery and funding in the future?

Exhibit 4

Councils face different challenges relating to population change, 2014 to 2039

Eleven councils face predicted population decline by 2039.



Source: National Records for Scotland, 2014 population projections; and Audit Scotland



30. Changes to the number of children will pose different challenges for councils as they continue to deliver education services. Some may have to build new schools and recruit additional teachers while others will have to manage their school property estate and teacher-pupil ratios as their school population shrinks. This will be particularly challenging for Comhairle nan Eilean Siar and other island and rural councils.

Population change also has financial implications for councils

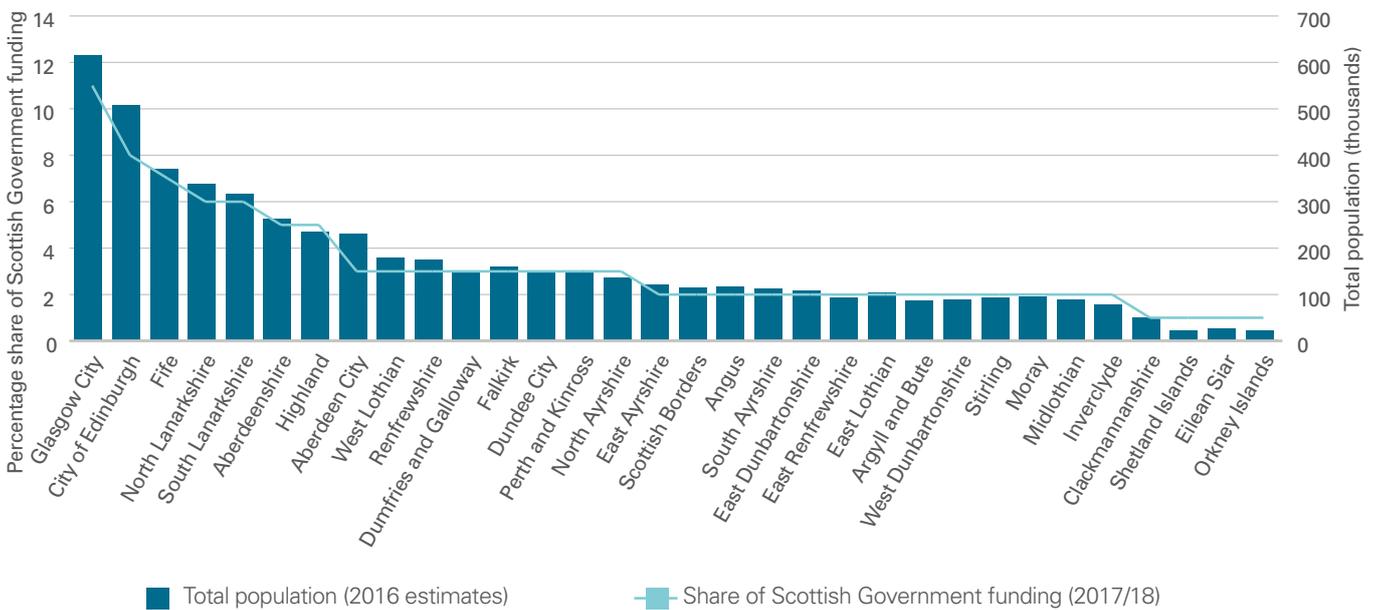
31. The implications for councils with a decreasing population include: fewer people to pay council tax, a lack of local workforce which may make the area less attractive to businesses, and low population figures making some local services harder to sustain.

32. In our 2017 local government financial overview report, we outlined how the Scottish Government funding formula is largely based on the size of council's populations, although under proposals to review funding for education, this may change ([Exhibit 5](#)). Currently, those councils with a projected decrease in population can expect to see greater reductions to their budgets compared to councils with increasing populations.

Exhibit 5

Total population and share of key element of Scottish Government funding

The amount of funding councils receive from the Scottish Government is closely linked to their population.



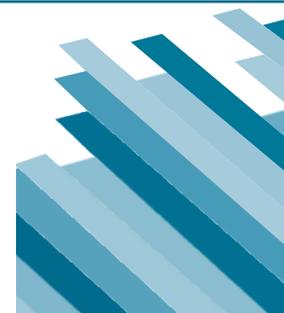
Note: Scottish Government funding is Grant Aided Expenditure and Special Island Needs Allowance.
Sources: Audit Scotland; the Scottish Government - the green books



33. However, all 11 councils which are expected to have reduced total populations are expected to have increases in the number of people of a pensionable age and over ([Exhibit 4](#)). These councils will therefore have a higher dependency ratio and a consequent increased demand for services at a time of reduced funding. Many of these councils are also rural which poses an additional challenge in delivering services as cost effectively as urban councils. We recommended in our 2016/17 local government financial overview that the Scottish Government and COSLA should assure themselves that the funding formula remains fit for purpose in a changing landscape for local government.

Part 2

Councils' response to the challenges



Key messages

- 1** Councils are increasingly using their reserves. Some councils have higher forecast funding gaps than their current levels of reserves. For these councils, the delivery of savings is critical. Long-term financial planning is not easy but is vital in helping councils deliver sustainable services.
- 2** Reducing staff numbers has been one of the main ways councils have reduced their spending and, in some councils, this is set to continue. Given the changes in workforce to date and the expected new demands on councils, robust workforce planning is essential to ensure councils have the right people, who have the right training and skills, to deliver their priorities. However, not all councils have organisation-wide workforce plans and the quality of these varies.
- 3** Achieving transformational change is increasingly vital to councils as they respond to reductions in funding. Councils need to ensure they have effectively planned and invested to deliver their transformational programmes and that staff have the necessary skills. Cohesive and decisive leadership is essential to address the significant challenges councils face.

Councils are increasingly using their reserves and for some delivering savings is now critical

34. All councils hold reserves. These are funds that councils can spend if they need to meet an unexpected cost, bridge a gap in funding or if they wish to invest in some initiative or specific activity. A council can only use reserves once, they are not a way to sustain services year on year. As we reported in our financial overview, 19 councils drew on their revenue reserves in 2016/17, an increase from the eight councils that did so in 2015/16. In 2016/17, 13 councils used more reserves than they had planned. Overall council revenue reserves fell by about £32 million in 2016/17.¹⁵

35. Some council financial plans for 2017/18 relied more heavily than others on using reserves to bridge funding gaps. Forecast funding gaps remain higher than current levels of reserves for a number of councils, making the delivery of savings critical. Continuing to use reserves at the current rate is not an option for some councils as they would run out of reserves within two to three years if they continued to use them at the level planned for 2017/18.¹⁶

36. Robust medium-term financial strategies and savings plans are vital for the financial sustainability of councils. For councils with lower levels of reserves, financial plans need to be increasingly detailed and robust. This will mean more work for officers and members in clearly identifying achievable savings.

37. Evidence from councils' annual audit reports generally demonstrates good medium-term (three to five years) financial planning, with some councils using scenario planning to provide a range of options. However, more work needs to be done to link budgets to plans and outcomes, establish sustainable long-term (beyond five years) planning arrangements and demonstrate that outcomes and strategic priorities are being delivered.

38. The Accounts Commission recognises the challenge to medium-and long-term planning of the Scottish Government providing funding figures for a single year, without indicative figures for future years. However, the absence of indicative funding for future years should not prevent councils projecting future income and spending, and planning accordingly. Indeed, uncertainty increases the need for councils to plan ahead.

Councils have adopted a range of approaches to reduce spending and increase income

39. For most councils, achieving savings while continuing to deliver services requires a mixed approach. This includes reducing workforces and services, taking measures to increase income, and digitising services; along with more transformational changes to service delivery or stopping some services altogether. In practice, these different approaches are interdependent. Councils need effective leadership and governance, strong financial management, and a workforce with the right skills to successfully deliver change.

Reducing workforce size has been one of the main ways councils have reduced their spending but workforce planning is poor in some councils

40. Most councils have reduced their workforce in recent years.¹⁷ Overall, staff numbers have fallen every year since 2009. Nationally, the biggest reductions in staff numbers were in the years 2009 to 2012, when the total council workforce fell by 21,000 (nine per cent).¹⁸ Since then, overall staff numbers have continued to decrease at a relatively steady rate. Between 2012 and 2017, councils' total workforce fell by a further five per cent (10,000 staff); including a one per cent (2,500 staff) drop from 2016 to 2017.¹⁹

41. Our analysis by council over the period 2011–2017 suggests that some councils have relied more heavily than others on staff reductions to make savings (**Exhibit 6, page 23**). However, because we are unable to track staff moving to arm's-length external organisations (ALEOs), it is difficult to draw clear conclusions about changing workforce numbers nationally. For example, it is likely that the workforce reductions recorded by Highland and Scottish Borders Councils are partially due to large numbers of staff transferring to ALEOs during this period.

42. Data for quarter 3 in 2017 was the first since quarter 2 in 2008 to report an increase in staff numbers compared to the previous year.²⁰ However, it is too early to comment on whether this indicates any upward trend overall, and evidence from the first year of BVARs suggests that the long-term trend of reducing staff numbers to meet funding gaps is set to continue in some councils. For example Inverclyde Council has reduced its staff by just over 500 (13 per cent of workforce) in the last seven years.²¹ It estimates that it will need to reduce its staff by a further 80 to 130 staff over the next two years (this is between two to four per cent of its workforce).²² East Renfrewshire Council needs to reduce its workforce by an average of 100 staff a year over the next three years. This is around three per cent of its workforce in the first year.



Does your council have medium and long-term financial plans in place?

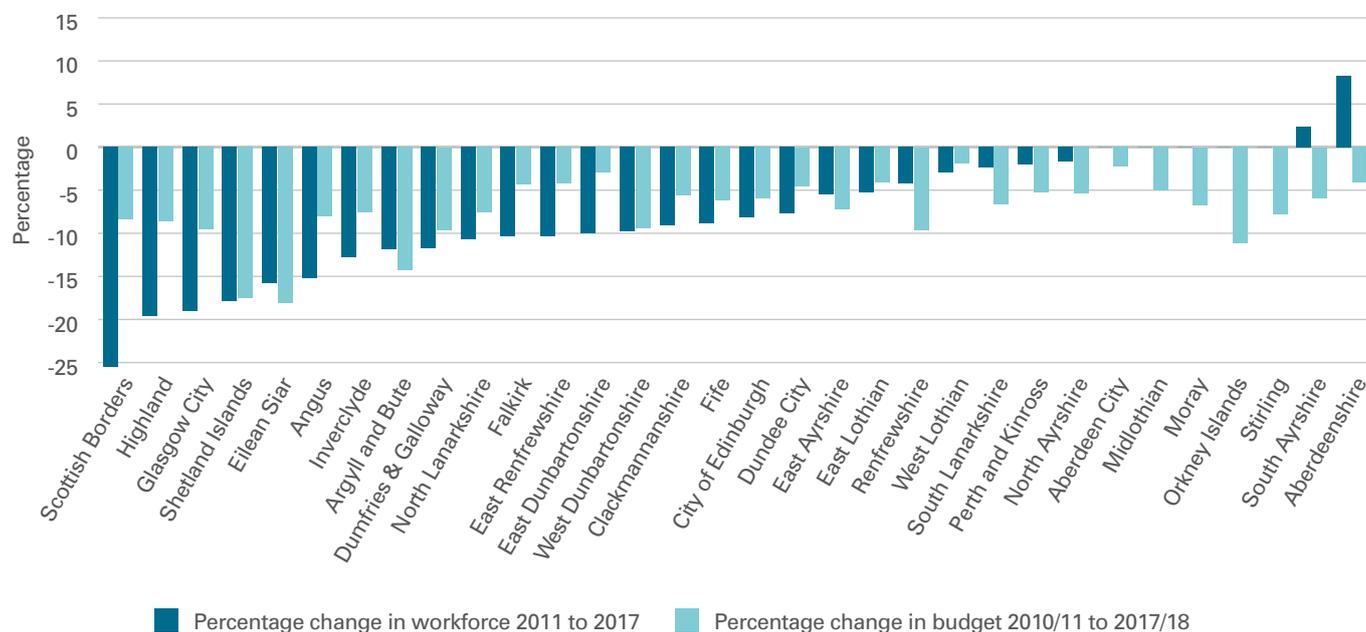
Does your council link budgets to plans and outcomes and report on these?

Does your council have the right structures in place to ensure that all your efficiency, improvement and transformational approaches are working together to maximise savings?

Exhibit 6

Changes in council budgets and workforce 2011 to 2017

The use of staff reductions to make savings varies across councils.



Notes:

- Budget is defined as general revenue grant and non-domestic rates, in real terms.
- Workforce change is from Q1 2011 to Q1 2017.

Source: Audit Scotland and Joint Staffing Watch, Scottish Government



43. It is critical that councils carefully manage workforce reductions and that each council ensures it has people with the skills required to deliver its priorities now and in the future. Workforce planning is complex and councils face a number of challenges:

- The council workforce is ageing. The Scottish Social Services Council reported that the median age amongst public sector social care employees is 48 years.²³ UNISON also report high proportions of staff over the age of 45 years in building standards, school support and home care workers.²⁴ Councils will need to consider if and how to replace these experienced workers.
- Many councils struggle to recruit and retain employees. Councils in rural areas report difficulties recruiting staff to some roles due to their remote location. Several councils have reported that education and social care staff are particularly difficult to recruit. Others report difficulties recruiting staff in specialist or professional roles such as engineers and accountants. Our Clackmannanshire Council Annual Audit report highlights that the council has found it difficult to recruit suitably qualified and experienced finance staff. The UK's decision to leave the European Union could create further difficulties in staff recruitment.
- Council workforces must be able to adapt to deliver council priorities and meet future challenges. National early learning and childcare commitments will have significant implications for council staffing. Councils will also need to ensure they have staff with the right skills to maximise the potential of new digital technology.



Does your council have an organisation-wide workforce plan?

Does it contain information about the numbers, costs, and skills of the actual and desired workforce?

How is your council looking to maximise income?

- Strong leadership is essential for councils to effectively manage transformation and develop new ways of delivering services within reduced budgets. Yet there can be difficulties recruiting to the top team as salaries are often lower than the private sector at senior levels.^{25, 26} The Improvement Service's report on Talent Management in the Public Sector highlights that public sector bodies need to do much more to develop their approach to managing talent.²⁷

44. Despite its importance, only half of councils had organisation-wide workforce plans last year.²⁸ Workforce plans vary in quality. For example, not all provide critical planning information, such as:

- the numbers, cost and skills of the current and the desired workforce
- how the move from the current to the desired workforce will take place and when it will be achieved.

45. Some workforce plans are short term in nature and only consider workforce needs for the current year, for example, the [Best Value Assurance Report: Inverclyde Council](#)  reports that longer-term forecasts need to be developed. Councils also need to ensure workforce plans will help to deliver corporate priorities, transformation plans and financial plans.

Councils have sought to increase income

46. There are opportunities for councils to raise income through council tax and fees and charges. However, there are limits on how much can be raised.²⁹

47. The council tax freeze ended in 2017/18. Twenty-four councils increased council tax, including 21 that raised rates by the maximum three per cent allowed by the Scottish Government. This rise increased council income by around £53 million.³⁰ Proportionately this represents a small increase to council budgets. It is possible that public satisfaction with services will decline if the service delivered is not perceived to improve in line with higher taxes.

48. It is difficult to accurately tell how much income is generated through fees and charges in Scotland. The Scottish Parliament Information Centre (SPICe) Briefing on Local Government Finance used Local Financial Returns (LFRs) to analyse how councils have raised income through fees and charges to people using services. It found that revenue from fees and charges had fallen by 4.5 per cent in real terms between 2011/12 and 2015/16, from £569.7 million to £544.2 million.³¹ However, the data provided in the LFRs is self-reported and there can be differences with how councils categorise income and expenditure. For example, some councils may not record income generated by ALEOs in the same way that they record income generated directly by the council.

49. While it is not possible from the data currently available to assess nationally how councils use their ability to generate income to offset the impact of reduced Scottish Government funding, there are indications that councils are increasing income through fees and charges. For example, the RAC Foundation reported that total income for Scottish councils from parking fees was £79.3 million in 2015/16, a five per cent increase over the previous year.³² Citizens Advice Scotland has found that burial charges increased in 25 councils in 2016/17, with an average increase of £64.31 (5.5 per cent).³³

50. Councils must consider the impact that increased fees could have on inequality within their communities, as higher charges are likely to have a disproportionate effect on deprived and vulnerable communities. All seven councils that submitted evidence to the Parliament's scrutiny of the draft budget indicated that they considered inequalities when making decisions about fees and charges.³⁴

51. Councils are also getting together to share ideas and approaches to maximising income and many are involved in a network on 'commercialisation' led by the Association for Public Sector Excellence (APSE). This work is at an early stage but could lead to councils generating additional income from a range of activities.

Transformation is increasingly important to councils

52. By transformation we mean significant programmes of activity that radically change the services councils provide and how they are delivered. This involves making services more efficient and achieving better outcomes for people who use services and for communities. Good transformation will be based on robust option appraisal. It should reflect the needs of communities, consider alternative service delivery models and seek to reduce long-term demands on services.

53. Planning for and delivering transformational savings will become increasingly important to councils if funding continues to fall and decisions about spending priorities become increasingly difficult. Options appraisal is an important tool to help councils make an informed decision on what their transformation priorities should be.

Transformation needs to be properly scoped and resourced for it to deliver the desired savings

54. Some councils use formal and explicit transformation plans to deliver their strategy for change. Other councils integrate transformation into developing how services are delivered without using a specific transformation plan. Both approaches can be effective if the right leadership and management are in place. Cohesive and decisive leadership is essential to address the significant challenges councils face.

55. Councils need to ensure that they are investing the right time and resources to deliver the scale of the planned transformation. Real transformation takes time and to be successful councils should:

- set priorities - councils cannot transform everything at once
- conduct robust option appraisals - councils should consider a wide range of options
- have a clear strategy and a realistic savings target which is properly monitored
- have proportionate governance structures
- assess the impact on equality of access and opportunity and whether change may have a disproportionate impact on more vulnerable or poorer communities or individuals.

56. Transformation needs:

- effective leadership from councillors and the senior management. In Dumfries and Galloway Council, progress is reported regularly to the Business Transformation board and Business Transformation steering group



Does your council compare its policies and priorities to raise income with other councils?

Does your transformation activity contain plans for truly transformational change? Will it improve services and save money?

- staff who have the time to work exclusively on transformation. West Lothian Council has 15 full-time equivalent staff (including senior and specialist staff) on secondment working on the scoping stage of their transformation plan.
- staff with the skills to achieve council priorities and make the required changes to services. At Inverclyde Council, 100 employees took part in a senior management leadership development course which emphasised delegating operational decisions to front-line managers. East Renfrewshire Council has recognised that there is limited supply of some skills in the council. In response it has designed and delivered a Scottish Qualifications Authority (SQA) accredited course in project management and a course in change management.

57. Councils should ensure that planned savings are realistic and achievable. Councils that are already under significant financial strain need to be especially careful about this. For example, Midlothian and Clackmannanshire Councils have low general fund reserves and high savings targets for their transformation plans, which will be challenging to meet. Not delivering expected savings could mean their general fund reserves fall.

58. There is a high level of risk involved in transformation projects. These include expected savings not being delivered (with consequent effects on a council's reserves and financial position); alternative models of service delivery not achieving the expected service standards and outcomes and there being insufficient staff time and skills deployed. Not all transformation activity will have the desired effect. Councils need to be willing to take some risk, within an effective risk management framework, in their approaches to transformation.

59. Councils are sharing successful new approaches. The Innovation Exchange website, which is supported by the Society of Local Authority Chief Executives (SoLACE) and the Improvement Service, brings together innovative projects from across all councils. It allows councils to share good practice and improve how services are provided.

Councils recognise the potential of digital solutions to deliver savings and make services more efficient

60. Digital solutions are a key element of most councils' transformation activity. When we talk about digital, we are not just talking about technology. We are talking about how digital technologies and solutions are affecting and changing human interactions. Some of the ways that councils are adopting digital solutions include:

- introducing new technology to allow front-line staff to access and process information wherever they are working, for example home carers
- making better use of data by linking and integrating data across departments
- streamlining and automating processes to make them more straightforward for citizens and more efficient for the council, for example completing forms and making payments
- ensuring the security of data and information held by the council
- making information more accessible to residents through websites.



Have you invested in the right resources for your transformation activity to achieve its planned savings?

Does your council have the necessary governance structures to effectively oversee and monitor its transformation activity?

What is your council's risk appetite for transformational change? Are risks properly monitored?

What will the financial implications be for your council if your transformation strategy fails to meet its savings targets?

61. Councils are incorporating digital solutions in a variety of ways. As councils become more mature users of digital, they are adopting more innovative ways of integrating digital into how they deliver services. Thirty councils have signed up to the Local Government Digital Partnership programme, which aims to strengthen councils' use of digital.³⁵

62. Many councils are pursuing greater efficiency by integrating digital into how they deliver their services. For example, the Moray Council reports it has made its housing repair service more efficient by introducing mobile working. This has cut travel time to jobs, reduced missed appointments, and allowed seven team members to be reallocated to other areas. North Ayrshire Council increased customer satisfaction from 91 per cent to 98 per cent by improving the digital channels that people can use to access services.

63. Some councils are working to make their digital infrastructure more efficient. This involves joining up systems and data that are held by different services and creating systems that are able to share data. Aberdeen City Council has developed a digital transformation programme that prioritises these tasks. One of the anticipated outcomes of this programme is that customers will only have to provide information once to the council, and this information will automatically update data already held by the organisation.

64. Our *Principles for a digital future*  report provides guidance on the core principles for successfully planning digital projects.³⁶ It identifies the following principles for success:

- comprehensive planning setting out what will be achieved and how it will be done
- active governance providing appropriate control and oversight
- putting users at the heart of the project
- clear leadership that sets the tone and culture and provides accountability
- individual projects set in a central framework of strategic oversight and assurance.

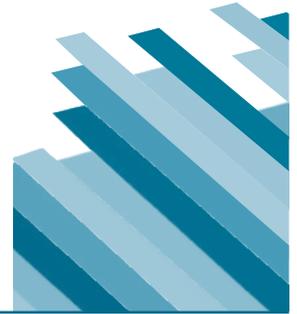
65. Councils need to balance improving digital access to services with an awareness that not everyone can access or operate digital technologies. Others will be limited in how they can access digital technology; for example, some may only have access to the internet using their mobile phone. Limited access to digital technology is most likely to affect vulnerable and excluded groups. Digital should not become the only way to access council services, but it should be an efficient and easy option of communication for those who choose to use it.



Does your council follow the core principals for successfully planning digital projects outlined in our *Principles for a digital future* report?

Part 3

The impact on council services



Key messages

- 1** At a national level, indicators suggest that councils have maintained or improved performance in a number of areas despite funding reductions. However, there is considerable variation between councils that is not always easily explained. Our audit work has found that councils articulate their strategic priorities and plans well but often do not report how these connect to actual performance and outcomes.
- 2** However, there is also some evidence that budget reductions are impacting on services. Public satisfaction is falling. There is evidence that social care services for older people are not keeping up with demand, and there is a general risk to the quality of services. The impact of budget reductions on smaller services could be significant but there is limited evidence on this. Councils need to understand and clearly set out the impact budget reductions have had on service delivery and use this to inform future decision making.

Despite funding reductions a number of national indicators of performance continue to improve

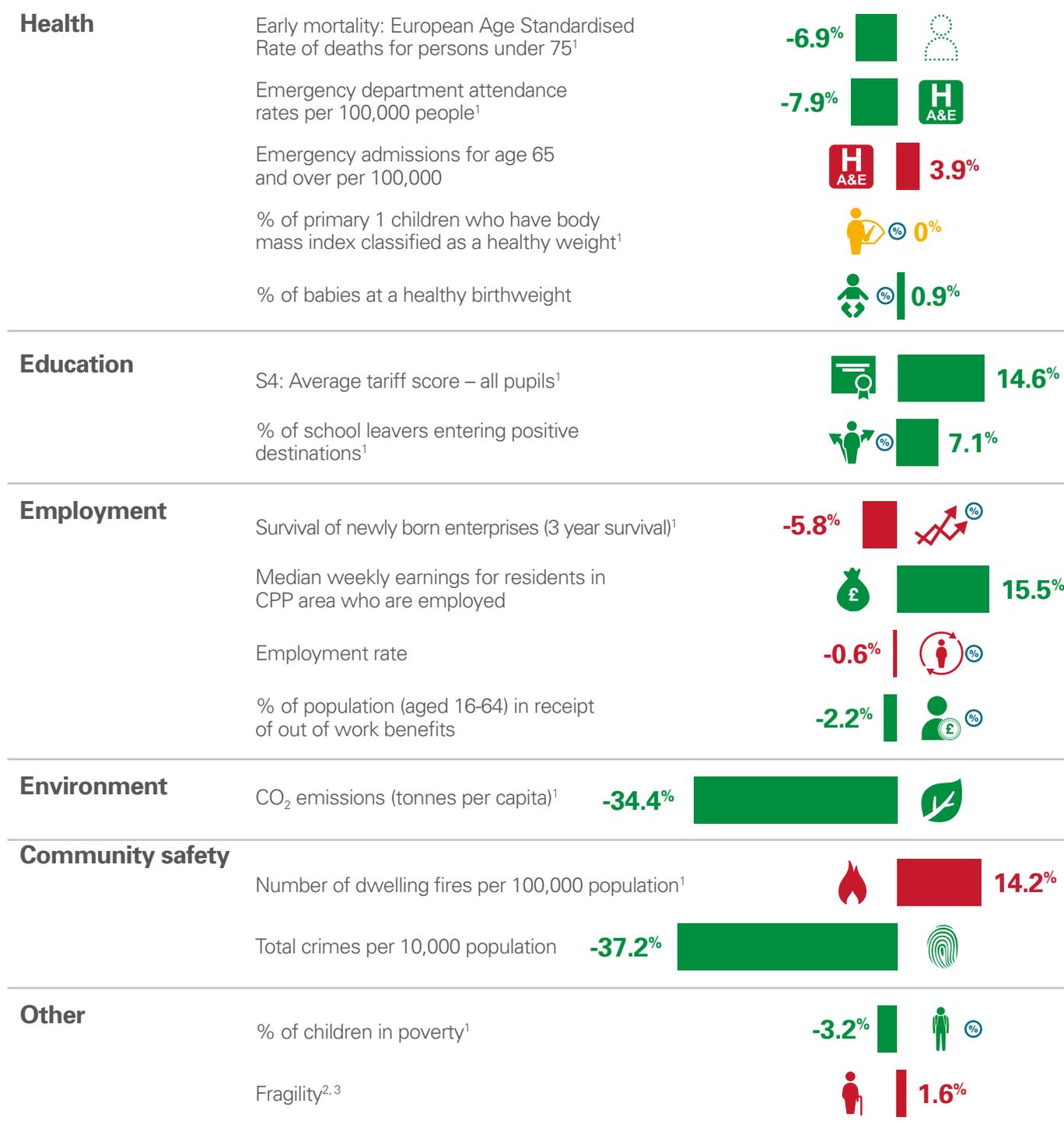
66. The Accounts Commission has previously stated that given the challenges facing local government, not least the future financial challenges, it does not expect to see performance improving in all measures for all councils. It is up to individual councils and their communities to agree local priorities and make the difficult decisions about which services to focus time, skills and money on. Effective public performance reporting should reflect those decisions and explain performance variance within that context. Councils will need to continue to have conversations with their communities to understand and explain the impact of budget cuts.

67. The Scottish Government's National Performance Framework measures and reports progress towards the Scottish Government's Purpose and national outcomes. The Improvement Service reports on progress against 18 outcomes, supported by 16 performance measures, through the Community Planning Outcomes Profile. Councils work with partners and communities through, for example, CPPs and IJBs to improve outcomes for communities. Changes in outcomes will be influenced by factors wider than council activity so cannot be solely linked to council activity. These measures are designed for use at a community or council level, but we have presented them at a Scotland level for this report. The 16 performance measures suggest that the majority of outcomes are improving across Scotland ([Exhibit 7, page 29](#)).

Exhibit 7

Changes in performance measures for Scotland's outcomes 2006/7 to 2016/17

Performance measures suggest that the majority of outcomes for Scotland's communities are improving.



 Percentage point change – raw data is not available therefore absolute changes are shown.

Notes:

1. Imputed and projected data has been calculated by the Improvement Service using different methodologies for measures where raw data is not yet available.

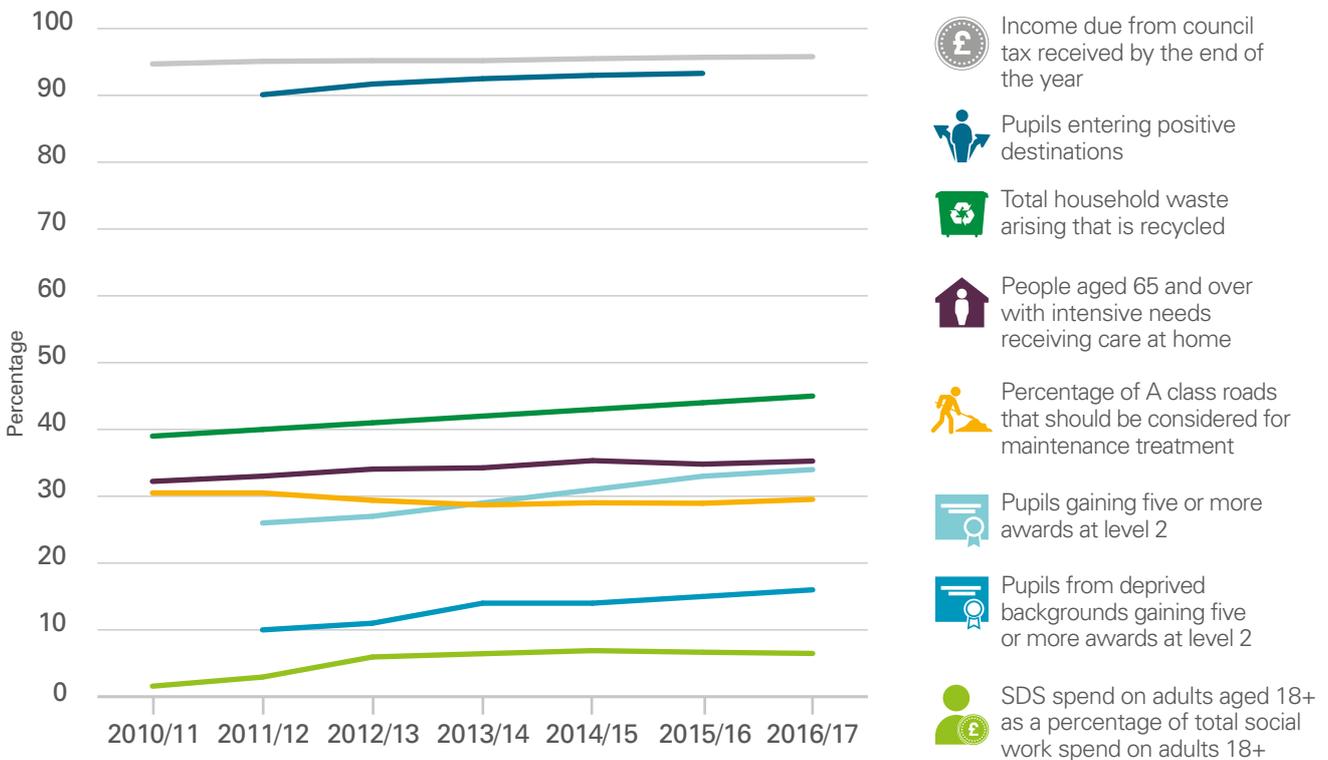
2. Fragility is a weighted combination of three indicators: de-population, rural de-population and old age dependency ratio.

3. Data uses rolling three year averages. All figures are based on community level data and so may have some discrepancies due to rounding.

Source: *Community planning outcomes profile*, Improvement Service, 2016/17

68. The Improvement Service, in partnership with councils, also collates and reports on the Local Government Benchmarking Framework (LGBF) to provide comparative performance information for councils to help them improve. The framework includes over 70 performance indicators. While these are not designed to comprehensively cover performance across all council activities, they are spread over a broad range of service areas. We selected for further analysis, a sample of eight measures which give an indication of council performance in services likely to be of significant interest to the public.³⁷ This shows that councils' performance for these indicators over the last six years has remained the same or improved, except for the proportion of social work spend on self directed support (SDS) which dropped slightly between 2015/16 and 2016/17 ([Exhibit 8](#)).

Exhibit 8
Performance against selected indicators, 2010/11 to 2016/17
 Performance has been maintained or improved.



Notes:
 1. The percentage of A class roads that should be considered for maintenance treatment indicator is measured over two year periods, for example 2009-11 is plotted in 2010/11.
 2. 2016/17 data is not available, national data is modelled to provide proxy measure.

Source: Audit Scotland; and *Local Government Benchmarking Framework 2016/17*, Improvement Service



69. We have also analysed council spending against indicators to see what impact funding reductions have had on performance at a national level. This shows that despite spending less in most service areas, councils have maintained or improved performance on most of the selected measures ([Exhibit 9, pages 31-32](#)). It is important to note that a number of factors other than spend will impact on how services perform, and individual performance indicators do not show overall quality of a service.

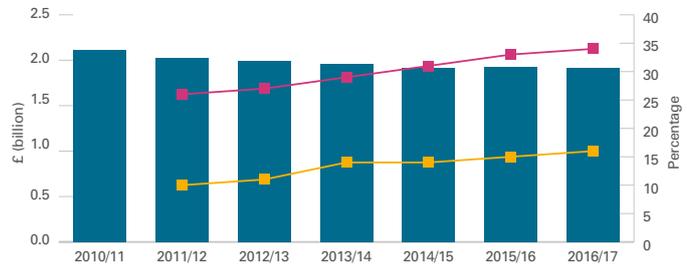
Exhibit 9

Performance and spend in key service areas, 2010/11 to 2016/17



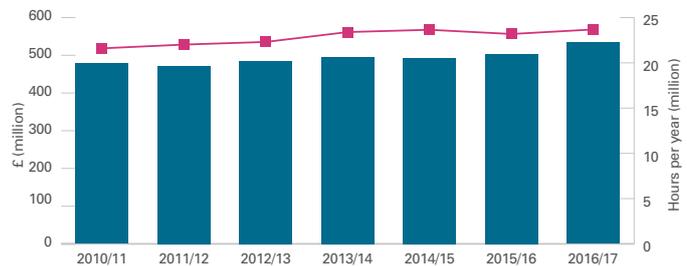
Councils are spending less on secondary schools but pupils' attainment continues to improve.¹

- Gross expenditure on secondary schools (£ billion)
- Percentage of pupils gaining five or more awards at level 6
- Percentage of pupils from deprived backgrounds gaining five or more awards at level 6



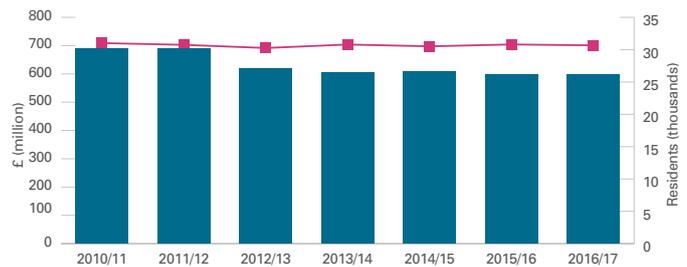
Since 2010/11 the amount spent on homecare has increased at a faster rate than the number of home care hours.

- Total expenditure on homecare (£ million)
- Homecare hours per year



Spending on residential care homes for older people has remained constant since 2012/13. The number of residents has remained at a similar level since 2010/11.²

- Net expenditure on care homes for older people (£ million)
- Number of long-stay residents aged 65+ supported in care homes



Libraries, sports facilities and museums have all reduced spending but report increased visitor numbers.

- Total expenditure on culture and leisure (£ million)
- Number of attendances at sports facilities
- Number of library visits
- Number of museum visits



Councils spend 20 per cent less on road maintenance but the percentage of roads classified as needing to be considered for maintenance has remained constant.

- Gross expenditure on roads and winter maintenance (£ million)
- Percentage of A class roads that should be considered for maintenance treatment
- Percentage of B class roads that should be considered for maintenance treatment

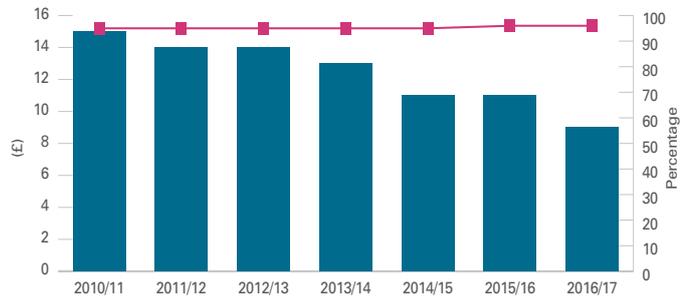


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Exhibit 9 (continued)

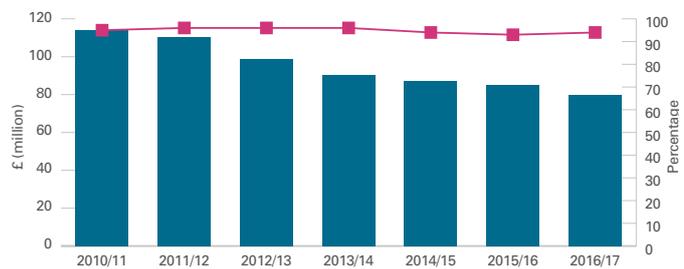
The amount councils spend on collecting council tax has decreased by 41 per cent since 2010/11 but the percentage collected by the end of the year has remained at around 96 per cent.

- Cost per dwelling of collecting council tax (£)
- Percentage of income due from council tax received by the end of the year



Despite a 30 per cent reduction in the net cost of street cleaning per 1000 people since 2010/11, street cleanliness scores have only decreased by three percentage points.

- Net expenditure on street cleaning (£ million)
- Street cleanliness score



Notes:

1. 2016/17 data is not available, national data is modelled to provide proxy measure.
2. 2010/11 and 2011/12 expenditure includes supports costs and so is not directly comparable to later years.
3. The percentage of A class roads that should be considered for maintenance treatment indicator is measured over two year periods, for example 2009-11 is plotted in 2010/11.

Source: Audit Scotland; and *Local Government Benchmarking Framework 2016/17*, Improvement Service

Council performance varies, sometimes significantly

70. A range of factors, such as levels of deprivation, rurality, demographics and local priorities and policy choices will have an impact on how services perform. The quality and effectiveness of leadership and management are also important factors. Analysis of LGBF data shows that there continues to be significant variation in performance among councils. For example in 2016/17:

- The amount of waste recycled varies from eight per cent in the Shetland Islands Council to 61 per cent in East Renfrewshire Council.
- The percentage of people aged 65 and over with intensive needs being cared for at home varies from 23 per cent in Scottish Borders Council to 50 per cent in North Lanarkshire Council.
- The percentage of pupils gaining five or more awards at level six varies from 22 per cent in Clackmannanshire Council to 63 per cent in East Renfrewshire Council.

71. The link between performance and spend also varies. For example between 2015/16 and 2016/17, 21 councils increased the amount of waste that was recycled. Of these ten increased the cost of waste collection while 11 reduced their costs ([Exhibit 10, page 33](#)). Fife Council have reduced the net cost of waste collection per premise by 25 per cent in real terms from £57 to £42, while increasing the percentage of waste recycled from 52 per cent to 55 per cent. Of the ten councils which are recycling less, seven had increased costs.

Exhibit 10

The cost of waste collection and the percentage of waste recycled, 2015/16 to 2016/17

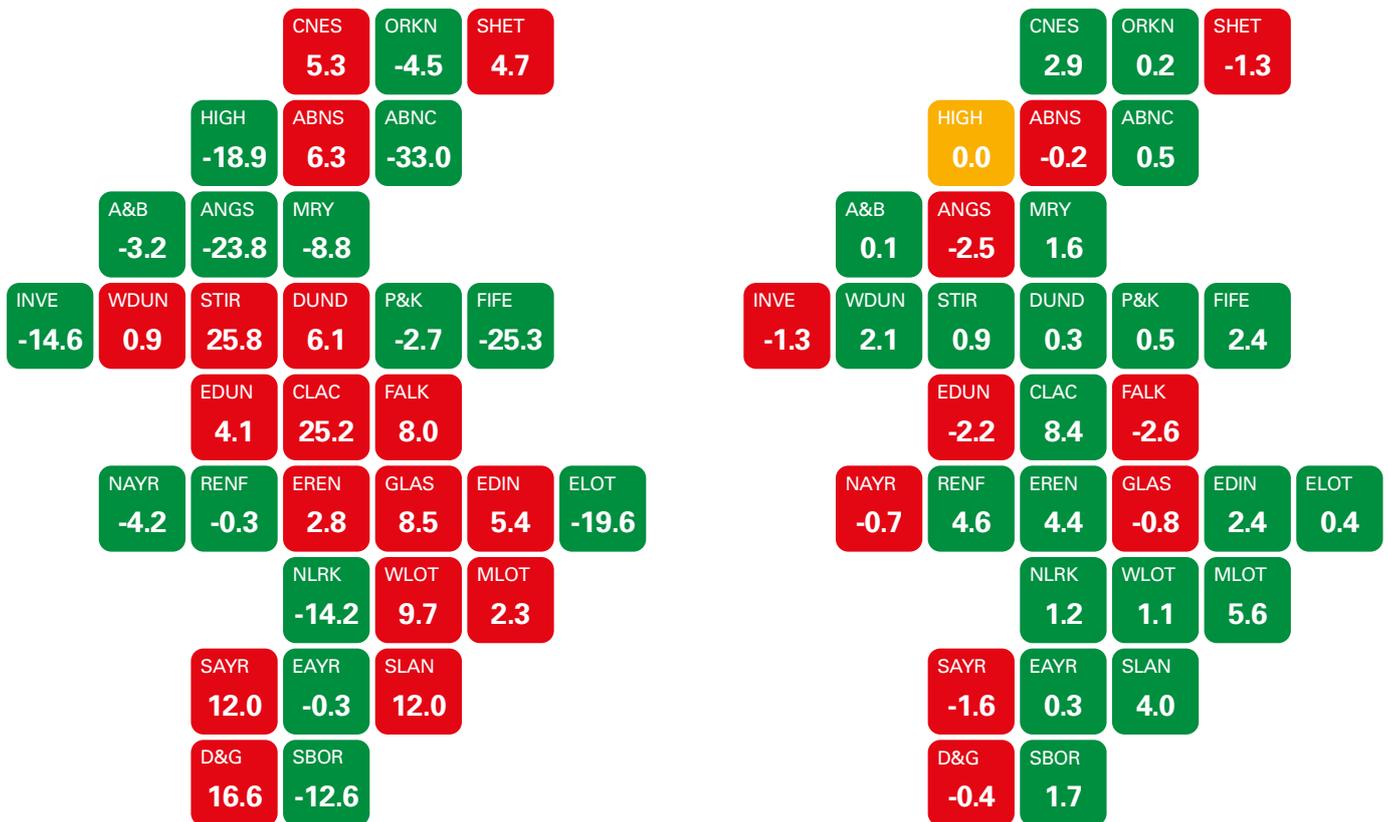
Twenty-one councils increased the amount of waste that was recycled. Of these ten increased the cost of waste collection while eleven reduced their costs.



Percentage change in cost of waste collection



Percentage point change of waste recycled



Reduced performance
Cost increase or less recycling

No change

Improved performance
Cost decrease or more recycling

Councils

- ABNC** Aberdeen
- ABNS** Aberdeenshire
- ANGS** Angus
- A&B** Argyll and Bute
- CLAC** Clackmannanshire
- D&G** Dumfries and Galloway
- DUND** Dundee
- EAYR** East Ayrshire
- EDUN** East Dunbartonshire
- ELOT** East Lothian
- EREN** East Renfrewshire

- EDIN** Edinburgh
- CNES** Eilean Siar
- FALK** Falkirk
- FIFE** Fife
- GLAS** Glasgow
- HIGH** Highland
- INVE** Inverclyde
- MLOT** Midlothian
- MRY** Moray
- NAYR** North Ayrshire
- NLRK** North Lanarkshire

- ORKN** Orkney Islands
- P&K** Perth and Kinross
- RENF** Renfrewshire
- SBOR** Scottish Borders
- SHET** Shetland Islands
- SAYR** South Ayrshire
- SLAN** South Lanarkshire
- STIR** Stirling
- WDUN** West Dunbartonshire
- WLOT** West Lothian

Note: Due to inconsistencies with published data Glasgow and Shetland Islands councils have provided their own figures.

Source: Audit Scotland; and Local Government Benchmarking Framework 2016/17, Improvement Service

72. Variation in performance and spend suggests councils have the potential to deliver further improvements and efficiencies. For example, as we reported last year, if councils reduced staff sickness absence this would help increase productivity. Nationally the average number of sickness days for non-teaching staff has increased slightly from 10.63 in 2015/16 to 10.92 in 2016/17. Sickness absence rates for non-teaching employees vary from an average of 8.8 days in East Ayrshire Council to 16.5 days in Clackmannanshire Council. If councils with high absence levels could reduce these to be in line with the top eight performing councils, they would gain the equivalent staff time of about 730 full-time employees across Scotland.

73. Sickness absence rates for teachers improved slightly from 2015/16 to 2016/17 from 6.09 to 6.06 days per teacher. This also varied by council from an average of 4.1 days in East Ayrshire Council to 9.8 days in Clackmannanshire Council. If councils with high teacher absences could reduce these to be in line with the top eight performing councils, they would gain the equivalent of about 260 full-time teachers in Scotland.

74. There may be valid reasons for the variation between performance and spend at a council level. Councils should continue to learn from each other through benchmarking groups and work to understand reasons for variation in performance and cost, identify any options for efficiencies, savings and service redesign. Councils have a duty to clearly report performance to local people. Our audit work has found that councils articulate their strategic priorities and plans well but often do not report how these connect to actual performance and outcomes. Good performance reporting includes clearly stating how performance and spend is linked to the council's priorities and using local indicators which demonstrate quality of service and public satisfaction.

Not all variation in education performance can be explained by deprivation

75. Improving school attainment and closing the gap between the achievements of the richer and poorer pupils is a Scottish Government priority and one shared by councils. Nationally pupil attainment has been increasing each year since 2010/11 across all measures ([Exhibit 9](#)). However, this still masks significant variation between individual councils. Using the measure of average tariff score, an overall measure of secondary attainment, the attainment gap between the most deprived and least deprived pupils has decreased by six per cent in the last six years.³⁸ However, the most deprived pupils are still performing only half as well as the least deprived pupils.

76. Councils with lower deprivation levels tend to have more children gaining five or more awards at level 5 and 6 and higher overall average tariffs than councils that have higher deprivation levels ([Exhibit 11, page 35](#)). East Renfrewshire Council and East Dunbartonshire Council have the lowest levels of deprivation and are performing considerably better on this measure than any other council. However, some councils (Aberdeenshire, Aberdeen City, and the Moray councils) might be expected to perform better than they are when their lower levels of deprivation are taken into account. Inverclyde Council has high levels of deprivation but higher attainment than similarly deprived areas. We examined the various factors which influence pupil attainment in our 2014 report on [School education](#) , and are planning a further audit of the sector in 2019/20.³⁹

77. Councils should continue to work to understand the variations in performance between them, learn what has been successful in other councils and, where appropriate, apply these lessons to their own services.



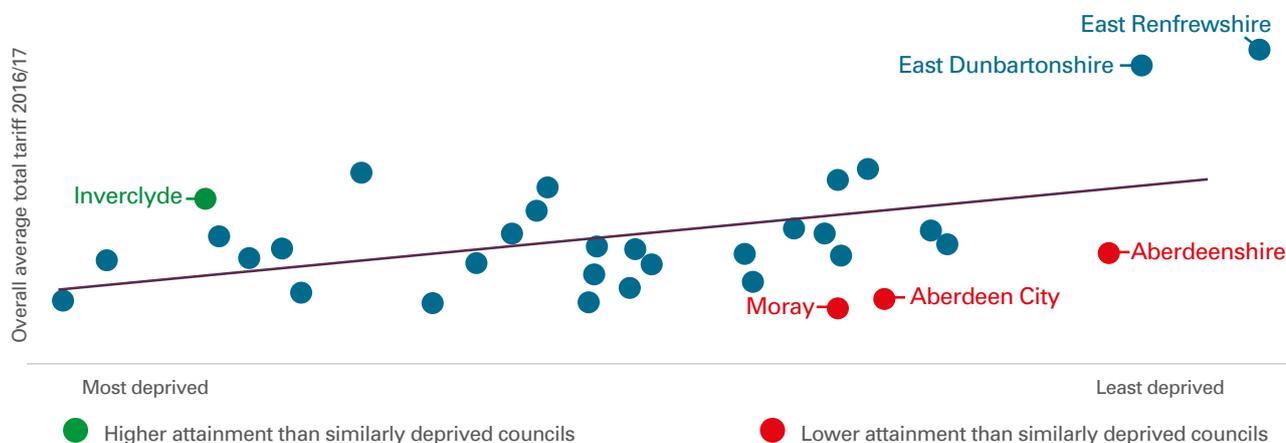
How well does your council report performance to local communities? Is there a link to outcomes, priorities and budgets in your performance reporting?

Have you considered what lessons you can learn from other councils who are delivering services well?

Exhibit 11

Overall tariff scores for secondary school children compared with deprivation levels 2015/16

The link between attainment and deprivation varies across councils.



Notes:

1. The line shows the relationship between overall average total tariff and deprivation levels.
2. We have used 2015/16 attainment data. Data is not currently available by council for 2016/17.



Source: Audit Scotland; and *Local Government Benchmarking Framework 2015/16*, Improvement Service

There is some evidence that spending reductions and increasing demand are impacting on services



Public satisfaction is falling

78. Different sources show public satisfaction is falling:

- LGBF indicators mostly show a decline in public satisfaction between 2010 and 2017, for example satisfaction with the following services is down:
 - local schools from 83 to 73 per cent
 - libraries from 84 to 73 per cent
 - museums and galleries from 76 to 70 per cent
 - leisure facilities from 75 to 73 per cent
 - street cleaning from 73 to 70 per cent
 - refuse collection from 81 to 79 per cent.

Some satisfaction levels have been maintained or improved:

- parks and open spaces has increased from 83 to 87 per cent.
- In 2016, the Scottish Household Survey found that only 56 per cent of adults were satisfied with three local public services (local health services, schools and public transport). This is the lowest level since it was first measured in 2007, and down ten percentage points in five years.⁴⁰
- In a poll by PricewaterhouseCoopers in 2017, only 12 per cent of respondents in Scotland agreed that their council had become more effective over the last five years.⁴¹

How can you better engage with local communities to understand why public satisfaction is declining?

There is evidence that adult social care services are not keeping up with demand

79. Adult social care services are a main and growing area of spend for councils. These services are now commissioned by IJBs. Social care services for older people are a key pressure area for councils and IJBs as Scotland's population ages. Between 2010/11 and 2016/17:

- The number of people aged 65 and over (and more likely to have two or more long-term conditions) increased by 13.2 per cent.
- The number of people aged 75 and over (and, more likely to have three or more long-term conditions) increased by 9.4 per cent.

80. Older people in need of support are cared for either in a residential care home or in their own home by visiting home care workers. Since 2011, the policy of many councils and the Scottish Government has been to move more care to a home setting.

81. National data suggests that spending on residential care is generally keeping up with the number of residents, while spending on caring for people at home has increased at a faster rate than the amount of care provided. National data on quality shows that care homes assessed by the Care Inspectorate as good or better has increased from 66 per cent in 2014/15 to 72 per cent in 2016/17 and home care services from 81 per cent to 83 per cent.

82. Despite an increase in the number of homecare hours, the number of people aged 65 and over who receive care at home fell by nine per cent. The Scottish Government reports that this is due to a focus on people with higher needs meaning that fewer people get more hours.⁴² Although this means that councils can focus care on those with the highest needs, it does mean others no longer receive support. This has implications for early interventions which could improve peoples' quality of life and save money in the long-term by preventing people developing more complex needs.

83. Recent local inspections have raised significant concerns about social care services' ability to meet demand from older people and about the quality of care provided. The inspections at City of Edinburgh Council and Scottish Borders Council found that older people faced long waits for an assessment of their needs and a further wait to receive their care package following an assessment.

- In Edinburgh people waited 100 days for an assessment and 16 per cent of cases had an unreasonable delay after assessment. Often, this meant that the person's condition had deteriorated by the time they received their service so it was no longer adequate. These delays impacted on other health and social care services, especially hospitals, as people could not return home until care had been arranged for them.⁴³
- In the Scottish Borders there was a nine week wait for top priority cases and a 15 week wait for the second level of priority. Even some people assessed as critical could struggle to get the support when they needed it. Overnight care for people at the end of their life who wanted to die at home was especially problematic. Inspectors found that staffing problems had led to a lack of consistency of care and although always treated with respect, some individuals had 24 different carers in a three-month period.⁴⁴

84. We reported in our 2016 *Social work in Scotland*  audit, that people receiving care were most unhappy with the limited length of visits. In the survey, one person described facing a choice of breakfast or a shower as the carer could not provide both in the 15-minute appointment slot. A survey of home care workers by Unison in 2016, found that 80 per cent felt that their service had been affected by budget reductions and many staff described this as a focus on 'quantity not quality'.⁴⁵ The Care Inspectorate reported that the number of complaints upheld for adult care homes increased by five per cent between 2014/15 and 2016/17.

85. East Lothian Council has also reported a backlog of residents waiting for a care package due to a lack of capacity within care providers.⁴⁶ It is unlikely that these are isolated examples as elderly populations are growing in all council areas in Scotland and this trend is set to continue (**Exhibit 4**). The Competition and Markets Authority concluded recently that the model for residential care was unsustainable without additional funding.⁴⁷ Councils and IJBs face significant challenges in delivering social care. They will need to consider how to transform their social care services so that older people are able to access the care they need.

There is a risk that reduced spending in education is affecting pupils' learning experience and staff morale

86. Education is the largest area of council spend. Spending on schools, including pre-schools, has been increasing since 2015/16 when the Scottish Government introduced its School Attainment Challenge. Despite this, national data shows that since 2010/11 spending on schools has not kept up with trends in pupil numbers:

- Spending on primary education has reduced by two per cent despite pupil numbers increasing by nine per cent.
- Spending on secondary education has reduced by nine per cent while pupil numbers have fallen by seven per cent.

87. Teacher-to-pupil ratios are protected by Scottish Government policy and funding. Since 2012/13, teacher-to-pupil ratios have increased slightly in primary schools and stayed the same in secondary schools, while the number of class room assistants increased by 13 per cent over that period. However, since 2012/13:

- administration and clerical support staff have been reduced by 11 per cent
- library staff have been reduced by 16 per cent
- music instructors have been reduced by 30 per cent
- additional support needs care workers have been reduced by 13 per cent despite a 44 per cent increase in children with additional support needs over the same period.⁴⁸

88. There is no national data showing the impact of these staffing changes. However, there is a risk that unless alternatives are provided, the reduction in library and music staff could result in a less rich and varied learning experience. Similarly, the reductions in additional support staff could mean some children are not receiving the support they need.

89. A study for the Educational Institute of Scotland in 2017 found that 40 per cent of teachers were considering leaving their job in the next 18 months. They found the



How are your council and IJB managing demand for social care services? What preventative measures are available in your council?

main cause of stress was an excessive administration workload and lack of preparation time.⁴⁹ In a 2017 survey by UNISON, 60 per cent of support staff reported that morale was low and 40 per cent claimed to work unpaid overtime every week.⁵⁰

90. Some councils are reporting difficulties recruiting staff and some schools cannot offer higher level exams in some subjects due to a lack of suitably qualified staff.⁵¹

Smaller services are affected more by budget cuts but the impact of this is not always clear

91. Smaller services have experienced greater levels of budget reductions. Although nationally published data does not break down staff by department, there is evidence that sizeable staff reductions have affected these service.

- The Royal Town Planning Institute Scotland identified a 23 per cent reduction in staffing of planning teams in local government since 2009.⁵²
- The Society of Chief Officers of Environmental Health in Scotland reported an eight per cent fall in environmental health services posts between 2016 and 2017.⁵³
- COSLA reported a 20 per cent decrease in the workforce for trading standards, but did not specify over which time period.⁵⁴

92. These departments and others provide important services to communities, such as inspecting building standards and public health; there is a risk that staffing pressures and budget cuts could lead to errors with potentially serious consequences to the public. As the Commission reported in 2013, the long-term viability of councils' trading standards services is under threat, potentially leaving consumers without important protection.⁵⁵

93. Keep Scotland Beautiful reports that overall local environmental quality has reached its lowest point in over a decade. This is after a marked increase in the presence of litter, fly tipping, graffiti and weeds in communities over the last 18 months.⁵⁶ Councils also report that fly tipping has increased from 6.22 incidents per 1000 households in 2014/15 to 9.23 incidents in 2016/17.⁵⁷

94. Funding for Money Advice Services reduced by around 15 per cent in 2015/16 and this is set to continue. Although councils have sought to minimise the impact of cost reductions to the Money Advice Service by transforming services, these cuts have also reduced the availability of locally based services. These types of reductions could disproportionately affect the most disadvantaged and vulnerable as 80 per cent of people using these services have a household income of under £15,000.⁵⁸ Limiting access to this service can diminish the wellbeing of people who might use them. It could also make it more likely they will require help from other council services such as social care and homelessness services.

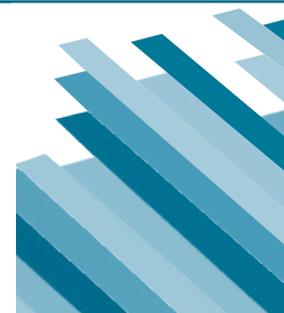
95. We recognise that councils will prioritise some services over others to reflect their strategic priorities. Our audit work has found that generally councils are good at setting clear strategic priorities but that links to how these will achieve improved performance and outcomes are poor. Councils should be able to clearly set out the impact sizeable budget reductions have had on performance and outcomes so that decisions on funding are based on solid evidence. This is an area we plan to examine further in our 2019 report.



Do you know how budget cuts have affected your smaller services?

Do you know the impact of spending reductions on the services your council provides?

Endnotes



- ◀ 1 *Scottish Household Survey*, Scottish Government, 2016.
- ◀ 2 [Best Value Assurance Report: Clackmannanshire Council](#) , Audit Scotland, January 2018.
- ◀ 3 *Scottish Household Survey*, Scottish Government 2016.
- ◀ 4 Local Government Elections 2017. Scottish Parliament Information Centre, May 2017.
- ◀ 5 Revenue funding includes the general revenue grant, non-domestic rate income and specific revenue grants. Figures for 2017/18 and 2018/19 are based upon the annual totals set out by the Scottish Government in 'Local Government Finance Circular No. 4/2018' and we have compared 2017/18 outturn to the 2018/19 budgeted funding. These totals reflect a £34.5 million redetermination of funding in 2017/18 being classified as funding to councils for 2018/19. We will consider any implications of this funding arrangement for councils during both the 2017/18 annual audit process and our subsequent financial overview of local government.
- ◀ 6 [Local Government in Scotland: Financial overview 2016/17](#) , Audit Scotland, November 2017.
- ◀ 7 Unison submission to the local government and communities committee's scrutiny of the 2018/19 budget.
- ◀ 8 Angus, Dumfries and Galloway, East Lothian, Orkney and Renfrewshire had no live claims in September 2016.
- ◀ 9 Local Government Finance Statistics 2016/17, Scottish Government.
- ◀ 10 North Ayrshire Council's submission to the local government and community committee's scrutiny of the 2018/19 budget.
- ◀ 11 Additional predictions by the National Records for Scotland consider the impact on population growth if migration from the EU changed. Scotland's predicted population growth to 2041 varied from seven per cent if immigration from the EU increased by 50 per cent to two per cent growth if there was no immigration from the EU. This affected working age people and children more than the elderly.
- ◀ 12 Barnett K, Mercer SW, Norbury M, Watt G, Wyke S, Guthrie B. *Epidemiology of multi-morbidity and implications for health care, research, and medical education: a cross-sectional study*. The Lancet, 2012.
- ◀ 13 *The demography of Scotland and the impact of devolution*, Scottish Affairs Committee, Westminster.
- ◀ 14 'Dependency' ratios are a useful way to examine the relative age structure of the population but the reality is more complex than they suggest, many people of typically working age are not economically active (for example students) and many retired people are financially independent.
- ◀ 15 [Local government in Scotland: Financial overview 2016/17](#) , Audit Scotland, November 2017. This contains further information on reserves.
- ◀ 16 Ibid.
- ◀ 17 Joint Staffing Watch figures, Scottish Government. All staffing figures are in Full Time Equivalent (FTE). Figures for most councils are rounded to the nearest 100. Figures for Aberdeen City and Glasgow City Councils are rounded to the nearest 1,000.
- ◀ 18 Joint Staffing Watch figures show 226,800 FTEs in Q1 2009 and 205,800 in Q1 2012.

- ◀ 19 Joint Staffing Watch figures show 205,800 FTEs in Q1 2012, 198,300 in Q1 2016, and 195,800 in Q1 2017.
- ◀ 20 Joint Staffing Watch figures show 196,600 FTEs in Q3 2017, 196,200 in Q3 2016, 229,000 in Q2 2008 and 228,500 in Q2 2007.
- ◀ 21 Joint Staffing Watch figures for Inverclyde Council show 3,900 FTEs in Q1 2010.
- ◀ 22 Joint Staffing Watch figures for Inverclyde Council show 3,400 FTES in Q1 2017.
- ◀ 23 *Scottish Social Service Sector: Report on 2016 Workforce Data*, Scottish Social Service Council, September 2017.
- ◀ 24 Information comes from three Unison reports: *A Unison survey of building control staff*, June 2017; *A survey of Scotland's school support staff*, January 2017; *A survey of care workers in Scotland*, July 2017.
- ◀ 25 Office for National Statistics, *Analysis of factors affecting earnings using Annual Survey of Hours and Earnings: 2016*.
- ◀ 26 The Smith Institute. *From pay squeeze to a staffing crisis: a study of recruitment and retention in the NHS and local government, 2015*.
- ◀ 27 *Talent Management in Public Services in Scotland*, Improvement Service, 2017.
- ◀ 28 [Local Government in Scotland: Performance and challenges](#) , Audit Scotland, March 2017.
- ◀ 29 [Local Government in Scotland: Financial overview 2016/17](#) , Audit Scotland, November 2017.
- ◀ 30 Ibid.
- ◀ 31 *Local Government Finance: Fees and Charges 2011-12 to 2015-16*. Scottish Parliament Information Centre, 2017.
- ◀ 32 *Local Authority Parking Finances in Scotland 2015-16*, RAC Foundation for Motoring, 2017.
- ◀ 33 *The Cost of Saying Goodbye*, Citizens Advice Scotland, 2017.
- ◀ 34 Evidence to Local Government and Communities Committee for scrutiny of 2018/19 draft budget.
- ◀ 35 The Moray Council and Clackmannanshire Council are not currently involved in this project.
- ◀ 36 [Principles for a digital future](#) , Audit Scotland, May 2017.
- ◀ 37 The full range of indicators includes unit costs and public satisfaction. These are available on the Improvement Service website – www.improvementservice.org.uk/benchmarking/ 
- ◀ 38 The average tariff score is a summary measure which calculates the latest and best achievements of pupils in the senior phase of secondary school.
- ◀ 39 [School Education](#) , Audit Scotland, June 2014.
- ◀ 40 Scottish Household Survey. Scottish Government, 2016.
- ◀ 41 PricewaterhouseCoopers (PwC) publish an annual report on local government in the UK based on surveys of council chief executives, finance directors, council leaders and 2,007 members of the public.
- ◀ 42 *Social Care Scotland 2016*, Scottish Government, 2017.
- ◀ 43 Joint Inspection of services for older people in Edinburgh, Care Inspectorate and Healthcare Improvement Scotland, 2017.
- ◀ 44 Joint inspection of services for older people in Scottish Borders, Care Inspectorate and Healthcare Improvement Scotland, 2017.
- ◀ 45 *We care, do you?* A survey of care workers in Scotland, Unison, July 2016.
- ◀ 46 Auditor returns, November 2017.
- ◀ 47 Care homes market study, Competition and Markets Authority, 2017.

- ◀ 48 Teacher Census, Scottish Government, December 2016.
- ◀ 49 *Working conditions of Scotland's teachers*, Educational Institute of Scotland, 2017.
- ◀ 50 *Hard Lessons*, A survey of Scotland's school support staff. Unison, 2017.
- ◀ 51 Joint response to the MAC Call for Evidence on the Partial review of the Shortage Occupation List: Teachers, Scottish Government and COSLA, September 2016.
- ◀ 52 Royal Town Planning Institute's submission to the Local Government and Communities Committee's enquiry into the 2018/19 Draft Budget.
- ◀ 53 Correspondence with the Society of Chief Officers of Environmental Health in Scotland.
- ◀ 54 Budget briefing, COSLA, December 2017.
- ◀ 55 [Protecting consumers](#) , Audit Scotland, January 2013.
- ◀ 56 Local environmental quality in decline, an update, Keep Scotland Beautiful 2017.
- ◀ 57 APSE performance network, 12 councils reported data on fly tipping.
- ◀ 58 *The Future of Money Advice Services in Scotland*, Improvement service, 2017.

Local government in Scotland Challenges and performance 2018

This report is available in PDF and RTF formats,
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WEST DUNBARTONSHIRE COUNCIL**Report by Strategic Lead – Resources****Audit Committee: 13 June 2018**

**Subject: Audit Scotland report: West Dunbartonshire Council:
Management Report 2017/18 - May 2018****1. Purpose**

- 1.1** The purpose of this report is to provide Committee for information a report which has been received from our external auditors – Audit Scotland – and to provide information to Members as to management actions implemented following receipt of this report.

2. Recommendations

- 2.1** The Committee is invited to note the report and the agreed improvement actions.

3. Background

- 3.1** Part of the planned work of Audit Scotland as the Council's external auditors, which was described in their report to this Committee on 21 March 2018, is to produce a management report on financial governance.
- 3.2** This report contains a summary of the key issues identified during the interim audit work carried out by the external auditors. This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the annual accounts.

4. Main Issues

- 4.1** Representation from the Audit Scotland team will be in attendance at the Committee to present the report and to answer questions.
- 4.2** The report states at paragraph 4 that the auditors did not identify any issues which present a risk of material misstatement for the 2017/18 financial statements. However, they have reported on a number of areas where controls were not operating as expected or where improvements could be made to existing procedures. These issues are detailed in the report at Exhibit 1, where management response, responsible officer and target date are also included.

5. People Implications

- 5.1** The people issues arising from this report are in relation to implementing improved processes in a number of systems and can be implemented from within existing resources.

6. Financial and Procurement Implications

- 6.1** There are no financial or procurement implications arising from this report.

7. Risk Analysis

- 7.1** Failure to address the recommendations outlined in the report could impact on the final audit opinion awarded to the Council in respect of the audit in future financial years.

8. Equalities Impact Assessment (EIA)

- 8.1** There are no equalities issues arising from this report.

9. Consultation

- 9.1** This report has been subject to consultation with appropriate Strategic Leads.

10. Strategic Assessment

- 10.1** The report is for noting and, therefore, does not directly affect any of the strategic priorities.

.....
Stephen West
Strategic Lead - Resources
Date: 31 May 2018

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Appendices: Audit Scotland report: West Dunbartonshire Council:
Management Report 2017/18/

Background Papers: None

Wards Affected: All Wards

West Dunbartonshire Council

Management Report 2017/18



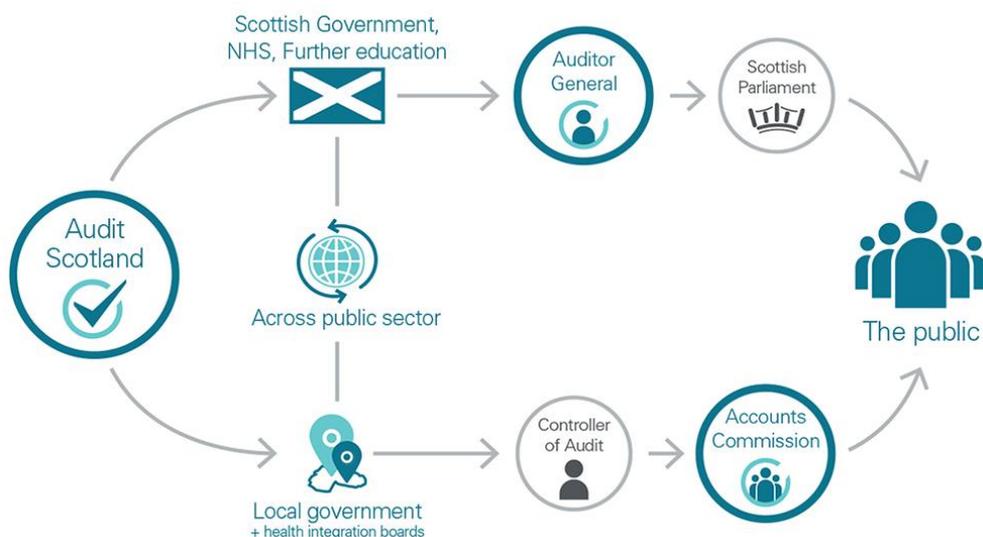
 AUDIT SCOTLAND

Prepared for West Dunbartonshire Council
May 2018

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The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

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- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Audit findings

Introduction

1. This report contains a summary of the key issues identified during the interim audit work carried out at West Dunbartonshire Council. This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the annual accounts. We will consider the results of this testing when determining our approach to the audit of the 2017/18 annual accounts.

2. Our responsibilities under the [Code of Audit Practice](#) require us to assess the system of internal control put in place by management. We seek to gain assurance that West Dunbartonshire Council:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
- has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
- complies with established policies, procedures, laws and regulations.

3. Also, we carried out work on the audit dimensions as required by the [Code of Audit Practice](#). This focussed on financial management, financial sustainability, governance and transparency and value for money.

Conclusion

4. We did not identify any issues which present a risk of material misstatement for the 2017/18 financial statements. However we have reported in Exhibit 1 a number of areas where controls were not operating as expected or where improvements could be made to existing procedures. Where appropriate, we will carry out additional audit work in response to these findings. This will enable us to take planned assurance for our audit of the 2017/18 financial statements.

Work summary

5. Our 2017/18 testing covered key controls in a number of areas including bank reconciliations, payroll validation and exception reporting, authorisation of journals, change of supplier bank details and IT access controls. Additionally, we tested controls in the following areas: budget monitoring and control; feeder system reconciliations and controls for preventing and detecting fraud in areas such as taxation receipts, welfare benefits, grants and other claims.



Bank reconciliations



Payroll controls



IT access



Budgets

6. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and where appropriate prior year results. Our risk based audit approach allows us to take a three-year

cyclical approach to controls testing. This approach enables us to place reliance on previous years' audit work where controls remain unchanged and no significant weaknesses had been identified.

7. Also, where possible we place reliance on the work of internal audit to avoid duplication of effort. We reviewed internal audit's work on Trade Payables and we were able to place appropriate reliance on aspects of this work to support our audit conclusions.

8. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

Risks identified

9. The key control and wider dimension risks identified during the interim audit are detailed in Exhibit 1. These findings will inform our approach to the financial statements audit where relevant.

10. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and, therefore, are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to West Dunbartonshire Council.

Additional follow-up work

11. Whilst no errors have been identified as a result of our audit work to date, the control weaknesses set out in Exhibit 1 mean that additional work is required to allow us to obtain the relevant assurances for the audit of the 2017/18 financial statements.

Exhibit 1

Key findings and action plan 2017/18

Issue identified	Management response	Responsible officer and target date
Audit findings		
Access to payroll records		
<p>It was agreed in previous years that the monitoring control report to review payroll staff members access to their own payroll records would be run quarterly and reviewed timeously.</p> <p>We noted that this report was only run and reviewed twice in 2017/18.</p> <p>There is a risk that payroll staff have access to edit their own pay records without there being appropriate controls in place to manage this.</p>	<p>This was missed in Jan and Apr due to staffing changes within the Workforce Management Team and focus on system development. This will commence with immediate effect every quarter as agreed.</p>	<p>Arun Menon 3 June 2018</p>
Payroll validation		
<p>The annual employee validation exercise which commenced in August 2017 was not completed until January 2018. This was 4 months after the internal deadline of 30 September 2018.</p>	<p>This process will continue each year. The delay in completing in 2017/18 was due to slow returns from departments. The communications around this will be elevated in importance with shorter timelines to allow</p>	<p>Arun Menon 30 September 2018</p>

Issue identified	Management response	Responsible officer and target date
<p>This was also highlighted by external audit as an area for improvement in the previous financial year.</p> <p>There is a risk of financial loss to the council if payroll details are incorrect or out of date.</p>	<p>for follow-up in order to obtain a faster turnaround and completion</p>	
<hr/>		
<p>Review of IT access rights to main Council systems</p>		
<p>There is scope for ensuring that user access rights are regularly reviewed by officers. From our testing we found that there were users who still had access to certain systems but had left the organisation.</p> <p>There is a risk that employees have access to systems after they have left the organisation or moved to a different part of the business when this may not be appropriate.</p>	<p>A process is currently in place whereby an automated email is sent from the Council's HR system to relevant system administrators when an employee leaves the Council or changes role within the Council. System Administrators are then required to update access permissions. A reminder will be issued to system administrators to reinforce the importance of following the relevant processes.</p>	<p>Stephen West 15 June 2018</p>
<hr/>		
<p>Completion and review of reconciliations</p>		
<p>During our audit work, from the evidence provided by the Reconciliations Team, we found that some reconciliations were not completed and reviewed timeously.</p> <p>An example of this is the Rents-Income reconciliation for period 1 which was completed on 9 October 2017 and reviewed 11 January 2018.</p> <p>There is a risk that potential errors are not identified, investigated and resolved in a timely manner.</p>	<p>The majority of the reconciliations are prepared and reviewed timeously. There can be exceptions due to the resolution of issues with specific reconciliations taking longer than would be preferred. Also at specific times during the year (e.g. year end, Christmas leave) where reconciliations can be completed and reviewed later than the targeted timescale, however the team will continue to aim to complete all reconciliations within the expected timescales.</p>	<p>Gillian McNeilly ongoing</p>
<hr/>		
<p>Cash handling procedures</p>		
<p>Our audit work identified that cash handling procedures were not operating per the council's policy. We found instances where the kiosk was emptied and cash counted by only one member of staff when it is the council policy that these tasks should be undertaken by two staff members. In addition, we found that in some instances cash control sheets were not fully completed.</p> <p>There is a risk of errors or irregularities not being identified, investigated and resolved timeously.</p>	<p>Customer Services management recognise that in 2017/18 there have been occasions when standards of control did not meet the required levels with regard to cash collection. There were periods of interim management and established team members left to new positions in the Council. Full income reconciliations are in place. We can confirm that the Council no longer collects cash at its One Stop Shops, therefore this issue cannot reoccur.</p>	<p>N/A</p>

Other audit work and discussions

Review of internal audit accounts payable work

12. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carried out an assessment of the internal audit function at the Council. This confirmed that the internal audit function has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

13. During the year the internal audit team undertook a review of the operation of controls over the accounts payables function, including the controls over access and authorisation rights and changes to suppliers standing data. We have reviewed this work, with reference to International Standard on Auditing 610 - Using the work of internal auditors, to confirm that we can place reliance on the work of Internal Audit.

14. Our review of internal audit's work concluded that this had not identified any weaknesses in the payables control environment that could result in a material misstatement in the information produced from the system. However, as a result of the weaknesses identified, we will perform additional testing where necessary within accounts payable as part of our financial statements audit.

15. All our outputs and any matters of public interest will be published on our website: www.audit-scotland.gov.uk.

West Dunbartonshire Council

Management Report 2017/18

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