

County Buildings
Wellington Square
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28 September 2023

To: Councillors Dettbarn (Chair), Bell, Cullen, Kilpatrick, McGinley, Ramsay, Scott and Weir.

All other Elected Members for information only

Dear Councillors

AUDIT AND GOVERNANCE PANEL

You are requested to participate in the above Panel to be held **on Wednesday, 4 October 2023 at 10.00 a.m.** for the purpose of considering the undernoted business.

This meeting will be held in the County Hall County Buildings, Ayr on a hybrid basis for Elected Members, will be live-streamed and available to view at <https://south-ayrshire.public-i.tv/>

Yours sincerely

CATRIONA CAVES
Head of Legal and Regulatory Services

B U S I N E S S

1. Declarations of Interest.
2. Call-ins from Cabinet.
3. Minutes of previous meeting of 6 September 2023 (copy herewith).
4. Action Log and Work Programme (copy herewith).

External Audit Reports

5. Accounts Commission Annual Report 2022/23 - Submit report by the Head of Finance, ICT and Procurement (copy herewith).

6./

6. Audit Scotland: Fraud and Irregularity 2022/23 - Submit report by the Head of Finance, ICT and Procurement (copy herewith).
7. Audit Scotland: Local Government in Scotland Overview 2023 – Submit report by the Director of Strategic Change and Communities (copy herewith).
8. Best Value Action Plan 2023 - Submit report by the Director of Strategic Change and Communities (copy herewith).

For more information on any of the items on this agenda, please telephone Andrew Gibson,
Committee Services on 01292 612436, Wellington Square, Ayr or
e-mail: committeeservices@south-ayrshire.gov.uk
www.south-ayrshire.gov.uk

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AUDIT AND GOVERNANCE PANEL.

Minutes of a hybrid webcast meeting on 6 September 2023 at 10.00 a.m.

Present in
County Hall: Councillors Julie Dettbarn (Chair), Brian McGinley, Cameron Ramsay, and George Weir.

Present
Remotely: Councillors Chris Cullen and Mary Kilpatrick.

Apologies: Councillors Kenneth Bell and Gavin Scott.

Attending in
County Hall: E. Howat, Chief Executive; T. Baulk, Head of Finance, ICT and Procurement; K. Dalrymple, Assistant Director – Housing and Operations; W. Carlaw, Service Lead – Democratic Governance; C. McGhee, Chief Internal Auditor; C. Boyd, Service Lead – Risk and Safety; K. Copland, Senior Accountant/Senior Finance Officer; A Gibson, Committee Services Officer; and E. Moore, Clerical Assistant.

Attending
Remotely: L. Reid, Assistant Director – Strategic Change; and S. Tyeson, Senior Manager (Planning and Performance), Health and Social Care Partnership.

Opening Remarks.

The Chair

- (1) welcomed everyone to the meeting; and
- (2) outlined the procedures for conducting this meeting and advised that this meeting would be broadcast live.

1. Sederunt and Declarations of Interest.

The Chair called the Sederunt for the meeting and, having called the roll, confirmed that there were no declarations of interest by Members in terms of Council Standing Order No. 17 and the Councillors' Code of Conduct. However, in relation to item 6 in the minute "Internal Audit Annual Update Report - Integration Joint Board (IJB) Performance and Audit Committee (PAC)" she advised that, although she was a member of the Integration Joint Board, she did not consider that she had an interest to declare by virtue of the fact that the matter before Panel was not quasi-judicial or regulatory and didn't have a personal conflict by reason of her actions, connections or legal obligations in terms of the Councillors' Code of Conduct.

2. Call-ins from Cabinet.

The Panel noted that there were no call-ins from Cabinet of 29 August 2023.

3. Minutes of Previous Meeting.

The Minutes of the meeting of 28 June 2023 ([issued](#)) were submitted and approved.

4. Action Log and Work Programme.

There was submitted an update of the Action Log and Work Programme for this Panel ([issued](#)).

Having heard the Head of Finance, ICT and Procurement, a Member of the Panel enquired why number 10 in the Work Programme, “Best Value Action Plan 2023/24 – Update” had been deferred from this meeting to the meeting scheduled on 4 October 2023; and the Chief Executive advised that the matter had been considered at Cabinet in August and there was not sufficient time to allow it to be considered at this meeting; and that the Best Value Working Group had requested other actions be added to the Action Plan. It was further noted that there would now be quarterly updates to this Panel in this regard.

Decided: to note the current status of the Action Log and Work Programme.

External Audit Reports.

5. Audit Scotland: Scotland’s City Region and Growth Deals.

There was submitted a report ([issued](#)) of 28 August 2023 by the Director of Strategic Change and Communities

- (1) providing an update on the progress of the audit recommendations for Scotland’s City Region and Growth Deals, as reported in the national Audit Scotland June 2023 publication ‘Scotland’s City Region and Growth Deals - Progress of the 2020 audit report recommendations’; and
- (2) advising South Ayrshire Council’s response to these audit recommendations.

Having heard a Member of the Panel, it was confirmed that this Council had a Benefits Realisation Plan in place.

A Member of the Panel made reference to the appointment of a temporary two year support officer post, appointed in October 2021 and spoke on the issues of being able to retain staff who were appointed on a temporary basis and generally the timings of funding allocations which meant there was sometimes a gap between temporary appointments. The Assistant Director – Strategic Change advised that, as of yet, there had not been a problem in this area in securing funding within timescales. The Head of Finance, ICT and Procurement further advised that he would raise the matter of gaps in funding due to timings with the Assistant Director – Strategic Change with the possibility of making reserve funding available, if required in the future.

Following a question from a Member of the Panel relating to the need for Councils to measure the long term impact of the Deal and the need to measure the effect the Deal had on minority and disadvantaged groups, it was agreed that the Assistant Director – Strategic Change would arrange for a Briefing Note to be provided in this respect.

Having considered the Audit Scotland report 'Scotland's City Region and Growth Deals: Progress of the 2020 audit report recommendations', as detailed in Appendix 1of the report, the Panel

Decided: to note

- (a) the 'Learning for future challenges' as detailed in page 18 of the report and as referenced at paragraph 3.6 of the report; and
- (b) the actions taken by this Council to respond to challenges presented in delivering the Ayrshire Growth Deal (AGD) as highlighted in Section 4 of the report.

6. Internal Audit Annual Update Report – Integration Joint Board (IJB) Performance and Audit Committee (PAC).

There was submitted a report ([issued](#)) of 28 August 2023 by the Chief Internal Auditor providing an annual report for information to the Panel on internal audit work carried out for the Integration Joint Board (IJB) by the South Ayrshire Council and NHS Ayrshire and Arran (NHSAAA) internal auditors.

Having heard a Member of the Panel, the Chief Internal Auditor advised that there had been little change this year to previous years reporting.

Having heard a Member of the Panel in relation to partnership working with the Health Board, the Chief Internal Auditor advised that the Council does co-ordinate its audit with NHS Internal Auditors and shared findings.

The Panel

Decided: to note the content of this report.

7. Internal Audit – Progress Report – (i) Progress of Annual Internal Audit Plan 2022/23 (ii) Progress of the Annual Internal Audit Plan 2023/24 (iii) Implementation of Internal Audit Action Plans (iv) Quality Assurance and Improvement Programme Update.

There was submitted a report ([issued](#)) of 28 August 2023 by the Chief Internal Auditor advising on progress of the 2022/23 internal audit plan, progress of the 2023/24 internal audit plan, directorates' progress against implementation of internal audit action plans and the status of the current Quality Assurance and Improvement Programme.

In relation to "Overdue Actions", Appendix 3 of the report and following questions from a Member, it was noted that there would be an audit review of Fusion this year to allow a look again at the actions and how Fusion was working and that in relation to issues regarding fuel management, most actions were now in place. The Assistant Director, Housing and Operations provided an update on the outstanding actions for Fuel Management.

Having heard a Member of the Panel, the Chief Internal Auditor advised that she would look at how the report was presented including the reports and appendices incorporating numbered pages.

The Panel

Decided: to note the contents of this report.

8. **Strategic Risk Management.**

There was submitted a report ([issued](#)) of 28 August 2023 by the Head of Legal and Regulatory Services providing an update on the reviewed Strategic Risk Register, as detailed in Appendix 1 of the report, in line with the agreed reporting framework.

Having heard a Member of the Panel, it was explained the report did indicate the risk owners via their job title and that the risk owners were generally Chief Officers/Service Leads; that officers welcomed feedback from Members on how the Appendix to the report should be laid out in the future and ideas on areas that this Panel could further scrutinise; and that a future report would be presented to this Panel on how risk in Panel reports was dealt with and developed.

Following a question from a Member of the Panel in relation to Risk 8 “Sustainable Development and Climate Change” it was noted that a refresh of the Strategy was well underway, to be followed by a revised report incorporating achievable, demonstrable actions for the next four years.

In relation to the Risk 13, “ICT Digital Resilience, Protection and Capability” and following a question from a Member relating to the approach to mitigation on this Risk and if we had in-house capabilities on digital forensics, the Head of Finance, ICT and Procurement advised that the Council did have a team which analysed why things had gone wrong.

Having considered the reviewed Strategic Risk Register, updated by Chief Officers, the Panel

Decided: to note the fourteen key risks and endorse the work currently being undertaken or proposed by risk owners to mitigate these risks.

9. **Treasury Management and Investment Strategy Quarter 1 Update Report 2023/24.**

There was submitted a report ([issued](#)) of 28 August 2023 by the Head of Finance, ICT and Procurement providing an update on the 2023/24 treasury prudential indicators for the period April-June 2023 (Quarter 1) and an update on the latest wider economic position.

A Member of the Panel advised that, in his view, the six monthly reports were more useful but welcomed the transparency.

Having scrutinised the contents of this report, the Panel

Decided: to remit the Quarter 1 Update Report to the next Cabinet meeting, scheduled to take place on 26 September 2023 for approval.

The meeting ended at 11.00 a.m.

Audit and Governance Panel

Agenda Item No. 4

Action Log

No	Date of Meeting	Issue	Actions	Assigned/ Re-assigned to	Update	Completed
1.	31 May 2023	Corporate Fraud Team – Activity Report and Update on 2022/23 National Fraud Initiative	To provide a Members Briefing regarding the work of the Corporate Fraud Team	Chief Internal Auditor	Scheduled for 30 October 2023	NO
2.	28 June 2023	Delivering Good Governance - 2022/23 Assessment	A Member advised that, in the spirit of self-evaluation and in relation to page 15 of Appendix 1, where it stated that “All Panel and Council reports include ‘Risk Implications of Accepting or Rejecting Recommendations”, should a sample of these be reviewed to see if they were being used successfully.	Head of Legal and Regulatory Services/ Service Lead – Risk and Safety	It is proposed submit a report on this matter to the Panel on 8 November 2023	NO

Audit and Governance Panel

No	Date of Meeting	Issue	Actions	Assigned/ Re-assigned to	Update	Completed
3.	6 September 2023	Audit Scotland: Scotland's City Region and Growth Deals	Briefing Note to be provided following a question from a Member relating to the need for Councils to measure the long term impact of the Deal and the need to measure the effect the Deal had on minority and disadvantaged groups	Assistant Director – Strategic Change	Briefing Note e-mailed to Members 18/9/23	YES

Audit and Governance Panel

Work Programme 2023

No	Issue	Actions	Assigned To	Due Date To Panel	Latest update
1.	Accounts Commission Annual Report 2022/23	Report to this Panel	Head of Finance, ICT and Procurement	4 October 2023 (Annually)	Report to this Panel
2.	Audit Scotland: Fraud and Irregularity 2022/23	Report to this Panel	Head of Finance, ICT and Procurement	4 October 2023	Report to this Panel
3.	Audit Scotland: Local Government in Scotland Overview 2023	Report to this Panel	Director of Strategic Change and Communities	4 October 2023	Report to this Panel
4.	Best Value Action Plan 2023	Report to this Panel	Director of Strategic Change and Communities	4 October 2023 (Quarterly)	Report to this Panel
5.	Internal Audit - Progress Report (i) Progress of Annual Internal Audit Plan 2023/24 (ii) Implementation of Internal Audit Action Plans (iii) Quality Assurance	Report to Panel	Chief Internal Auditor	8 November 2023 (progress reported quarterly)	
6.	Revised Internal Audit Plan 2023/24	Report to this Panel	Chief Internal Auditor	8 November 2023	
7.	Risk Implications of Accepting or Rejecting Recommendations	Report to this Panel	Head of Legal and Regulatory Services	8 November 2023	
8.	Corporate Fraud Team - Activity Report	Report to this Panel	Chief Internal Auditor	6 December 2023 (Biannually)	

Audit and Governance Panel

No	Issue	Actions	Assigned To	Due Date To Panel	Latest update
9.	Treasury Management Mid-Year Report 2023/24	Report to Panel	Head of Finance, ICT and Procurement	6 December 2023 (reported quarterly following changes to Code of Practice)	
10.	External Audit Reports – Progress to 30 June 2023	Report to Panel	Head of Finance, ICT and Procurement	6 September 2023 (Quarterly)	Item to be deferred to 6 December 2023 as no change from report to June AGP
11.	Annual Audit Plan 2023/24	Report to Panel	Head of Finance, ICT and Procurement	March 2024 (Yearly)	
12.	Strategic Risk Management	Report to this Panel	Head of Legal and Regulatory Services	March 2024 (Biannually)	
13.	Annual Accounts 2023/24	Report to this Panel	Head of Finance, ICT and Procurement	June 2024 (Yearly)	
14.	Delivering Good Governance – 2023/24 Assessment	Report to Panel	Head of Legal and Regulatory Services	June 2024 (Yearly)	
15.	Internal Audit Annual Report 2023/24	Report to Panel	Chief Internal Auditor	June 2024 (progress reported quarterly)	
16.	Treasury Management Annual Report 2023/24	Report to Panel	Head of Finance, ICT and Procurement	June 2024 (Annually)	

Audit and Governance Panel

No	Issue	Actions	Assigned To	Due Date To Panel	Latest update
17.	Internal Audit Annual Update Report – Integration Joint Board (IJB) Performance and Audit Committee (PAC)	Report to Panel	Chief Internal Auditor	September 2024 (Annually)	

South Ayrshire Council

**Report by Head of Finance, ICT and Procurement
to Audit and Governance Panel
of 4 October 2023**

Subject: Accounts Commission Annual Report 2022/23

1. Purpose

- 1.1 The purpose of this report is to advise the Panel of the Accounts Commission Annual Report 2022/23.

2. Recommendation

- 2.1 **It is recommended that the Panel considers the findings outlined in the Accounts Commission Annual Report 2022/23 (attached as Appendix 1).**

3. Background

- 3.1 In June 2023, the Accounts Commission published its annual report for 2022/23 which covered the following:

- progress against its priorities;
- reporting against its priorities;
- inequalities;
- funding;
- recovery;
- communities;
- looking forward;
- Best Value Assurance Reports (BVARs);
- local government overview reports;
- national reports;
- statutory reporting;
- statutory performance information (SPI): its Direction;
- co-ordinating local government scrutiny;
- reporting to and engaging with the public;
- engaging with its other stakeholders; and
- reflecting stakeholder views in its work.

3.2 In relation to best value thematic work, the report confirms the following:

3.2.1 The BV thematic work currently being planned and undertaken by auditors is an overview of the effectiveness of Council leadership (officers and elected members) in developing new local strategic priorities following the elections in May 2022. Auditors are required to report on:

- How clear is the new Council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the Council?
- How effectively do the Council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the Council's priorities?
- Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

3.2.2 Auditors will report their findings in relation to the above questions within Annual Audit Reports.

3.2.3 From October 2023, the Controller of Audit will present to the Commission short s102 reports, alongside the Council's most recent Annual Audit Report. Between October 2023 and August 2024, there will be eight reports on Falkirk, Moray, Clackmannanshire, Orkney Islands, South Ayrshire, Dumfries and Galloway, West Dunbartonshire and Dundee City Councils.

4. Proposals

4.1 Audit Scotland and Accounts Commission reports are regularly considered by the Audit and Governance Panel, and it is proposed that Members consider and note the terms of the Accounts Commission report.

4.2 It is further proposed that Members note that the Audit and Governance Panel considered Audit Scotland's findings and recommendations from the 2022/23 Best Value Thematic work in South Ayrshire Council at its meeting of 28 June 2023. The Panel thereafter remitted the draft Audit Scotland report and Improvement action plan, along with feedback from the Panel to Cabinet of 29 August 2023 for approval.

4.3 Cabinet of 29 August 2023 considered the remitted report along with feedback on the report from the Audit and Governance Panel and:

- noted the progress made in addressing the recommendations made by Audit Scotland;
- approved a draft Improvement action plan;
- noted that officers would present an augmented improvement action plan to the next meeting of the Best Value Working Group (BVWG); and

- requested that officers provide an update on progress against the augmented action plan to the October meeting of Audit and Governance Panel and quarterly thereafter.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 Not applicable.

7. Human Resources Implications

7.1 Not applicable.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

8.1.1 There are no risks associated with adopting the recommendations.

8.2 *Risk Implications of Rejecting the Recommendations*

8.2.1 Rejecting the recommendations may impact on the reputation of the Council.

9. Equalities

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 2.

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

12.1 The matters referred to in this report contribute to Priority 4 of the Council Plan: Efficient and effective enabling services.

13/

13. Results of Consultation

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Resources and Performance, and the contents of this report reflect any feedback provided.

Background Papers **None**

Person to Contact **Tim Baulk, Head of Finance, ICT and Procurement
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Date: **20 September 2023**

Annual report

2022/23





Who we are

The Accounts Commission reports in public on how your council and other local government bodies are performing, helping improve the services we all use. We are independent from councils and the Scottish Government.

We expect councils and other local government bodies to manage themselves and their money to deliver services that meet their legal duty of Best Value.

Our work includes:

- securing and acting upon the external audit of Scotland's councils, Integration Joint Boards (IJBs) and other joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits and related work to help councils and IJBs improve their services
- requiring councils to publish information to help the public assess their performance.

Best Value is a legal duty all councils in Scotland need to meet. Best Value ensures that councils deliver continuous improvement across all services and functions.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission.

The current members of the Commission are listed on [page 22](#).

Contents

Chair's foreword	4
Our impact	6
Reporting on individual bodies	10
Local government overview reports	11
National reports	14
Our other work	16
Engaging with others	18
Ensuring quality in our work	20
Our members	22
Appendix 1	23
Appendix 2	25
Appendix 3	27
Appendix 4	30

Chair's foreword

Local government is operating in the most challenging landscape we've ever seen.

Their finances are under severe strain, with cost pressures increasing and more of their funding being ringfenced. They have had to make significant savings to balance their budgets and are still facing difficult choices about spending priorities and service provision.

We reported in our [Local government in Scotland: Overview 2023 report](#) and [Financial Bulletin](#) that pressures are deepening after Covid-19, not easing. Costs are going up, demand is increasing, whilst councils are set to receive less money, in real terms, to run services.

These pressures are compounded by councils also having to focus on urgent issues such as tackling climate change, child poverty and increasing levels of inequality. These are all areas of focus for our reporting to the public.

Despite all these difficulties, action is also needed to radically rethink how councils can work differently, both to save money and maintain services. Councils must also involve communities in deciding how these services can best be delivered in the future.

Within this most challenging of situations, we are clear that urgent action is needed to agree the proposed New Deal between Scottish and Local Government. Further delays create a risk that councils will be unable to plan and deliver the radical change needed.

In this context, our work in providing independent assurance and scrutiny to communities, the Scottish Parliament and Scottish Government, is more important than ever. Throughout our reporting we highlight examples of good practice, identify areas of under-performance, highlighting how improvements can be made. Along with many of our reports and briefings we produce checklists to support councillors, as well as a series of [How councils work reports](#).

As a Commission we've also evolved over the last 12 months. We welcomed four new members in November 2022 – Malcolm Bell, Nichola Brown, Jennifer Henderson and Ruth MacLeod.

These appointments follow two long-standing Commission members standing down in September, and later this year three further members will leave, as their terms of office end. And our Chair, Dr William Moyes, resigned earlier this year.

We would like to thank them all for their significant contributions.

As a result of these departures, we're currently recruiting four new Commission members and a Chair, with appointments expected to be confirmed in the Autumn.

The Commission also welcomed a new Controller of Audit in January. Helena Gray now leads the reporting of issues from the audits of local government in Scotland to the Accounts Commission.

Our reporting has continued to develop over the last 12 months. We've held to our commitment to produce [a wider range of reporting](#) including blogs and briefings. We've also increased our engagement with key stakeholders. This includes several sessions giving evidence to parliamentary committees, attending roundtable sessions and holding events with the Improvement Service as part of [our strategic alliance](#).

We reached a significant milestone with the publication in September of the last in our current round of Best Value reports on councils. Looking ahead, we're integrating Best Value audit work into our annual financial audit work, whilst continuing with Best Value reports on each council over a five-year period. We're also developing thematic reporting, starting with a review of leadership across all councils followed by a report on workforce planning.

On behalf of all members of the Accounts Commission I would like to thank colleagues from across Audit Scotland, alongside staff from our appointed auditors, for their professionalism and ongoing commitment to supporting our work.

Tim McKay
Deputy Chair of the Accounts Commission





Our impact

This year's reporting on Best Value showed progress councils have made against our four priorities. Both our annual audit work and Best Value reporting is helping deliver improvements across councils.

Progress against our priorities

1. In September 2021 we published our [Strategy for 2021-26](#), setting out our priorities for the next five years, alongside the principles used to shape our reporting. We will continue to use our statutory powers to shine a spotlight on inequalities, funding and the financial sustainability of local government, recovery from the pandemic and local government's relationship with its communities.

Inequalities

What contribution local government makes to lessening the impact of inequalities, particularly poverty, on different communities.



We will report on the contribution and performance of local government services to those impacts, and in particular the critical role of health and social care services.

Funding

The impact of funding on local government's ability to fulfil its role.



We will report upon the stability of funding and the financial sustainability of local government bodies.

Recovery

What contribution local government makes to Scotland's response to, and recovery from, the pandemic.



We will report on how well local government is helping economic recovery and on how such recovery ensures social justice.

Communities

The relationship between local government and its different communities.



We will track how local government is working with, empowering, and ensuring that communities help drive the planning of local public services. In doing so, we will report on how council partners, including community planning partners and the third and voluntary sector, help develop this relationship between public services and people.

2. We receive an Annual Assurance and Risks Report (AARR) from the Controller of Audit each year, reviewing the annual audit in all local government bodies. The AARR reports that audit work is providing good coverage of the Commission's priorities and emphasis on Best Value is helping to drive forward improvement. The information below outlines progress made by councils against our four priorities this year.

Reporting against our priorities

3. Our national reports ([Appendix 4, page 30](#)) and Local Government Overview (LGO) reports ([paragraphs 11–13](#)) published during 2022/23 provided extensive coverage and messaging in relation to the four priority areas set out in our Strategy. Details of these, split by priority, are shown below:

Inequalities

What contribution local government makes to lessening the impact of inequalities, particularly poverty on different communities



- Our national reports on [Scotland's financial response to Covid-19](#), [Scotland's councils' approach to addressing climate change](#) and [Tackling child poverty](#) have all highlighted the deepening of existing health and social inequalities since the pandemic and the cost-of-living crisis. The future impacts of climate change will also be unequal, hitting the most vulnerable communities the hardest. Our reports call for local government and partners to act together to prevent inequalities worsening.
- The LGO reported that councils played a vital role in maintaining service delivery throughout the pandemic. However, the impact of the pandemic and service disruption has been felt most strongly by those already experiencing inequality. Councils have a responsibility to address inequalities and their financial plans and recovery strategies must be clearly aligned to this. Councils need improved data and evaluation to better understand the impact of the pandemic and service disruption in their communities, particularly the most vulnerable.



Funding

The impact of funding on local government's ability to fulfil its role



- Our national reports highlight the challenging and uncertain economic and fiscal context within which councils are operating. The increasing amount of ring-fenced and directed funding means that councils have less flexibility in how funding is used to meet local needs. These reports call for significant reform, including working together with partners and communities and innovation, to ensure the financial sustainability of council services. We stress that financial plans must align with policy commitments, such as those around climate change and reducing child poverty and inequalities. We have stressed how councils and integration authorities need to have a clear understanding of how one-off non-recurring Covid-19 funding has worked alongside the rest of their budgets and clear plans for the management of reserves. We call for better data to help improve transparency around funding gaps and plans.
- Our overviews noted that councils are operating in a difficult and uncertain context and face longer-term financial pressures, a lack of certainty and flexibility over long-term funding, and the prospect of major service reforms. Working together, in collaboration, is more important than ever. Councils will need to continue making year on year savings and increasingly difficult choices about spending priorities. Councils cannot continue to rely on money held in reserves, that's money put aside for emergencies or projects. They must focus on changing how services are delivered.

Recovery

What contribution local government makes to Scotland's response to, and recovery from, the pandemic



- Our report on [Scotland's financial response to Covid-19](#) highlighted that councils and integration authorities are often best placed to respond to local need and the measures to support recovery will vary.
- Our overview reports highlight that while councils have had to deal with the ongoing response to the pandemic, they have faced significant challenges in recovering services, with increased demand and backlogs. The ongoing costs associated with recovery from Covid-19 have increased financial pressures and there are ongoing pressures on the local government workforce. We have stressed that councils, together with their partners and communities, should revise their strategic plans to rethink their priorities and provide a way to deliver recovery and renewal, whilst elected members and senior managers need to work together to drive change, make decisions and deliver recovery and renewal.

Communities

The relationship between local government and its different communities



- Our national reports call for communities to be at the heart of decision-making to help ensure services are meeting local needs. The challenging financial context, including increased ring-fencing and directed funding, means service reform is essential. This means that, more than ever, councils need to consult, and have strong engagement with, communities and third sector. This will also help ensure resources go to where the need is greatest. Councils should build on the relationships developed through the pandemic.
- Our overviews note that the economic and financial context means councils are going to have to make difficult decisions about how and where they spend their money. The response to the pandemic showed what could be achieved by working closely with communities and the voluntary sector. Councils and their partners need to learn what made it work and harness this for future ways of working and reform. Our reports call for this momentum to be maintained by councils through strong engagement with their communities, creating more opportunities for more local participation, and involving communities in decision-making. Councils must also conduct impact assessments and consult the community about the continuation of changes made during the pandemic and any proposed future changes to services.

Looking forward

Best Value (BV) thematic work

4. The BV thematic work currently being planned and undertaken by auditors is an overview of the effectiveness of council leadership (officers and elected members) in developing new local strategic priorities following the elections in May 2022.

Auditors are required to report on:

- How clear is the new council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the council?
- How effectively do the council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the council's priorities?
- Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

5. Auditors will report their findings in relation to the above questions within Annual Audit Reports.

6. From October 2023, the Controller of Audit will present to the Commission short s102 reports, alongside the council's most recent Annual Audit Report. Between October 2023 and August 2024, there will be eight reports on Falkirk, Moray, Clackmannanshire, Orkney Islands, South Ayrshire, Dumfries and Galloway, West Dunbartonshire and Dundee City councils.



Reporting on individual bodies

We published Best Value reports on three councils during 2022/23

Best Value Assurance Reports (BVARs)

7. Councils have a duty to demonstrate Best Value – essentially continuous improvement in how they deliver services and use public money. Over the past six years the Commission has received a BVAR on all 32 councils.

8. The Commission has agreed that from 2022/23, Best Value will be assessed through the annual audit on each council. This will be complemented by thematic work relating to Best Value. The approach will be informed by the Controller of Audit's Annual Assurance and Risks Report that highlights key risks facing local government. The Commission considers this report every March.

9. In our final year of Best Value reporting, we reported on three individual councils (Angus, Shetland and Comhairle nan Eilean Siar councils), continuing to monitor progress against previous Best Value reports through our annual audits of councils. Headline messages from this year's BVARs are outlined in [Appendix 3 \(page 27\)](#).

10. Each report is formally considered by the council. Commission members meet councillors and senior staff to discuss the report. Any actions coming from the recommendations in the report will be followed up in the annual audit report or a follow-up report if appropriate.



Local government overview reports

Last year we published a shorter, sharper financial bulletin to help inform councils' budget setting. This supported our wider Local Government Overview published in Spring. Through these reports, we looked ahead to longer-term impacts on the finances for councils as well as the economy, communities and public services.

11. In January 2022, we published our Local Government in Scotland [Financial Bulletin 2021/22](#), which provided an analysis of the financial performance of councils, as well as their position at the end of the year. It also set out some of the longer-term financial challenges facing councils in the context of the Scottish Government's Resource Spending Review and the cost-of-living crisis. We highlighted how councils are facing significant financial pressures, including uncertainty and a lack of flexibility, the need for better medium- and longer-term planning, alongside strong leadership and effective collaboration with partners is essential.

12. We reported that:

- Total revenue funding and income to councils was £20.3 billion in 2021/22, a £0.3 billion (or one per cent) decrease on the previous year in real terms (one per cent increase in cash terms).

- Excluding Covid-19 related funding, revenue funding and income saw a £0.5 billion (or three per cent) real-terms increase in 2021/22 on the previous year, from £19.3 billion to £19.8 billion.
- Capital spending across Scotland increased by £0.7 billion in 2021/22, from £2.4 billion in 2020/21 to £3.1 billion but this is still below spending in 2019/20 which was £3.6 billion.
- An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services. Ring-fenced and directed funding totalled £2.7 billion, representing 23 per cent of total revenue funding (18 per cent in 2020/21). This removes local discretion and flexibility.
- Despite additional Covid-19 funding, councils continued to face significant financial challenges and difficult choices about spending. Significant savings were required to deliver balanced budgets.
- Improvements to savings performance continued and total usable reserves increased, which are being used to meet budget gaps.
- Scottish Government revenue funding to councils increased by 5.3 per cent in real terms, the first real-terms increase on the 2013/14 revenue funding position since 2015/16 (excluding one-off Covid-19 money).
- Capital projects are being influenced by Covid-19 and inflationary costs. If this continues, they will present risks to capital programmes that are designed to contribute to improving outcomes for communities.
- We also commented on the outlook for local government finances, highlighting that councils face the most difficult budget-setting context for many years. Against a backdrop of Covid-19, inflation and the cost-of-living crisis and increased demand for some services councils need to make recurring savings and face difficult spending choices. The use of non-recurring reserves to bridge a £0.4 billion funding gap in 2022/23 is unsustainable, creating an urgent need for service reform.

13. In May 2022, we published our second in a series of Local Government in Scotland overview reports exploring the impact of the pandemic on councils and their communities. The [Local Government Overview 2022](#) report made clear that councils need to build on the change and innovation that took place during the pandemic. A return to old ways of working is not sustainable and will not help the most vulnerable within our communities. We reported that:

- Councils had a difficult year responding to and recovering from the pandemic, as well as dealing with increased demands, backlogs and being able to meet community needs.
- Collaborative leadership is more important than ever, especially given the challenging context and longer-term financial pressures. Effective strategic thinking, decision-making and collaborative working amongst local government leaders is essential to support recovery and improve outcomes.

- There is continued pressure on the local government workforce, with high levels of absence, skills shortages and concerns about staff wellbeing. Workforce plans need to be updated to reflect lessons learned from new ways of working during the pandemic.
- Those already experiencing inequality have felt the impact of the pandemic most strongly, with services still not back to pre-pandemic levels. Recovery and renewal plans must support those most affected.
- Communities and the voluntary sector worked closely in the pandemic showing what can be achieved by working together with this remaining part of recovery plans.
- Data availability, tools and skills need to improve to support performance monitoring, strategic decision-making and service planning, as well tackling inequality.

Excluding Covid-19 related funding, revenue funding and income saw a £0.5 billion real-terms increase in 2021/22



£19.3
billion



£19.8
billion

Capital spending across Scotland increased by £0.7 billion in 2021/22



£2.4
billion



£3.1
billion



National reports

We published six reports on national thematic issues and eight blogs highlighting specific areas of interest for the Commission.

14. Our national reports, published in 2022/23 included one full national performance audit report, a joint publication with the Auditor General for Scotland. We also published two briefing papers, one jointly with the Auditor General for Scotland, summarising key issues affecting local government.

15. We promote messages from our work widely to the public and relevant parties across the public sector. [Appendix 4, page 30](#) summarises the headline messages from our publications.

16. Alongside our reporting during 2022/23, we published eight blogs to support discussion, raise awareness and support improvement.

- [Our Strategic Alliance - one year on](#), May 2022. The then Chair of the Accounts Commission produced a joint blog with the Chief Executive of the Improvement Service highlighting the impact of their focus on accelerating improvement and change across local government and shared commitment to increasing collaboration.
- [Additional support for learning - the gap between ambition and reality for our children](#), May 2022. Commission member Stephen Moore blogged about how children and young people and their families are not always getting the right type of support, when they need it, and so intensifying inequalities. The blog called for public services to improve how they are joining up to meet individuals' needs.

- [Local bodies continue to face a challenging and uncertain future](#), June 2022. The then Chair, William Moyes, blogged about the continuing challenges and uncertain future faced by local authorities and Joint Integration Boards. It focused on inequalities and the need for innovation and transformation in service delivery to ensure sustainability, as well strong leadership around the difficult decisions that need to be made.
- [Inequalities in Scotland: A growing crisis of harms](#), June 2022. Commission member Geraldine Wooley blogged about the deepening of inequalities in Scotland, potential further restrictions to services to those in most need and the need for better data gaps to enable the growing crisis of harm to be addressed.
- [Why Best Value matters, now more than ever](#), November 2022. The then Chair, William Moyes, outlined why in the current context of financial pressures and spending constraints it is essential that councils secure best value in procurement and can demonstrate they are securing and delivering best value.
- [Assurance and scrutiny - reporting on the vital role of Scotland's housing benefit services](#), February 2023. The then Chair, William Moyes, blogged about the vital role benefits services play in the lives of those in financial need, highlighting the Accounts Commissions' reports on housing benefit services, the impact of Covid-19 on wider council benefits' services and resourcing the benefit services.
- In March 2023, Audit Scotland's Executive Director of Performance Audit and Best Value produced a blog updating the position in relation to our 2021 report on [Improving outcomes for young people through school education](#). This showed how data gaps have acted as a barrier to improving young people's outcomes. The blog – [Encouraging progress on education data but still a long way to go](#) – highlighted that lots of work is now being done at a national and local level to address these gaps (for example, through councils working with Education Scotland and sharing of good practice and learning between councils) but that further progress is required.
- [Learning the lessons of Covid-19 has never been more important](#), March 2023. Commission member Sheila Gunn blogged about the crucial role councils played during the pandemic and called for councils to evaluate the impact of how Covid-19 funding was spent, what worked well and what might be done differently in the future crises. The blog also highlighted the significant financial challenges facing local government and the need for radical thinking to ensure the delivery of sustainable services.





Our other work

Throughout the year we undertook other work to maximise our responsibilities. Audit Scotland also published a series of briefing papers and blogs that support our programme of work.

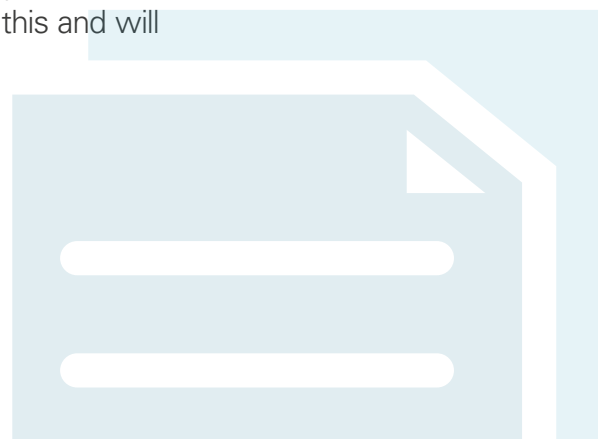
Statutory reporting

17. There were no statutory reports published during 2022/23.

Statutory performance information (SPI): our Direction

18. We have a statutory power to tell councils what performance information they must publish. This helps councils compare their performance and benchmarking. The Commission uses the power to emphasise the prime importance of councils reporting performance to their citizens and communities. Our [2021 SPI Direction](#), published in December 2021, requires councils to report on their performance in improving local services and local outcomes for the three years from 1 April 2022.

19. The Controller of Audit's Annual Assurance and Risks Report, considered by the Commission in March 2023, noted that one auditor failed to comply with the Code of Audit Practice and did not report on SPI compliance for two councils. However, the auditor has now begun work to rectify this and will enhance the clarity of reporting in this area for future years.



Coordinating local government scrutiny

20. During 2022/23 we continued to chair the [Strategic Scrutiny Group \(SSG\)](#), helping ensure coordination of the scrutiny of local government. This comprises Audit Scotland, the Care Inspectorate, Education Scotland, HM Fire Service Inspectorate, Healthcare Improvement Scotland, HM Inspectorate of Constabulary for Scotland, HM Inspectorate of Prisons for Scotland, Inspectorate of Prosecution in Scotland, and the Scottish Housing Regulator.

21. In November 2022, the SSG agreed to the Accounts Commission's proposal to extend the remit and membership of the SSG to form a wider public sector scrutiny network (the Strategic Public Sector Scrutiny Network (SPSSN)) while retaining the operational group, renamed the Scrutiny Coordination Group, to more accurately reflect its focus.

22. The new SPSSN agreed to meet on a six-monthly basis with a rotating chair each meeting. The first meeting will be hosted and chaired by Audit Scotland in September 2023.





Engaging with others

We are always looking at new ways to promote our work and involve the public, communities, and our local government stakeholders in what we do.

Reporting to and engaging with the public

23. We are promoting the messages in our reports more widely using different formats, including using animations, videos, exhibits, graphics and newsletters to accompany individual reports. We also produce web-based, service user focused outputs, blogs, briefings and news releases. [Social media](#) is critical in getting these messages to a wider audience. Our [Strategy for 2021-26](#) gives more information on how we promote our work.

24. We used checklists and key facts or technical exhibits to highlight our messages. All our BVARs and overview reports had accompanying newsletters that were distributed to councillors, senior officers, community groups and third sector organisations.

25. We have embraced opportunities to do things differently. For example, the Best Value Assurance Report: Comhairle nan Eilean Siar (November 2022) was the first report we have published with the report and all supporting materials produced bilingually, in both English and Gaelic.

26. We engaged with contacts in the Scottish Government's Gaelic language team and at Bòrd na Gàidhlig to check our approach. The response to this was overwhelmingly positive.

27. A further example of engaging differently came when Jennifer Henderson, member of the Accounts Commission, recorded a video to support and promote International Women's Day to Audit Scotland colleagues. Her video focused on her own family's history, the changes in how women are impacted

in the workplace over several generations. This was supplemented by an external video from colleagues in Audit Scotland linking this to our work, focusing on why, organisationally, it is important to support International Women's Day.

Engaging with our other stakeholders

28. Since January 2023, the Controller of Audit has undertaken wide ranging engagement with council Chief Executives and Directors of Finance, as well as with COSLA and SOLACE as part of regular meetings.

29. We have engaged with the Parliament during 2022/23, including through giving evidence at the Local Government, Housing and Planning Committee on the LGO and financial bulletin, as well as a 'roundtable' session on community engagement.

30. We have also attended events with stakeholders, including co-hosting an event with the Improvement Service to highlight key messages from the LGO for elected members.

31. We issue a regular newsletter focused on local government key contacts and a reworked version of the newsletter focused on communities. The stats from the March 2023 newsletter show:

- **Councillor newsletter** – 4,607 active contacts, 1,174 confirmed opens (25 per cent), 528 click throughs.
- **Stakeholder newsletter** – 112 active contacts, 55 per cent open rate.

Reflecting stakeholder views in our work

32. During April and May 2023, we consulted with a range of stakeholders on our work programme. This included council chief executives, chief officers of IJBs, trades unions and third sector representatives.

33. The Commission is considering the consultation responses and will use these to inform a strategic review of the work programme at its meeting in August 2023. The revised dynamic work programme will be agreed jointly with the Auditor General for Scotland.

Councillor newsletter



4,607 active contacts
25% open rate

Stakeholder newsletter



112 active contacts
55% open rate

Ensuring quality in our work

Independent quality reviews report a clear indication that high-quality standards are being achieved in both financial and performance audit work. However, further work is required in some areas to ensure that all audit work consistently meets the high standards expected by the Accounts Commission.

34. All audit work undertaken on our behalf is subject to independent quality review. Our Audit Quality and Appointments (AQA) team, which is part of Audit Scotland but operates independently, reports to us on the quality of audit work delivered by Audit Scotland and by the private accountancy firms we appoint to undertake some of our annual audit work.

35. Each year a report ([Quality of public audit in Scotland \(QPAS\)](#)) is published on the review outcomes. We endorsed this report which is due to be published in June 2023. This year's report continues to identify good practice and areas to improve in audit quality. Conclusions include:

- The Audit quality framework (AQF) identifies good practice and areas to improve in audit quality, but with areas of improvement that are recurring and have been carried forward from prior years.
- Based on this range of evidence, the AQA team concludes that the quality of audit work is:
 - Good in performance audit work based on the independent quality reviews conducted by the Institute of Chartered Accounts of England and Wales (ICAEW). Internal quality reviews of performance audit work conducted by Audit Scotland's in-house audit quality team indicate that there is need for all performance audit work to consistently comply with the INTOSAI standards.
 - Consistently good over the last four years in the accountancy firms carrying out public sector audit work in Scotland based on the independent ICAEW quality reviews and the internal quality reviews of financial audits.

- Good in Audit Scotland’s Audit Services Group (ASG) for 2021/22 financial audit work based on the ICAEW’s independent quality reviews and Audit Scotland’s internal quality reviews. There are some areas where ICAEW have recommended improvements that can be made to ASG’s audit methodology and the application of the audit methodology by audit teams. These areas include: the need to conduct more audit work where ASG act as the group auditor of audit bodies which have significant component entities; continue to improve ASG’s methodology and documentation around audit sampling to ensure that it complies with best practice in the audit profession, as well as several improvements required to the audit approach on asset valuations, particularly around demonstrating more challenge around the underlying assumptions. Some of these are recurring issues from prior years and action is required on these to maintain the 80 per cent target in coming years.
- The independent quality reviews provide a clear indication that high quality standards are being achieved in both financial audit work and PABV audit work. Further work is required in some areas to ensure that all the audit work consistently meets the high standards expected by the Auditor General for Scotland and the Accounts Commission.

36. Areas for improvement identified in the QPAS report include:

- A further significant decline in financial audit delivery performance with only 51 per cent of annual audits being delivered on time (76 per cent in 2020/21)
- Audit Scotland staff survey results show a decline to 2017/18 levels for staff being supported to deliver high-quality audit work through training and development.
- Increasing evidence of a shortage of skilled and qualified audit staff available in the auditing profession and this capacity risk will need to be managed carefully.

37. We will continue to work with our audit providers to optimise the quality of the audit work that we secure, to help ensure that we fulfil our responsibilities around public assurance and improvement.





Our members

The Accounts Commission members are appointed by Scottish ministers. The Commission meets monthly, and its meetings are open to the public.



Dr William Moyes¹

Chair

Appointed until
31 December
2025



Tim McKay

Deputy Chair

Appointed until
30 September
2023



Andrew Burns

Appointed until
31 July
2026



Andrew Cowie

Appointed until
31 July
2026



Dr Sophie Flemig

Appointed until
30 September
2023



Sheila Gunn

Appointed until
30 September
2023



Christine Lester

Appointed until
31 December
2026



Malcolm Bell

Appointed until
31 October
2026



Jennifer Henderson

Appointed until
31 October
2026



Geraldine Wooley

Appointed until
30 September
2023



Nichola Brown

Appointed until
31 October
2026



Ruth MacLeod

Appointed until
31 October
2026

¹ Previous chair, Dr William Moyes, resigned May 2023.

Appendix 1

2022/23 work programme: progress report

Here we report on our progress with our 2022/23 work programme, including publications and associated engagement activities.

Key to progress:





Complete: This action has been completed.






Complete and continuing: While an action has been completed, it continues as part of further ongoing activity.



Continuing: This action has started but will require further input from the Commission.



Audit activity	Publications	Progress and engagement
<p><u>Annual audit reports</u></p> 	<p>Published on our website for:</p> <ul style="list-style-type: none"> • 32 councils • 30 Integration Joint Boards • 11 pension funds • 31 joint boards and joint committees 	<p>Complete (March 2023)</p> <p>Published on our website. Auditors have presented annual audit reports to each council.</p>
<p><u>Local government overview reports</u></p> 	<ul style="list-style-type: none"> • <u>Local government in Scotland: Overview 2022</u> (May 2022) • <u>Local government in Scotland: Financial bulletin 2021/22</u> (January 2023) 	<p>Complete (March 2023)</p> <p>Published on our website with:</p> <ul style="list-style-type: none"> • News release • Video • Key facts animation • Key facts exhibit • Interactive graphics • Supplements and checklists. <p>Reports were also promoted on social media.</p>



Cont.

Audit activity	Publications	Progress and engagement
<p><u>Best Value Assurance Reports</u></p> 	<p>Published for three councils:</p> <ul style="list-style-type: none"> • <u>Angus Council</u> • <u>Shetland Islands Council</u> • <u>Comhairle nan Eilean Siar</u> 	<p>Complete and continuing</p> <p>Published on our website with:</p> <ul style="list-style-type: none"> • News release • Key facts exhibit • Video highlights • Newsletter issued to local community bodies. <p>Reports were also promoted on social media.</p>
<p><u>Other products</u></p> 	<ul style="list-style-type: none"> • <u>Scotland's financial response to Covid-19</u> • <u>Integration Joint Boards: Financial analysis 2020/21</u> • <u>Scotland's councils' approach to addressing climate change</u> • <u>Tackling child poverty</u> • <u>Public sector gender pay gap reporting</u> • <u>Resourcing the benefit service: A thematic study</u> 	<p>Complete</p> <p>Published on our website alongside other outputs, including:</p> <ul style="list-style-type: none"> • News release • Key facts • Video animation • Good practice guides. <p>Reports were also promoted on social media.</p>
<p><u>Statutory reports</u></p> 	<p>No statutory reports were published during 2022/23.</p>	<p>Not applicable</p>

Appendix 2

Progress by councils in 2022/23 against the Accounts Commission's strategic priorities (as reported in the AARR)

Priority area	Key findings
<p>Inequalities: the contribution local government makes to lessening the impact of inequalities, particularly poverty, across different communities</p> 	<ul style="list-style-type: none"> • Councils are demonstrating their commitment to fairness and equality through strategic planning, stated equalities outcomes and employee awareness training. • Councils responded quickly to address the impacts of Covid-19, working with local partners to support vulnerable people. Increased use of digital technology improved access to services for many. • Equalities, and increasingly fairness, is considered part of councils' decision-making, with evidence of engagement with harder to reach communities. • Councils are addressing the gender pay gap; outstanding equal pay claims remain an issue in some councils.
<p>Funding and financial sustainability: the impact of funding on local government's ability to fulfil its role</p> 	<ul style="list-style-type: none"> • The circumstances in which councils are setting their budget is challenging - councils are managing with less money (a 1.3 per cent real terms increase in money). A significant amount of their money has to be used for education and social care services. • Medium-term financial planning is in place in most councils. Long-term planning is less well developed. • Underspends in 2020/21 arose due to additional Covid-19 funding and reduced spending. Some councils anticipate overspends in 2022/23 and future budget gaps. • More than half of IJBs project funding shortfalls in the medium term. • Councils need to implement change, re-prioritise services, and identify recurring savings. Pressures on services and council reserves continue. • Effective and regular financial reporting with changes to budgets being regularly reported to councillors, executive teams and management. • Most councils saw delays to their capital programmes resulting from Covid, price inflation and supply issues. Unspent capital funding will be moved into 2022/23. • Funding reductions have had a disproportionate impact on services not receiving directed funding, eg leisure, libraries, and refuse.

Priority area	Key findings
<p>Communities: the relationship between local government and its different communities</p> 	<ul style="list-style-type: none"> • Councils with Best Value Assurance Reports (BVARs) in 2022 worked well with partners and communities to respond to Covid-19. This sped up practice in areas including online services and community hubs, but the impact of such initiatives on shaping future practice is not clear. • Covid-19 interrupted community involvement in many councils; councils are now re-visiting their engagement activity as they update their strategic priorities. • Councils have more to do to fulfil the ambitions of the Community Empowerment Act and to demonstrate progress. • Councils plan to increase their use of community decision-making over use of resources, eg participatory budgeting (PB). • Community wealth building is becoming an increasing focus for local economic initiatives to support communities.
<p>Recovery: what contribution local government makes to Scotland's response to, and recovery from, the pandemic</p> 	<ul style="list-style-type: none"> • Covid-19 interrupted strategic planning in many councils. However, there are now clearer priorities, including in education and in relation to poverty. • The pandemic sped up improved practice and collaboration. Councils and their partners now need to build on this good progress. • Stable and effective leadership is vital to recovery. Councils and IJBs face challenges in managing workforce capacity and changing political leadership. • Councils face difficult decisions over service priorities as they plan further recovery with limited resources. Collaboration and involving communities are increasingly important as councils look to adopt new ways of working.

Source: Annual Assurance and Risks Report, Controller of Audit. Endorsed by the Commission at its meeting in March 2023



Appendix 3

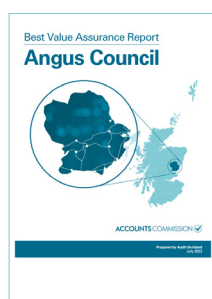
Summary of Commission findings and recommendations for BVARs published in 2022/23

Council

Commission's findings and recommendations from 2022/23 BVARs

Angus Council

(July 2022)



- We are pleased with the impressive pace of improvement demonstrated by Angus Council since our previous Best Value reports in 2016 and 2010.
- There has been strong leadership by elected members, working well with each other and in partnership with officers. We urge this leadership – supported by effective decision-making and scrutiny – is maintained to face the significant financial challenges ahead and the continuing need to make difficult decisions about service delivery.
- The council needs to put its performance management framework fully in place and introduce its vitally important long-term financial planning framework.
- We commend the council in how it has continued to serve the people of Angus well in the face of the pandemic, not least its focus on tackling the exacerbating effect on inequalities experienced in communities. A strong record of collaboration with its partners, including progress with locality planning, is a good basis for the council to engage more fully with its communities, which it identifies as needing to develop.
- We also urge continued attention on those areas requiring improvement, including housing and the council plan priority of economy.

In September 2022, the council considered and accepted the BVAR, its recommendations and approved an action plan. Progress will be monitored through the annual audit.

Shetland Islands Council

(August 2022)



- We are seriously concerned about the council's inability to demonstrate Best Value and we are not confident that the council is able to show it is financially sustainable.
- Our concern is particularly around the absence of a clear plan to eliminate the forecast funding gap over the next five years, which could be as large as £142 million; reliance on drawing down reserves, which could be exhausted within ten years, to achieve a balanced; weaknesses in, and slow progress in remedying, performance management arrangements and the lack of urgency being given to service transformation.
- Elected members need to provide leadership and be more closely involved in developing plans to remedy criticisms in the report. Options need to be articulated clearly in a timed and costed plan linked to its Change Programme. Better arrangements for managing and reporting performance are a vital element for progress to be made.

Cont.

Council**Commission's findings and recommendations from 2022/23 BVARs****Shetland Islands Council**

(August 2022)

- Shetland has distinct and significant challenges around geography, population decline and lack of affordable housing. We commend the clear vision of the council and its partners who work well together to address such challenges. They responded well to the challenges of the pandemic. The council is also able to demonstrate that it can be innovative in how it provides and invests in some services, including through working well with its partners. But such innovation needs to become more embedded in the corporate drive to deliver the required strategic change.
- We acknowledge that the people of Shetland enjoy generally high-quality services provided by the council with good levels of customer satisfaction. While there are good examples of engaging with communities, it needs to be more consistent.
- The Commission encourage the council to develop and publish an action plan to enable it to tackle issues in the most appropriate order and timescales and to provide a baseline against which it can assess and demonstrate its progress.
- We also encourage the council to consider if it might be appropriate to seek external help to ensure optimum capacity in planning and delivering its action plan.
- The progress required by Shetland Islands Council is urgent and we require the Controller of Audit to report back to us within 18 months.

The BVAR was considered by the Council in November 2022, together with an action plan in response to the improvement recommendations. The annual audit will include an update on the progress made by the council.

Comhairle nan Eilean Siar (CnES)

(September 2022)



- It is disappointing that CnES has not maintained the positive momentum and improvement previously reported.
- We are seriously concerned that we need to again underline the crucial need for elected members to fulfil their leadership responsibilities in providing clear coherent strategic priorities and direction and thus deliver planned savings and improvements.
- We emphasise the need for members to be supported in their responsibilities by effective training and development, including on their equalities obligations.
- We underline the urgent need for CnES to progress an effective approach to medium- and long-term financial and capital planning, to help meet the challenges ahead. We note, however, the persistent difficulties in ensuring capacity in its financial management function. Updated workforce plans are vital in helping address the wider capacity issues.
- We acknowledge the distinct challenges faced by CnES and its partners in improving outcomes for the people of the Outer Hebrides, such as depopulation, housing availability and fuel poverty. We credit the Comhairle in working well with partners and its performance in areas such as education and supporting the economy.

Cont.

Council**Comhairle nan
Eilean Siar
(CnES)**

(September
2022)

Commission's findings and recommendations from 2022/23 BVARs

- We commend the good relationship that CnES fosters with its communities, shown in an effective response to the pandemic. This is a good basis for delivering the required future changes in how services are delivered and thus delivering an ambitious vision for the future.
- We urge CnES to develop and publish a prioritised and timetabled action plan to enable it to make progress against the areas identified in our report and we require the Controller of Audit to report back to us to provide assurance is being delivered.

In September 2022, CnES welcomed the Best Value Assurance Report which highlights that there continue to be challenges going forward. The Comhairle accepts the recommendations and committed to implementing an action plan. The annual audit will include an update on the progress made by the council against this action plan.



Appendix 4

A summary of our national, thematic reports published in 2022/23

Report	Summary
 <p>Scotland's financial response to Covid-19 June 2022 Joint report with the Auditor General</p>	<p>Our performance audit report outlines the fiscal context in which the public sector has been operating since March 2020 and provides a high-level analysis of the financial response to the Covid-19 pandemic.</p>
 <p>Integration Joint Boards: Financial analysis 2020/21 June 2022</p>	<p>Our first standalone report focused on an analysis of the financial position and performance of IJBs. The report provides a high-level analysis of the IJBs financial performance and financial position at the end of the year. It comments on the financial outlook for IJBs and financial planning in the medium and longer term.</p>
 <p>Scotland's councils' approach to addressing climate change September 2022</p>	<p>Our briefing highlights councils' critical role in helping Scotland achieve its climate change goals and how climate change must be central to council activity. It calls for a system-wide approach to allow transformational change and for collaboration across all parts of government. The briefing recommends a range of actions that councils can take to improve their response to the climate emergency.</p>
 <p>Tackling child poverty September 2022 Joint briefing with the Auditor General</p>	<p>This briefing paper examines what the Scottish Government, local government and others are doing to reduce and prevent child poverty and progress being made towards targets for reducing child poverty. It examines spending on child poverty since 2018, highlighting the impact of child poverty on children's lives.</p>

Cont.

Report

Summary

Public sector
gender pay gap
reporting



Public sector gender pay gap reporting

February 2023

Joint report with Audit Scotland

The report resulted from concerns around gender pay gap reporting identified through our annual audit work. It explains what the gender pay gap is, why it is important for public bodies and what information they should be reporting. It examines gender pay gap information from a sample of 20 public bodies, highlighting areas of good practice and providing suggestions for improvement.

Resourcing the
benefit service
A thematic study



Resourcing the benefit service: A thematic study

February 2023

There have been significant changes to councils' benefits services in the last decade. Our thematic report highlights and provides wider context on the impact on service delivery and performance levels. It focuses on resourcing, work of the benefit service and processing of Housing Benefit claims.



Annual report

2022/23

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**South Ayrshire Council
Equality Impact Assessment
Scoping Template**

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. FSD Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

1. Policy details

Policy Title	Accounts Commission Annual Report 2022/23
Lead Officer (Name/Position/Email)	Tim Baulk, Head of Finance, ICT and Procurement – tim.baulk@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Sex – (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person’s sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children’s Rights	-	-

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent’s education, employment and income	-	-

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low

General Duty and other Equality Themes Consider the 'Three Key Needs' of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as Medium and/or High)	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
Rationale for decision: This report advises Members of the findings of the report by the Accounts Commission. Their decision on this has no specific equality implications	
Signed : Tim Baulk Date: 16 August 2023	Head of Service

South Ayrshire Council

**Report by Head of Finance, ICT and Procurement
to Audit and Governance Panel
of 4 October 2023**

Subject: Audit Scotland: Fraud and Irregularity 2022/23

1. Purpose

1.1 The purpose of this report is to advise the Panel of the Audit Scotland report 'Fraud and Irregularity 2022/23'.

2. Recommendation

2.1 It is recommended that the Panel considers the findings outlined in the Audit Scotland report 'Fraud and Irregularity 2022/23' (attached as Appendix 1).

3. Background

3.1 In July 2023, Audit Scotland published a report entitled 'Fraud and Irregularity 2022/23'. The key messages as summarised in the report are as follows:

3.1.1 During 2022/23, 12 cases of fraud and irregularity valued over £139,000 were identified. Weaknesses in internal controls contributed to each case identified; and

3.1.2 Auditors have found that public bodies have effective systems, procedures, and controls in place to help prevent and detect the majority of fraud and irregularity.

3.2 Recommendations as summarised in the report are as follows:

3.2.1 Public bodies should ensure they have effective counter-fraud arrangements. These include:

- undertaking a fraud risk assessment to identify areas at risk;
- having effective counter-fraud governance arrangements;
- having a counter-fraud strategy and regularly reviewing counter-fraud plans;
- regular assessment and review of internal controls; and
- considering the control weaknesses identified in this report.

3.2.2

3.2.2 Auditors should review:

- whether counter-fraud governance arrangements are effective and regularly reviewed and revised as necessary; and
- the effectiveness of counter-fraud controls along with the details on the control weaknesses identified in this report.

4. Proposals

4.1 It is proposed that Members consider and note the terms of the Audit Scotland report.

4.2 In terms of South Ayrshire Council's own Governance and counter fraud arrangements, it should be noted that:

- the Council continues to have robust governance and scrutiny arrangements in place, which now includes a hybrid video conferencing facility;
- the Council continues to take part in regular National Fraud Initiatives data matches to prevent and detect fraud;
- an Integrity Group, attended by senior officers of the Council evaluates and take appropriate mitigating actions in respect of fraud and irregularities; and
- activity reports from the Council's Corporate Fraud team are submitted to the Audit and Governance Panel on a 6-monthly basis.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 Not applicable.

7. Human Resources Implications

7.1 Not applicable.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

8.1.1 There are no risks associated with adopting the recommendations.

8.2 *Risk Implications of Rejecting the Recommendations*

8.2.1 Rejecting the recommendations may impact on the reputation of the Council.

9. Equalities

- 9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 2.

10. Sustainable Development Implications

- 10.1 ***Considering Strategic Environmental Assessment (SEA)*** This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

- 12.1 The matters referred to in this report contribute to Priority 4 of the Council Plan: Efficient and effective enabling services.

13. Results of Consultation

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Resources and Performance, and the contents of this report reflect any feedback provided.

Background Papers **None**

Person to Contact **Tim Baulk, Head of Finance, ICT and Procurement
County Buildings, Wellington Square, Ayr, KA7 1DR
Phone 01292 612620
E-mail tim.baulk@south-ayrshire.gov.uk**

Date: **20 September 2023**

Fraud and irregularity

Annual report 2022/23



Contents

Key messages	3
Recommendations	4
Fraud and irregularity identified during 2022/23	5
Further information	14

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Key messages



- 1** During 2022/23, 12 cases of fraud and irregularity valued over £139,000 were identified. Weaknesses in internal controls contributed to each case identified.



- 2** Auditors have found that public bodies have effective systems, procedures and controls in place to help prevent and detect the majority of fraud and irregularity.

Recommendations

Public bodies should ensure they have effective counter-fraud arrangements.

This includes:

- undertaking a fraud risk assessment to identify areas at risk
- having effective counter-fraud governance arrangements
- having a counter-fraud strategy and regularly reviewing counter-fraud plans
- regular assessment and review of internal controls
- considering the control weaknesses identified in this report.

Auditors should review:

- whether counter-fraud governance arrangements are effective and regularly reviewed and revised as necessary
- the effectiveness of counter-fraud controls along with the details on the control weaknesses identified in this report.

Fraud and irregularity identified during 2022/23

Auditors provide Audit Scotland with details of fraud and irregularity discovered in their audited bodies. This report sets out the cases identified during 2022/23 including the details of the control weaknesses which contributed to these cases.

Aims of this report

1. This report shares information where control weaknesses have contributed to fraud and irregularity. This report aims to help prevent similar situations happening in other bodies by sharing the details and highlighting weaknesses in internal controls. Other cases of fraud or irregularity may exist that were not facilitated by weaknesses in internal controls. External auditors¹ identified 12 cases of fraud and irregularity totalling over £139,000 in audited bodies in 2022/23 (seven cases totalling £401,500 were identified in 2021/22). This level of fraud and irregularity is very small when compared to the £56.5 billion Scottish budget.²

2. The cases included in this report have been investigated internally but will not necessarily have been reported to Police Scotland or to have been proven as fraud in a court of law.

3. This report encourages public bodies to consider the cases included in this report and reflect whether the same control weaknesses exist in their own systems. Public bodies are also encouraged to regularly review their counter-fraud arrangements to ensure they remain effective against both existing and newly emerging types of fraud and irregularity.

4. The case studies in this report aim to help auditors consider and review the effectiveness of the counter-fraud governance arrangements in their audited bodies.

¹ External auditors report frauds, or suspected frauds, to Audit Scotland where they are caused or facilitated by weaknesses in public bodies' internal controls. Frauds and irregularities are considered significant where the value of the loss is over £5,000 or where it is of significance owing to the nature of the activity.

² [Scottish Budget 2022 to 2023: Your Scotland, Your Finances – guide](#)

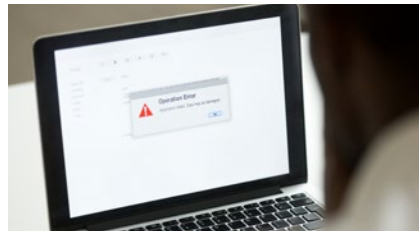
Fraud and irregularity cases identified in 2022/23

Fraud and irregularity identified during 2022/23 totalled over £139,000 and fell into the following categories:



5 cases

Grant payments



1 case

Invalid supplier



1 case

Procurement card



1 case

School funds



3 cases

Payroll and pensions



1 case

Theft

Control weaknesses

The following control weaknesses contributed to the fraudulent and irregular activity identified during 2022/23.



Not checking all details on applications for funding



Lack of management checking



No independent confirmation with the customer before changing bank account details



Not following procedures



A lack of segregation of duties



Weak authorisation processes



Lack of awareness of potential fraud risks



Poor security arrangements

Specific details of the fraud and irregularity cases identified during 2022/23 are on the following pages.



Expenditure

Expenditure fraud relates to cases where a body has incurred additional expenditure because of fraud. This may be due to invalid suppliers, fictitious invoicing, or the redirection of payments intended for legitimate suppliers.

Case study 1. Grant payments

Four unknown third parties made four fraudulent grant applications for Covid-19 support totalling £51,000.

Key features

Supporting documentation and proof of bank account evidence was provided. The frauds were possible as there were small differences in the business name and email address which were not picked up. The bank accounts used to facilitate the fraud were included in a suspicious activity report; however, due to pressure to ensure grants were paid without delay the applications were processed and paid despite this.

In one case, the fraud was identified after the grant payment was rejected by the bank. In the other cases, a retrospective data-matching exercise identified the frauds.

Retrospective checking including use of a national data-sharing facility has since been carried out on all Covid-19 grant payments.

Case study 2. Grant payments

An unknown individual compromised a grant recipient's email account and committed bank mandate fraud. A grant of £12,300 was subsequently paid to the fraudulent bank account.

Key features

After informing the grant applicant that their application was successful, the council received a request to change the grant recipient's bank account details.

The request came from the genuine grant recipient's email account and contained an attachment on headed paper requesting the change. The bank details were then changed.

The fraud was identified when the genuine grant recipient reported non-receipt of the funds.

The fraud could have been prevented if the council had contacted the grant recipient to confirm the bank account changes.

The council have since issued bank mandate guidance for staff and existing controls have been strengthened.

Case study 3. Invalid supplier

A third party defrauded over £11,000 from a public body by purporting to be a supplier to the body.

Key features

The public body received a request by email to amend a supplier's bank account details. The supplier's email address had been intercepted by a fraudster who requested the change.

The fraud was possible as the public body did not telephone the supplier to verify the change of bank details.

The issue was identified when the genuine supplier queried why the payment had not been received.

The public body's counter-fraud team has reviewed the process for changing suppliers' bank account details and improvements have been made to procedures.

The matter has been reported to Police Scotland.

Case study 4. Procurement card

A manager misused a procurement card to the extent of £5,450 to withdraw cash fraudulently and to make fraudulent payments.

Key features

The fraud was identified when the manager was on leave and another member of staff looked for the cash.

The fraud was possible as management did not check procurement card receipts or supporting documentation prior to approving expenditure.

The body is reviewing the number of procurement cards holders and approvers and staff are required to complete refresher training on procurement cards. The manager has been dismissed.

Case study 5. School funds

A head teacher embezzled over £5,300 from a school fund.

Key features

The teacher fraudulently used the school fund purchase card, which was held in the name of another member of staff, for personal purchases. The teacher also falsified an invoice to disguise the payment of a personal membership fee, and misappropriated school fund concert cash that had been entrusted to the teacher.

The fraud was identified after concerns were raised regarding misappropriation of the school fund purchase card.

Subsequent investigations identified that high-value items purchased from the school fund could not be located on the school premises. These items were subsequently recovered from the teacher's home.

The fraud was possible as, due to the seniority of the teacher; the actions were not challenged by other staff. In practice, there was no segregation of duties.

The council has:

- revised school fund procedures
- introduced random sampling of purchase card transactions
- provided fraud awareness and procurement training to school staff.

The case has been reported to the Procurator Fiscal. The teacher resigned following the instigation of disciplinary proceedings.

Items to the value of £1,600 have been recovered.



Payroll and pension fraud

Payroll and pension fraud relates to people receiving payroll or pension payments to which they are not entitled.

Case study 6. Payroll fraud

A council employee failed to report a £25,000 payroll overpayment over a three-year period.

Key features

An error in processing a reduction in working hours resulted in an increase to the employee's salary. The error was not identified by the authorising officer, and the employee did not report the overpayment.

The fraud was identified during a data check carried out by the council. The fraud was not detected earlier as the normal annual data checks were suspended during the pandemic.

The council has issued reminder instructions to staff processing and authorising payroll amendments to emphasise the importance of ensuring that details are correct. A new checking process has been introduced that requires staff to verify any change of working hours requests to amendment forms, contracts, and payroll details.

Disciplinary action has been taken and recovery action is in process.

Case study 7. Payroll fraud

An ex-council employee failed to report a £10,500 payroll overpayment over a seven-month period.

Key features

The employee left the council's employment and moved to a health board following a secondment period. However, the council salary continued to be paid for seven months after the employee left the council.

The fraud was identified when the health board queried an invoice for recovery of the employee's costs.

The fraud was possible as the employee's manager in the council failed to complete a termination form.

The manager has been reminded of the requirement to complete termination forms. The council has reintroduced a previously suspended monthly report requiring managers to confirm the employment status of employees in their service.

A repayment plan is in place to recover the overpayment.

Case study 8. Pension payments

A third party claimed over £6,600 from a widower's pension following his death.

Key features

The fraudster had notified the pension fund of a change of bank details for receipt of the pension after the pensioner had died. This notification came from the same email account used for the original bank mandate. The personal details provided, along with the signature, matched those on the original bank mandate and it was processed.

The fraud was identified as part of the National Fraud Initiative (NFI).

The fraud was possible as there was limited consideration given to the potential risks associated with the receipt of new bank details. An internal audit investigation identified recommendations to help strengthen controls around changes to bank details.

Police Scotland identified the individual who submitted the fraudulent bank mandate and, following a police caution, the full amount was repaid.



Theft

Theft relates to cases where someone acts dishonestly appropriating property belonging to another with the intention of permanently depriving the other of it.

Case study 9. Theft

An unidentified perpetrator stole random access memories (RAMs) valued at £12,000 from laptops stored in the office of a public body.

Key features

It was discovered during a stock check that some laptops had been opened and RAMs removed.

The theft was possible due to poor security arrangements. The perpetrator has not been identified due to the absence of CCTV.

Security procedures have been strengthened and a process for controlling the distribution of laptops has been developed.



Further information

Further information about Audit Scotland's work on counter-fraud is available on our website. This includes information on:



[Our counter-fraud work](#)



[The National Fraud Initiative](#)



[Red flags in procurement](#)



[Cybercrime:
A serious risk to
Scotland's public
sector](#)



[SEPA continues
to count cost of
cyber-attack](#)

Fraud and irregularity

Annual report 2022/23



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Equality Impact Assessment
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1. Policy details

Policy Title	Audit Scotland: Fraud and Irregularity 2022/23
Lead Officer (Name/Position/Email)	Tim Baulk, Head of Finance, ICT and Procurement – tim.baulk@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Sex – (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person’s sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children’s Rights	-	-

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent’s education, employment and income	-	-

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low

General Duty and other Equality Themes Consider the 'Three Key Needs' of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as Medium and/or High)	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
Rationale for decision: This report advises Members of the findings of the report by Audit Scotland. Their decision on this has no specific equality implications	
Signed : Tim Baulk Date: 16 August 2023	Head of Service

South Ayrshire Council

**Report by Director of Strategic Change and Communities
to Audit and Governance Panel
of 4 October 2023**

**Subject: Audit Scotland: Local Government in Scotland
 Overview 2023**

1. Purpose

1.1 The purpose of this report is to advise Members of the findings from the Audit Scotland: Local Government Overview Report 2023.

2. Recommendation

2.1 It is recommended that the Panel:

2.1.1 considers the findings outlined in the Audit Scotland report ‘Local Government in Scotland Overview 2023 (attached as Appendix 1); and

2.1.2 considers [Supplement 2](#) (Questions/ Checklist for Elected Members) as highlighted in 4.6.

3. Background

3.1 In August 2020, the Accounts Commission agreed a strategic medium-term approach to reporting on the impact of the Covid-19 pandemic. This approach committed to producing a series of annual overview reports over a three-year period.

3.2 The first report in the series, Local Government in Scotland: Overview 2021, considered the initial response phase of the pandemic from March 2020 to February 2021 focusing on the initial emergency response including the impact on Council services (how Councils and their workforce were working in new ways), collaboration with communities and partners, continued financial challenges faced by Councils at that time, planning for recovery and lessons learned from responding to the pandemic,

3.3 The second report in the series, reflected the evolving and long-term nature of the impact of the Covid-19 pandemic and Councils progress towards recovery and renewal, how Councils were positioned to address long-term priorities including climate change, inequality and public service reform and how effective Council leaders was managing recovery and renewal.

4. Proposals

4.1 The third and final report in the series, published in May 2023, builds on the previous reports and examines how the pandemic has affected Councils and their performance, what are the current and future challenges facing local government and how well placed are Councils to deal with current and future challenges.

4.2 An in-depth financial overview of the sector complements each local government overview. The most recent one, Local Government Financial Bulletin 2021/22, was published in January 2023.

4.3 The report includes exhibits and case studies throughout to illustrate issues and practice across Councils.

4.4 The report highlights five key messages and makes a series of recommendations (P4) which are summarised below:

1. Finance and Resources

Clear medium to long term financial plan including how savings will be delivered; the reliance of reserves; alignment of Council resources.

2. Community needs and Inequalities

Engaging with local communities to communicate the impact of change on services and the local area. Also strengthen use of data to understand needs, make decisions and direct resources.

3. Collaboration

Increase opportunities for communities to influence decision making; how do we consult with communities?; how well we collaborate with local partners; communities; third sector; other Councils?

4. Leadership

Being open with communities and staff; investing time in future operating model; clear vision for long term policy and performance; skills and knowledge to drive change; access to training programmes.

5. Workforce

Making best use of existing workforce; workforce planning in place; monitor staff wellbeing

4.5 Many of these recommendations are currently being progressed as part of the 2023 Best Value Action Plan which has been considered by the Best Value Working Group.

4.6 To support improvement, Audit Scotland has developed two supplements for Councils:

- [Supplement 1](#): a collection of case studies to illustrate issues and practice across Councils; and
- [Supplement 2](#): a checklist with questions for Elected Members, to help in their scrutiny and decision-making roles and in their work with Council Executives. The checklist has been designed to allow Elected Members to

identify any actions that they need to take forward to support them in scrutinising and understanding how well their Council is working, exploring how well the Council collaborates with other partners and communities to change the way it delivers services within a very challenging financial context.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 Not applicable

7. Human Resources Implications

7.1 Not applicable

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

8.1.1 There are no risks associated with adopting the recommendations.

8.2 *Risk Implications of Rejecting the Recommendations*

8.2.1 Rejecting the recommendations may increase the financial burden on the Council.

9. Equalities

9.1 The proposals in this report allow scrutiny of performance. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an equality impact assessment is not required.

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

12.1 The matters referred to in this report contribute to delivery of all the Council's strategic objectives and strategic outcomes.

13. Results of Consultation

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Martin Dowey, Portfolio Holder for Corporate and Strategic, and the contents of this report reflect any feedback provided.

Background Papers [**Audit Scotland: Local Government in Scotland - Financial Bulletin 2021/22 – January 2023**](#)

[**Supplement 1: Case Studies**](#)

[**Supplement 2: Questions for Elected Members**](#)

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Date: 20 September 2023

Local government in Scotland

Overview 2023



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
May 2023

Who we are

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

Contents

Key messages and recommendations	4
Background	7
The impact of the pandemic on councils' performance	8
What are the current challenges facing local government?	14
How are councils responding?	27

Key messages and recommendations

Councils have never faced such a challenging situation, with demand and workforce pressures deepening after the Covid-19 pandemic and funding forecast to reduce in real terms. Radical change, achieved through greater collaboration, is urgently needed if councils are to maintain services.

1 Finances and resources

Budget constraints and increasing cost pressures are putting councils' finances under severe strain. An increasing proportion of funding is ringfenced or directed for national policy initiatives. While this is important to help deliver national priorities, it prevents councils from making decisions about how funds can be used at a local level, to meet local need. Councils have had to make significant savings to balance their budgets. Increasingly difficult choices about spending priorities and service provision are having to be made.

Recommendations:

The **Scottish Government and COSLA** need to take urgent action to finalise the New Deal for local government ([paragraphs 71–73](#)) and agree:

- a new partnership agreement with councils that supports collaboration
- a fiscal framework for local government that supports sustainable funding and greater financial flexibility and transparency.

The **Scottish Government** needs to provide more detailed financial information (eg, breakdown of type of funding and individual council allocations) to support councils longer-term financial planning.

Councils need to set out medium- to long-term financial plans that detail:

- how they will make recurring savings and reduce reliance on reserves to fill budget gaps
- how council resources are targeted to achieve their long-term policy and performance priorities.

2 Community needs and inequalities

The pandemic has affected performance across all service areas. There are signs of growing backlogs and declining performance in some service areas. Councils have a clear focus on tackling inequalities but the extent and impact of needs not being met is unclear. Some communities are facing crisis, with persistently high levels of poverty and increasing financial hardship putting additional pressure on services, at a time when councils have less capacity to support them.

Recommendations:

- **Councils** should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need.
- **Councils** should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources. This includes equalities data, and learning from those with lived experience.

3 Collaboration

The scale of the challenges ahead means that radical change is needed. It is only by working more collaboratively that councils and their local partners, communities and the third sector will be able to provide sustainable local services and deliver a significant programme of national reform to tackle issues such as climate change, child poverty and inequalities.

The pandemic demonstrated the benefits of partnership working and shared local goals. This needs to continue. Few councils provide services jointly or share professional support services. Many councils engage well with communities and local partners to better understand local priorities and needs. Now councils must better involve service users and communities, including those with lived experience, as they redesign services.

Recommendations:

Councils need to maximise the potential of collaboration by demonstrating they are:

- working with other councils, the wider public sector and the third sector to redesign and provide services
- involving service users and local communities in the redesign of services.

4 Leadership

Leaders must think radically and make fundamental changes to how councils operate in future, building on the collaborative and innovative ways of working many demonstrated during the pandemic. Leaders need to be open with their staff, communities and local partners about the difficult decisions ahead and be clear about how change will be achieved. The level of volatility, uncertainty (such as plans for a national care service) and immediate financial pressures make planning and delivering sustainable change more difficult. Ineffective leadership and high turnover identified at several councils, alongside tensions with central government present risks to their ability to make fundamental changes at the pace needed.

Recommendations:

Councils' leaders need to invest time and capacity in thinking radically about their future operating model, and:

- be open and clear with communities and staff about the need for change, what that means for future service delivery and involve communities in making difficult decisions
- set out a clear vision for their long-term policy and performance priorities, and how it will be delivered and monitored
- work with the Scottish Government to rebuild an effective relationship.

5 Workforce

Increasing workforce challenges, including a competitive labour market and high sickness absence levels, are putting councils under continued pressure. Councils need to innovate by developing the skills and building on the agility, flexibility and joint working demonstrated during the pandemic to make best use of their existing workforce. Wellbeing initiatives must continue and councils should monitor the impact of new ways of working such as hybrid working on both performance levels and staff wellbeing.

Recommendations:

Councils need to improve workforce planning to effectively develop and deploy their existing workforce. This includes:

- building the capacity, skills, strategic thinking and comprehensive workforce data needed for effective workforce planning
- updating workforce plans to reflect new models of service delivery and ways of working, including how they are:
 - identifying and addressing skills gaps, at operational and leadership levels
 - making best use of their existing workforce by collaborating with partners to overcome recruitment challenges
 - planning for the skills needed to deliver future services, focusing on collaborative and flexible working, including working with the higher education sector to plan and develop skills for the roles needed.

Background

About this report

In August 2020, the Accounts Commission agreed a strategic medium-term approach to reporting on the impact of the Covid-19 pandemic. This approach committed to producing a series of annual overview reports over a three-year period.

This report:

- is the third and final overview report in the series
- builds on the previous reports in the series and examines:
 - how has the pandemic affected councils and their performance?
 - what are the current and future challenges facing local government?
 - how well placed are councils to deal with the current and future challenges?
- draws on findings from the financial bulletin, considering these in the context of the wider overview.

The findings of this report are drawn from 2021/22 annual audits, performance and best value audit work carried out during 2022 and from specific research and analysis of available data and intelligence.

Web resources



To support improvement, we have developed a set of resources for councils which are available on our [website](#). These resources include two supplements:

- a collection of [case studies](#) to illustrate issues and practice across councils
- a checklist with [questions for elected members](#), to help in their scrutiny and decision-making roles and in their work with council executives.

Previous reports



This report follows the first two reports in the series:

- [Local government in Scotland: Overview 2021](#) considered councils' response to and management of the initial phase of the Covid-19 pandemic.
- [Local government in Scotland: Overview 2022](#) considered the ongoing impact of the pandemic and councils' progress towards recovery and renewal.

Each year we publish a financial overview. The most recent one, [Local government financial bulletin 2021/22](#), was published in January 2023.

The impact of the pandemic on councils' performance

Service performance was beginning to stall before the pandemic as a result of long-term reductions in funding and wider pressures. The pandemic has affected performance across all service areas. Some services are showing signs of recovery, but there are also signs of growing backlogs, declining performance in some areas and services at capacity. The extent and impact of needs not being met is not clear.

The pandemic has adversely impacted performance across all service areas and there are signs of growing backlogs, declining performance in some areas and services at capacity

1. In our [Local government in Scotland: Overview 2020](#), we reported that service improvement had begun to stall or even decline as councils dealt with increasingly challenging pressures and long-term reductions in funding. For example:

- performance in many areas of adult social care including delayed discharge, satisfaction and service quality had all slowed or started to decline
- some educational attainment and early years indicators had declined

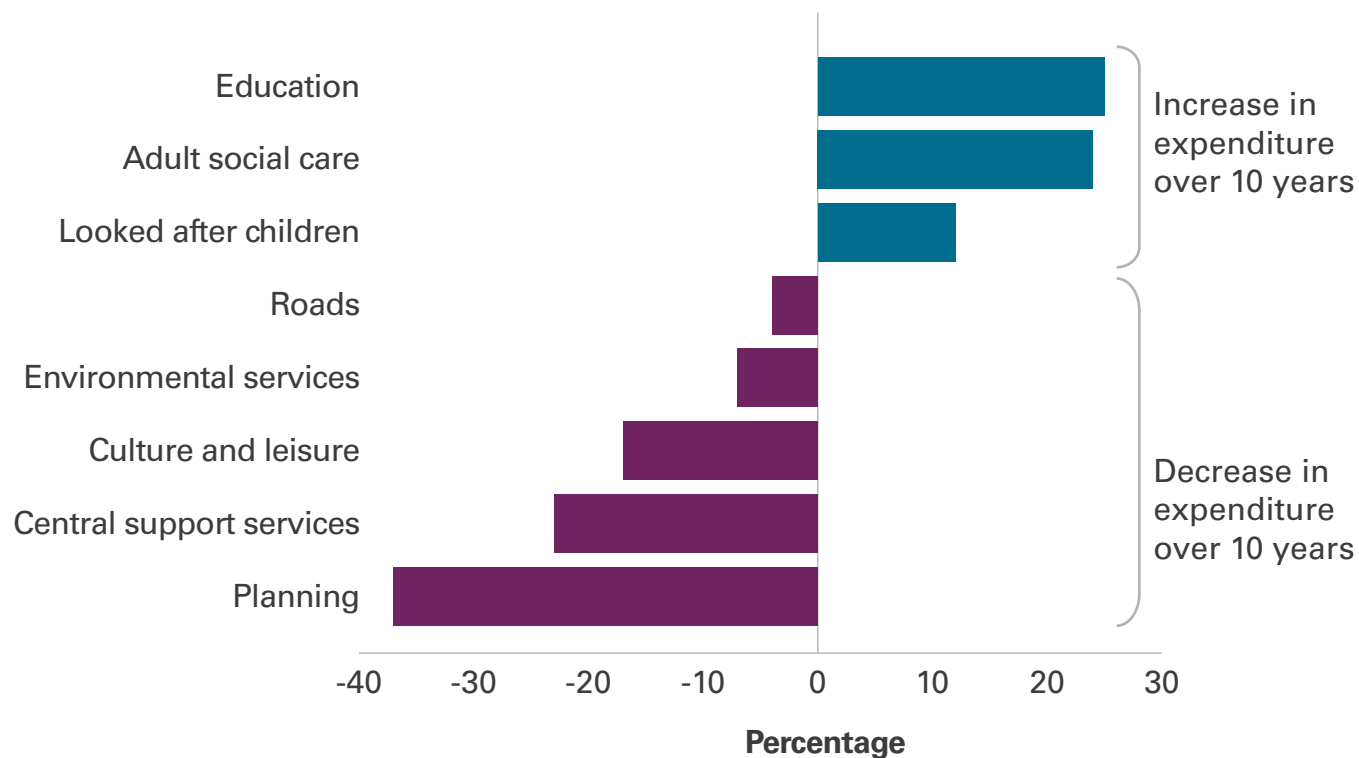
- improvements to recycling levels had stalled and satisfaction with street cleaning and waste collection had reduced
- costs for culture and leisure services had reduced and the number of attendances had increased, but satisfaction had declined across all service areas.¹

2. Over the last decade, there is a clear divergent pattern of spend. Spending on children's services (education and looked after children) and adult social care has been protected and increased because of national policy directives. This means that the remaining 'unprotected' services have borne a disproportionate level of spending reductions ([Exhibit 1, page 9](#)) and some services entered the pandemic already under pressure.

¹ Local Government Benchmarking Framework 2018/19

Exhibit 1.

Percentage change in expenditure (in real terms) over ten years from 2012/13 to 2021/22



Note: Economic development and Tourism services have seen a 43 per cent increase over the period. We have excluded this from the chart as year-to-year expenditure is volatile and there is not a consistent trend in spending over this period.

Source: Local Government Benchmarking Framework, 2021/22

3. Since March 2020, the context councils have been operating in has been unprecedented. While staff worked hard and adapted to maintain the delivery of key services during the Covid-19 pandemic, performance across all services areas was adversely impacted.

4. During the pandemic, councils gave priority to providing essential front-line services to support the most vulnerable. Other services such as culture and leisure were closed for extended periods in line with Scottish Government guidance. Although councils report that all services have restarted, some are not available to the same extent as before the pandemic, and backlogs remain.

5. Councils state that they have a clear understanding of where increased demand and backlogs exist and report on these publicly through committees. We found some good approaches to managing service level demands and backlogs, such as including them in strategic planning and budgeting as well as joint working with local partners.





6. A lack of publicly available data means that we do not know the scale of service demand, backlogs and, in particular, unmet need – and nor does the public. Councils need to be more transparent with the public about the impact of the pandemic, and pressures more widely, on service performance, the extent of backlogs and changes to eligibility criteria necessary to ration access to services.

7. [Exhibit 2 \(page 11\)](#) shows Local Government Benchmarking Framework performance indicators two years on from the start of the pandemic but before the recent cost-of-living crisis and inflationary cost pressures. Nationally, performance in some services is showing signs of recovery, eg education, but it is concerning that there are signs of backlogs, declining performance, and systems at capacity in some of the services that will be most in demand during the cost-of-living crisis, eg housing, homelessness and social care.

8. Councils can make different policy choices about their service and performance priorities. Councils also operate in different environments and these different local factors such as levels of deprivation, population distribution, size of council area and geography affect service demand and performance. An ageing population increases demand for social care services, rurality can make it more difficult to deliver services cost-effectively, and deprivation and poverty have wide-ranging impacts which can affect council services.

Exhibit 2.

Service performance during the covid-19 pandemic against selected Local Government Benchmarking Framework indicators up to 2021/22

Performance at risk or declining	
 Adult social care	<p>There are signs that the sector is in crisis, with growing backlogs, declining satisfaction and no clear picture of demand or unmet need. Spending increased during the pandemic, continuing the longer-term trend. Homecare hours dropped slightly in 2020/21 before increasing to the highest levels ever recorded in 2021/22. Satisfaction continued to decline, and 2021/22 saw a drop of eight per cent in care services graded 'good' or 'better'.¹ Concerns have been raised about day centres not fully reopening. Delayed discharges, an indicator of capacity in the system, dropped at the start of the pandemic but are now at their highest levels since the current guidance came into place in 2016 (delays due to the non-availability of home care are also at their highest).</p>
 Housing and homelessness²	<p>Housing performance indicators fell during the pandemic as a result of increasing financial hardship and Covid-19 restrictions limiting access to properties. Loss of income increased from rising rent arrears and voids. Maintenance performance fell. There was a large drop in housing quality in 2021/22 but overall energy efficiency continues to improve. This reflects Covid-19 related delays in carrying out electrical safety inspections, installing smoke and heat detectors, and upgrading work to improve energy efficiency.³</p> <p>During the first year of the pandemic homelessness fell as a result of emergency extra protections but it is rising again. Some councils are not meeting their statutory duties in terms of homelessness. Performance in providing temporary accommodation is worsening, with record levels of children living in temporary accommodation. Social housing supply is insufficient to meet demand.</p>
 Environmental services	<p>Performance declined during the pandemic. Recycling rates fell during 2020/21 and have not recovered. Cleanliness levels continued their long-term decline, especially in councils with the highest levels of deprivation. Against the long-term trend, parks expenditure increased in 2021/22 largely due to reinstatement of works, following reduced expenditure/income in 2020/21 during lockdowns.</p>
 Culture and leisure	<p>Services were severely affected by the pandemic and future risks are significant. The impact on these services was severe in 2020/21 and into 2021/22 as many facilities closed in accordance with Scottish Government guidelines. This impact can be seen in lower attendances and increased costs per visit: leisure services and museums saw a partial recovery in 2021/22 but library services saw little rebound. With little resilience in these services owing to long-term funding reductions, future challenges are significant. A recent survey of leisure trusts suggests a high risk of closures as a result of inflationary cost pressures.⁴</p>

Cont.

Performance mixed or recovering



Children's services

Performance during the pandemic was mixed, attainment and progress towards closing the poverty-related attainment gap stalled but has shown some recovery. Spending increased during the pandemic, continuing the longer-term trend. This was driven by the expansion of early learning provision. Primary schoolchildren's attainment improved in 2021/22 compared with 2020/21 but has not yet recovered to its pre-pandemic level. A similar trend is seen in the poverty-related attainment gap, which narrowed in 2021/22 compared with 2020/21 but remains larger than pre-pandemic. S3 pupils' attainment fell in 2021/22 compared with pre-pandemic, and the attainment gap widened. The improvement in senior secondary school pupils' attainment seen during the pandemic was sustained in 2021/22 when exams resumed, most strongly in councils with high levels of deprivation. It is concerning that the quality ratings of early learning provision continued to decline and developmental concerns for pre-school children have risen.



Economic development and tourism

Performance declined during the first year of the pandemic, as activity was refocused on Covid-19 financial support, but shows signs of recovery. Investment in economic development dropped during 2020/21 before rebounding to its highest level in 2021/22. That period also saw a huge increase in those helped into work by council employability programmes, reversing the previous trend. Councils' support for business start-ups, a measure of investment in wider economic development, fell early in the pandemic but has shown some recovery. Performance is likely to reflect the impact of councils redeploying staff from traditional employability and business support to focus on the distribution of Covid-19 support grants as well as wider uncertainty in the economy, labour shortages and disrupted supply chains.

Performance maintained



Corporate services

Performance dipped slightly but activity significantly increased, as corporate support services had a critical role in delivering Covid-19 grants, supporting financial hardship and facilitating homeworking for councils' workforce. Spending on the Scottish Welfare Fund and Discretionary Housing Payment rose significantly in 2020/21 and again in 2021/22. Councils processed £72.8 million in self-isolation support grants, mainly in 2021/22.

Notes:

Indicators capture national performance before the recent cost-of-living crisis and inflationary cost pressures. The Improvement Service advises that the methodology for measuring satisfaction indicators through the Scottish Household Survey has changed, so we do not have trends available for comparison.

1. Care service quality figures should be interpreted with caution, as the Care Inspectorate states that this may be due to a focus during the pandemic on higher-risk or failing services.

2. Homelessness statistics are not part of the LGBF. Source is Scottish Government homelessness statistics publication.

3. The decrease in performance against housing quality should be interpreted with caution as higher Scottish Housing Quality Standards were introduced in this time period.

4. [Current Landscape for Leisure and Culture Charities in Scotland](#), Community Leisure UK (Scotland), November 2022.

Source: Improvement Service's Local Government Benchmarking Framework 2021/22 and Scottish Government homelessness statistics

9. The impact of the Covid-19 pandemic on performance at a local level varied as these local factors affected the levels of need and demand, and councils' responses and solutions. Councils should use the Local Government Benchmarking Framework (LGBF) alongside local data and intelligence to compare their performance with neighbouring or similar councils to assess the effectiveness of new ways of working and to help inform them where improvements and better outcomes for communities can be achieved ([Case study 1](#)).

10. Given the service demand and cost pressures facing councils it is unlikely that they will be able to maintain performance across all of the services they currently provide without radical change.

Councils will need to make difficult choices about what their service and performance priorities are. Strengthening the use of data and consulting and involving communities, especially the experience of service users, will be critical to informing these decisions.

Case study 1.

Use of LGBF data to inform improvement

South Lanarkshire Council worked collaboratively with the Improvement Service to achieve the most value from the LGBF indicators in a way that helps drive its improvement based on its strategic priorities.

In December 2021, the Improvement Service provided a bespoke analysis of LGBF indicators for the council, structured around the council's new Connect Plan. Each of the council's services considered which LGBF indicators added value for inclusion in a subset of indicators for future reporting. Of the 95 LGBF indicators available, 33 were identified as aligning with the outcomes of the council's new Connect Plan. These were embedded within the Connect Plan's reporting and used to focus attention on how well the council is performing in achieving its strategic outcomes. The bespoke approach aims to provide greater opportunities for elected members to scrutinise the LGBF within a council specific context and should allow for more meaningful use when making strategic decisions.

Source: [South Lanarkshire Council's annual audit report 2021/22](#)

In March 2023, the Improvement Service launched a newly developed [dashboard](#) that allows councils to explore and analyse all the LGBF performance indicators in an interactive data tool. This is intended to help councils better assess and benchmark their performance.



What are the current challenges facing local government?

Councils are operating in an increasingly volatile and uncertain landscape, as pressures increase after Covid-19 and funding is forecast to be reduced in real terms. Some communities are facing crisis, with increasing poverty and financial hardship putting additional pressure on services at a time when councils have less capacity to support them.



Financial

Budget constraints and increasing cost pressures are putting councils' finances under severe strain.



Local needs

Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected.



National policies

Councils are managing an increasing programme of national reform, including plans for a national care service, which comes with substantial funding implications and increased uncertainty.



Workforce

Increasing workforce challenges such as difficulty recruiting and high sickness absence levels are putting councils under continued pressure.



Leadership

While many councils demonstrated strong collaborative leadership during the pandemic, ineffective leadership and high turnover identified at several councils present a risk.



Budget constraints and increasing cost pressures are putting councils' finances under severe strain

Councils' funding has been constrained for many years

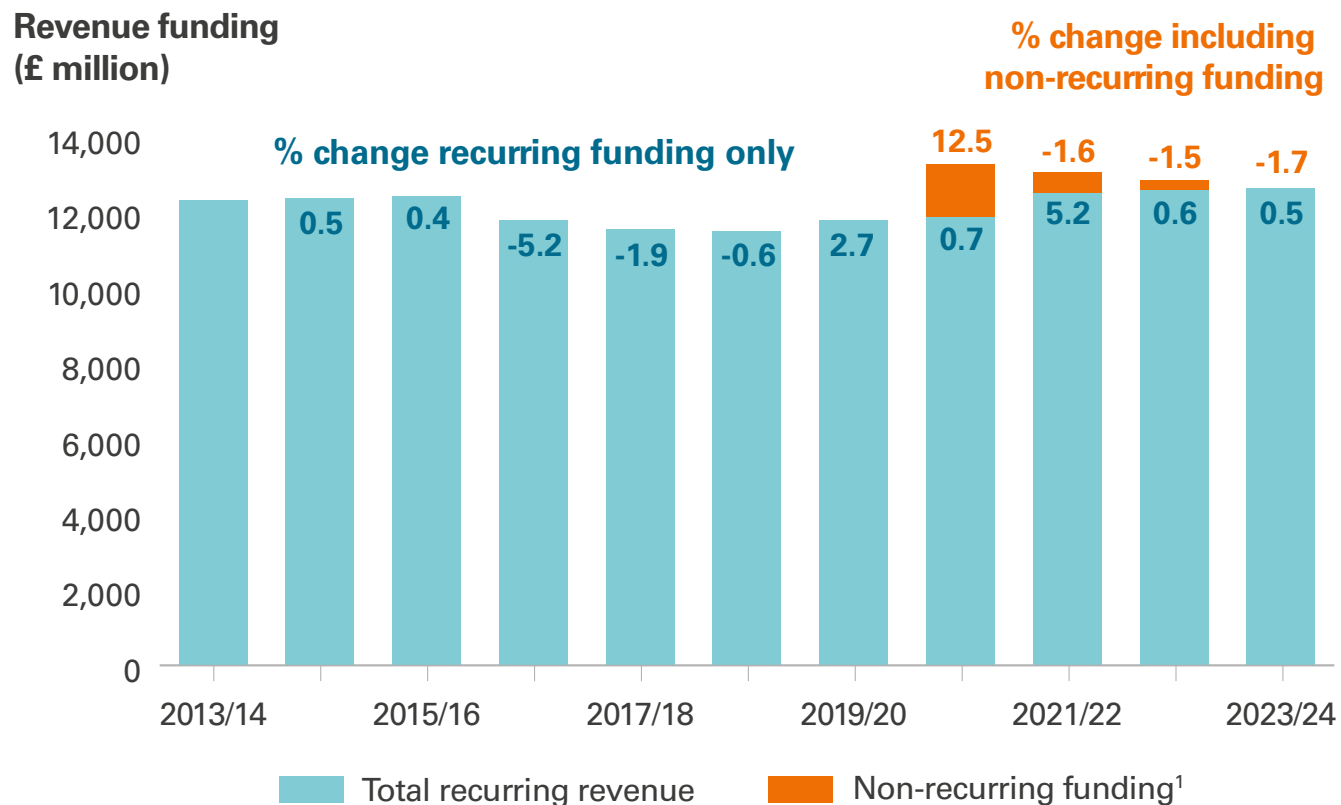
- 11.** Councils receive the majority (over 70 per cent) of their funding from the Scottish Government.
- 12.** [Exhibit 3 \(page 16\)](#) shows funding from the Scottish Government over the last decade. Over this period (comparing 2023/24 to 2013/14), revenue funding to local government has increased by 2.6 per cent in real terms.
- 13.** In 2021/22 (excluding Covid-19 funding elements which are non-recurring) revenue funding from the Scottish Government to councils increased by 5.2 per cent in real terms compared to 2020/21. This increase brought funding back to a level similar to what it was in 2015/16.
- 14.** Total revenue funding saw small real terms increases in both 2022/23 and 2023/24 when non-recurring elements of the settlement are removed.
- 15.** Despite additional Covid-19 funding amounting to £1.8 billion during the first two years of the pandemic, councils continued to face significant financial challenges, requiring substantial savings to deliver balanced budgets and increasingly difficult choices to be made about spending priorities.
- 16.** An additional pressure is that the funding of local government has not kept pace with other parts of the Scottish budget for many years.
- 17.** Our [Local Government in Scotland: Financial Bulletin 2021/22](#) provides further detail on councils' financial position.

Funding is forecast to reduce in real terms

- 18.** In May 2022, the Scottish Government published its Resource Spending Review 2022. This is the first multi-year spending plan in Scotland since 2013. It set out high level spending plans up to the end of this parliament in 2026/27, which show that 'core' funding is set to reduce in real terms ([Exhibit 4, page 17](#)).
 - 19.** The recent 2023/24 Scottish Budget allocated £10,933 million 'core' funding to local government for 2023/24 which is higher than what was forecast in May 2022. There was no update on whether future years will also see similar uplifts.
-
- We expect an updated funding outlook for 2024/25 and subsequent years to be published as part of the Scottish Government's medium-term financial strategy in May 2023.*
-
- 20.** While a multi-year spending plan is welcome, the financial information within the plan is not sufficiently detailed (nor is it broken down to individual council allocation) to fully support long-term planning purposes.

Exhibit 3.

Scottish Government revenue funding to local government (in real terms) and year-on-year percentage change, 2013/14 to 2023/24



Notes:

1. Non-recurring funding refers to Covid-19 related funding in 2020/21 and 2021/22 and cost-of-living support for council tax bills in 2022/23.

2. We use the finance circulars to compare the funding position year-on-year as we believe this is the most accurate comparison. These figures include funding for national policy initiatives and transfers from other portfolios. Figures calculated at 2023/24 prices.

Source: Scottish Local Government Finance Circulars

Exhibit 4.

Resource Spending Review financial outlook to 2026/27

The plan projected real-term reductions to 'core' funding for local government.

(£000s)	2023/24	2024/25	2025/26	2026/27	2027/28
Cash terms	10,616 ¹	10,616	10,616	10,616	10,716
Real terms	10,616 ¹	10,452	10,352	10,230	10,158
Percentage change cash		0.0%	0.0%	0.0%	0.9%
Percentage change real		-1.5%	-1.0%	-1.2%	-0.7%

Notes:

1. Since publication of the Resource Spending Review the 2023/24 Budget has been agreed which saw local government's allocation increased to £10,933 million for that year.

2. These figures represent funding before transfers from other portfolios. Real terms figures calculated at 2023/24 prices.

Source: Audit Scotland using the Resource Spending Review, May 2022 and the Scottish Budget 2023/24

Increasing cost pressures jeopardise the sustainability of local services

21. At a time when councils and their communities are still feeling the impact of the Covid-19 pandemic, councils are now also having to manage increasing cost pressures including:

- inflationary pressures, including rising energy costs, which are having a significant impact on the cost of providing services
- managing the ongoing recovery from Covid-19 and its longer-term impact, now that one-off Covid-19 funding has ended
- meeting the cost of new pay awards and Real Living Wage
- increasing demand for services from a population that is ageing, less healthy and facing increasing financial hardship
- higher costs of capital programmes as a result of inflation, slippage due to the pandemic and shortages in construction materials. These increased costs may affect councils' ability to deliver on capital transformation programmes, which are a necessary component of modernising services to deliver improved outcomes for local communities. We report further on capital pressures in our [Local Government in Scotland: Financial Bulletin 2021/22](#).

22. These significant cost pressures alongside forecasted reductions to funding are leading some chief executives to be concerned about the sustainability of councils. This could lead to cuts to services and job losses, particularly in the absence of a radical reform of services.

23. A UK-wide survey by the Society of Local Authority Chief Executives (SOLACE) found that 78 per cent of council chief executives and senior managers responding to the survey stated that they were facing a large or very large budget gap in 2023/24.¹ Those services they identified as at risk of cuts included:

- Environmental service (identified by 75 per cent of respondents)
- Libraries, leisure and tourism (67 per cent)
- Regeneration (50 per cent)
- Adult social care (44 per cent)
- Transport (38 per cent)
- Children’s services (37 per cent)
- Housing (33 per cent).

24. While there is no doubt that cost pressures and budget constraints are putting pressure on services, there is no clear picture yet of the scale and impact of service cuts or reductions.

Councils are relying on reserves to bridge budget gaps

25. In 2022/23 councils’ total budget gap stood at £0.4 billion. COSLA estimates that the budget gap for 2023/24 will be £1 billion. There is a large gap between what COSLA states councils need and the Scottish Government’s funding allocation and it warns this could mean fewer jobs and cuts to services.

26. Two-thirds of councils intended to use reserves to bridge the 2022/23 budget gap and target recovery activity. While this is understandable as some of this was Covid-19 funding carried forwards via reserves to spend in the following year, these funds were one-off payments. It is not sustainable to keep using reserves to meet financial pressures.

27. It is important that councils maintain overall reserve levels in line with local strategies to ensure longer-term resilience and sustainability. Having robust medium- and longer-term financial plans in place will continue to be key to maintaining financial sustainability. Councils will also need to make difficult choices about spending priorities.

Increasingly ring-fenced and directed budgets reduce financial flexibility

28. An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services.

29. In our [Local Government in Scotland: Financial Bulletin 2021/22](#), we calculated this to be 23 per cent of total revenue funding in 2021/22 compared to 18 per cent in the previous year. Ring-fenced and directed funding helps support the delivery of key Scottish Government policies but limits local discretion and flexibility over how these funds can be used locally by councils.

30. [Exhibit 5 \(page 19\)](#) details how we calculated ring-fenced and directed funding and how the Scottish Government and COSLA interpretations differ.

¹ SOLACE [Autumn statement survey](#), November 2022.

Exhibit 5.

Views on ring-fenced or directed elements of the Scottish Government's revenue funding to local government



Scottish Government's view

Only the specific revenue grant is formally ring-fenced to fund identified policies. Other funding commitments are directed for national policy commitments but are not formally ringfenced.

In 2021/22, the specific revenue grant was £776 million, representing seven per cent of total revenue funding for local government. This included funding for early learning and childcare expansion, Pupil Equity Fund and criminal justice social work.



COSLA's view

Includes the specific revenue grant plus obligations created by current and past Scottish Government policy initiatives and fixed obligations such as loan charges.

In 2021/22, COSLA estimated that these represented 65 per cent of local government revenue funding. As part of their estimate COSLA include all school teaching staff costs (due to the national commitment to maintain teacher numbers), all adult social work costs devolved to IJBs alongside other policies such as universal Free School Meal provision for P1–5.



Our calculation

We include the specific revenue grant and funding outlined in local government finance circulars and Scottish Government budget documents as being directed for national policy initiatives.

For 2021/22, we estimated that ring-fenced and directed funding totalled £2.7 billion, representing 23 per cent of total revenue funding for local government. A large amount of this was to support elements of education and social care service provision.

Source: [Local government in Scotland: Financial overview 2018/19](#), [Local government in Scotland: financial bulletin 2021/22](#) and information from COSLA including their [submission](#) to the Scottish Parliament's Finance and Public Administration Committee work on The Impact of the Cost of Living and Public Service Reform, August 2022



Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected

31. While the local impact of national demographic trends varies, for many years we have been reporting how changes in the structure of the population affect the need for and demands on many council services. These changes include:

- a declining population that is also ageing, with the proportion aged over 65 projected to increase by a third by mid-2045²
- falling life expectancy and falling healthy life expectancy. The gap in healthy life expectancy between the top and bottom socio-economic groups is about 25 years.^{3 4}

32. The legacy of the Covid-19 pandemic and now the cost-of-living crisis have brought new pressures or exacerbated existing ones ([Exhibit 6, page 21](#)). The situation faced by some is stark, with increasing financial hardship and a decline in levels of mental wellbeing. Low-income households and people already experiencing inequalities are most affected.

33. Child poverty remains persistently high. In 2019–22, 24 per cent of children were living in relative poverty, the same level as five years ago.⁵ Two issues should be taken into consideration when considering this year's child poverty statistics:

- As noted in our [Tackling child poverty](#) briefing paper the main indicator – relative poverty – is based primarily on income rather than outgoings and so does not fully capture the impact of the cost-of-living crisis on children and families.
- Two key policies that may have a positive impact on child poverty figures – the rollout and increase in value of the Scottish Child Payment and the expansion of funded early learning and childcare to 1,140 hours – are not yet fully captured in the data.

34. Councils have a key role in tackling these issues and providing support. These growing pressures affect:

- the demand for services, including social care, education, financial support such as Scottish Welfare Fund grants and discretionary housing payments, housing and homelessness, and employability
- council income in terms of rent and council tax arrears.

35. At a time when councils are under severe financial strain, finding the capacity and resources to respond to these pressures in the short and longer term will be a challenge.

² [Projected Population of Scotland \(2020-based\)](#), National Records of Scotland.

³ [Life Expectancy in Scotland, 2019–2021](#), National Records of Scotland.

⁴ [Healthy Life Expectancy 2019–2021](#), National Records of Scotland.

⁵ [Poverty and Income Inequality in Scotland 2019–22](#), March 2023.

Exhibit 6. Examples of growing pressures



Persistently high levels of child poverty

In 2019–22, 24 per cent of children were living in poverty, affecting every aspect of their wellbeing and life chances. This is at the same level as five years ago, and the ongoing increases in the cost-of-living crisis risk more children experiencing poverty.

Increasing financial hardship for people living with a disability

Sixty-four per cent of respondents to a small survey by Inclusion Scotland in September 2022 said that they are cutting down on or going without items or services used directly to manage their impairment or health condition.

Increasingly stark situation for low-income families

Almost one in five low-income families are unable to afford food or heating. Eighteen per cent of low-income households have skipped or reduced the size of meals and not heated their home due to the cost-of-living crisis (Poverty in Scotland 2022, Joseph Rowntree Foundation).

Increasing food insecurity

In 2021, nine per cent of adults were worried about running out of food, six per cent were eating less, and three per cent were running out of food (The Scottish Health Survey, 2021). 45 per cent of children living in poverty live in households that lack food security (2019–22 Child Poverty Statistics).



Increasing rent arrears

Over 110,000 council tenants were in arrears as of March 2022 (an increase of 6.6 per cent since March 2021).

Ethnic minority households more likely to experience deeper levels of poverty

Ethnic minority households are likely to spend a greater proportion of their income on essentials that are subject to inflation. The proportion of children in relative poverty after housing costs in minority ethnic households is 39 per cent (2019–22 Child Poverty Statistics).

Increasing financial hardship for single parent families

Three in five single parents find it extremely difficult or are no longer able to afford utility payments, and two out of five say the same about food (One Parent Families Scotland research, March 2022).

Declining average levels of mental wellbeing

Levels were lower in 2021 than in 2019, following a decade in which levels had remained fairly constant. Women's average mental wellbeing fell by more than men's during the pandemic, and those people living in more deprived areas continue to report lower wellbeing. The lowest mental wellbeing scores were reported for young adults in the most deprived areas (Scottish health survey, 2021).



Councils are managing an increasing programme of national reform, including plans for a national care service, which comes with substantial funding implications and increased uncertainty

36. Councils have a unique role in shaping local communities. They provide many of the key local services that individuals and communities rely on. They also have a key local and, in many cases, regional role working with partners to set local priorities and improve long-term outcomes for their communities.

37. Alongside local priorities, councils play a leading role in delivering many national policies. Current areas of national policy or reform affect nearly every aspect of local government, such as education, early learning provision, tackling child poverty, adult social care and achieving net zero targets.

38. These policy initiatives will see fundamental changes in how council services are provided, come with substantial funding implications, and increased uncertainty. National policy initiatives also take up an increasing amount of council budgets which brings challenges in delivering local priorities and sustaining other service areas. This context makes longer-term financial planning challenging yet vital to ensure financial and service sustainability.

Plans for the new National Care Service are uncertain and divide opinion

39. The social care sector is under severe pressure from high demand and persistent workforce challenges, and a lack of action now presents serious risks to the delivery of care services for individuals. The [Independent Review of Adult Social Care](#) (IRASC), published in February 2021, sometimes referred to as the Feeley Report, proposed the formation of a National Care Service stating that the potential of social care support

in Scotland cannot be achieved without a new delivery system and that a National Care Service is needed to achieve consistency, drive national improvements, ensure strategic integration with the National Health Service, set national standards and terms and conditions, and bring national oversight and accountability by bringing together everyone with a role to play in planning and providing social care support.

40. The National Care Service Bill is at stage 1 but has been postponed until at least September 2023 because of concerns about the adequacy of parliamentary scrutiny based on only a framework Bill. There are still many unknowns. Details of the arrangements have yet to be determined and the scale of the costs involved in the financial memorandum are estimates with many caveats. The affordability of the vision set out is not certain given the actual scale of the costs are not yet clear. It is difficult for councils to plan current services with such uncertainty.

41. While there is consensus that fundamental reform is essential for long-term sustainability, there is not agreement about what that reform looks like and how it will be implemented.

Although local government agrees that reform is necessary, it disagrees that centralising services and structural reform will achieve the improvements needed. While the Scottish Government wants consistency of service across the country, stakeholders have raised concerns about the scale of reform and the time it will take to implement it.

42. Immediate concerns in the sector are that current issues (such as workforce and financial sustainability) in social care are in a critical state and these need addressed now.

43. We highlighted in our [Social Care](#) briefing (January 2022) that lessons need to be learned from past restructuring and public service reform, for example health and social care integration, police and fire reform, college sector regionalisation, and the development of social security responsibilities in Scotland.

44. Our reports in these sectors have found that reform is challenging, and public bodies have experienced difficulties implementing elements of reform – expected benefits are not always clearly defined and, even if they are, reform does not always deliver the expected benefits, particularly in the short term. Any difficulties in implementing social care reform could have a significant negative impact on vulnerable people who rely on care and support.



Our recent reports on other national policy areas:

Child poverty: in September 2022 the Accounts Commission and Auditor General for Scotland produced a briefing [Tackling child poverty](#).

Education: in March 2023, we published a blog [Encouraging progress on education data but still a long way to go](#).

Early learning and childcare: in June 2023 we will publish our third performance audit on the expansion of early learning and childcare.

Councils have a critical role in meeting national climate change goals

45. Councils have a critical role in achieving Scotland’s national climate change goals and contributing towards the national target of net zero by 2045. This includes councils:

- managing their own activities, estates, and assets to reduce their greenhouse gas emissions and achieve net zero – councils’ corporate emissions are the largest element of all public sector emissions in Scotland
- demonstrating leadership to tackle climate change across their local area, supporting behaviour change by helping their communities to adopt low carbon lifestyles and working with local partners to help communities adapt to the impacts of climate change.

46. In September 2022 we published [Scotland’s councils’ approach to addressing climate change](#) which set out that there are big differences in the targets that councils have set and their timescales for reaching net zero. We also found that councils need to be more transparent about their targets, their plans to meet them and the challenge ahead. Successfully addressing climate change is a huge challenge and will only be achieved with collaboration across all parts of government and society.

47. Financial constraints and a lack of specialist skills risk net zero ambitions not being realised. Failure to act early enough, however, will increase costs in future years. It could also make existing health and social inequalities worse, because the impacts of climate change, such as extreme weather events, can have a disproportionate effect on vulnerable groups and those living in poverty.



Increasing workforce challenges such as recruitment difficulties and high sickness absence levels are putting councils under continued pressure

- 48.** Staff worked under unprecedented strain during the pandemic to adapt and maintain services and support communities. That same workforce is still under pressure.
- 49.** Despite a focus on wellbeing, overall absence levels for non-teaching staff in 2021/22 were the highest on record ([Exhibit 7](#)). The Improvement Service highlight stress and burn-out as contributing to high absence levels.⁶
- 50.** Recruitment and retention continue to be a challenge in both senior and front-line roles across Scotland as the employment market remains highly competitive ([info box, page 25](#)).
- 51.** In our 2022 [Social care briefing](#), we reported that the sector faced ongoing recruitment and retention challenges, with high vacancy rates. This situation has worsened since, with 47 per cent of services reporting vacancies in 2021 compared with 36 per cent the previous year and 11 per cent across all sectors in Scotland. The whole-time equivalent vacancy rate in 2021 was 8.1 per cent, up from 5.1 per cent the previous year. In comparison, the vacancy rate across all sectors in Scotland was 1.9 per cent.⁷ Our briefing highlighted issues such as poor terms and conditions and staff not feeling valued as contributing to these recruitment difficulties.

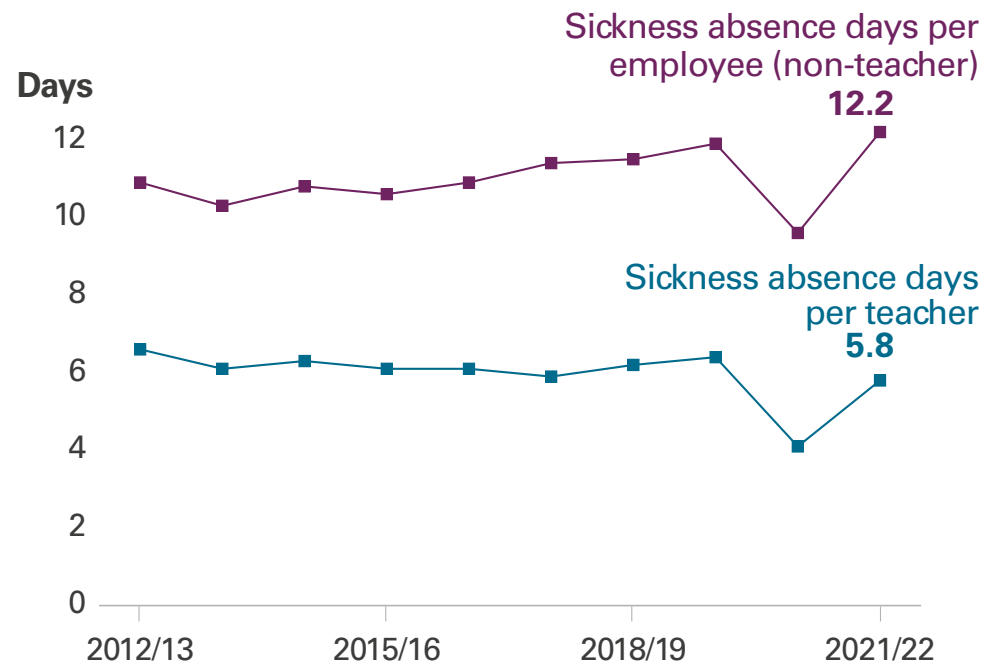
⁶ [National Benchmarking Framework Overview Report 2021–22](#), Improvement Service, March 2023.

⁷ Care Inspectorate and Scottish Social Services Council (SSSC), Staff vacancies in care services 2021 report, Scottish Government’s Employer Skills Survey 2020.

Exhibit 7.

Sickness absence levels over ten years from 2012/13 to 2021/22

Staff absence levels (excluding teachers) were the highest ever recorded in 2021/22. Teacher absence levels also increased in 2021/22 but remain lower than pre-pandemic levels.



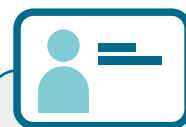
Note: Covid-19 absences are recorded separately and do not contribute to the trends.

Source: Local Government Benchmarking Framework 2021/22

52. The Society of Personnel and Development Scotland (SPDS) and the Improvement Service state that councils are also reporting emerging recruitment problems in new areas such as accountancy and corporate services, which may present risks to financial management.

53. The cost-of-living crisis, driven by inflationary cost pressures, led to industrial action by refuse workers and teachers over pay. While pay claims increase the pressure on budgets, prolonged negotiations adversely affect staff morale and service delivery.

54. Councils showed considerable flexibility in redeploying staff and adopting remote or hybrid working during the pandemic. However, it is still unclear exactly what impact hybrid working has on productivity or future models of service delivery. Recent research undertaken by the Scottish Government on this presents mixed findings.⁸ Our recent report [Resourcing the benefit service: A thematic study](#) found that remote working may present a risk to claims processing performance and recommended that councils regularly review flexible location working arrangements to determine the impact on service delivery and performance.



Reasons for recruitment and retention issues

Hybrid working has changed the way people work: they can now work remotely for an organisation in England or further afield. Private sector firms are offering hybrid working and looking to offer further improvements in quality of life.

Senior roles: bottom loading pay deals have narrowed the gap between junior and senior roles and made the latter less desirable. Public sector pay at senior levels has not kept pace with other sectors, so staff are leaving for better paid positions.

Retirement: the workforce is ageing and people are retiring, but now councils are seeing people retiring earlier.

Source: Audit Scotland using information from the Improvement Service, SPDS and Local Government Information Unit (LGIU)

⁸ [Working from home during the COVID-19 pandemic: benefits, challenges and considerations for future ways of working](#), Scottish Government, October 2022



While many councils demonstrated strong collaborative leadership during the pandemic, ineffective leadership and high levels of change in senior officers identified at several councils present a risk

55. During the Covid-19 pandemic, many councils demonstrated strong collaborative leadership, working at pace with communities, the third sector and partners to provide the response needed. Councils' response was quicker where good partnership arrangements were already in place.⁹ Leaders used their local knowledge and set out clear priorities for working towards a common purpose.

56. Despite this, the following leadership risks have been identified in recent audit work:

- **Ineffective strategic leadership:** of the four Best Value Assurance Reports (BVARs) completed last year, in three (Moray, Shetland and Eilean Siar) we found that elected members were not demonstrating effective strategic leadership alongside senior management. This included leaders needing to better coordinate and drive forward plans, to have a stronger focus on strategic issues and elected members needing to work better together to deliver priorities.
- **Ineffective governance or scrutiny:** our 2021/22 annual audit work identified leadership risks relating to ineffective leadership in nine councils, often linked to ineffective governance, scrutiny, or both.
- **High levels of turnover:** most councils reported changes in senior leadership during 2021/22. Six chief executive or depute positions saw changes. Recent BVARs highlight that some councils are experiencing persistent difficulties in recruiting to key leadership posts.

57. The growing scale of the challenges facing local government requires leaders to make decisive and fundamental changes to how councils will operate in future. The leadership and strategic vision of elected members and senior officers will be crucial. Ineffective leadership and high turnover put at risk councils' leadership capacity to bring about fundamental change at the pace needed.

The pandemic and cost-of-living crisis have exacerbated tensions in central and local government relations

58. Effective partnership working between the Scottish Government and local government, built on a foundation of mutual trust, is essential for councils to be able to perform their key role in leading and shaping communities.

59. The pandemic and cost-of-living crisis has exacerbated tensions in central and local government relations. While local government demonstrated the positives of localism during the pandemic, and the Scottish Government is committed to local self-governance and community empowerment, local government feels that it should be involved in policymaking as well as implementing those policies at a local level.

60. There is appetite to rebuild an effective relationship between local and central government so that the strengths and capacity of both can be maximised to meet the challenges. Meaningful steps to realising these potential benefits would include Scottish Government and COSLA agreeing the New Deal ([paragraphs 71–73](#)).

⁹ [Community empowerment: Covid-19 update](#), Audit Scotland, October 2021

How are councils responding?

Councils must focus urgently on solutions that will deliver a sustainable future for local government.

Councils need to challenge old ways of doing things and take urgent action to reform

61. The scale of the challenge that lies ahead is greater than anything local government leaders (elected members and senior officers) will have ever experienced. Councils must work on three planning horizons: continue to deliver services here and now, identify and make improvements in the short term and plan for the longer-term radical change. This is an incredibly hard thing to do with an exhausted workforce but with councils' future funding position forecast to reduce in real terms, radical change is necessary so that councils can continue to serve their communities, respond to needs, meet demand and improve outcomes for people in the future.

62. Delivering services differently should be focused on improving performance and outcomes in ways that are innovative, affordable, and sustainable. A decade on, the four pillars in the Christie Commission report – people, prevention, performance, and partnership – are just as important and councils should embed them into their long-term visions and priorities.¹

63. The Commission recognises the challenges, complexities, and uncertainties that local government faces. In our [Local Government in Scotland 2019](#) report, we emphasised the need for councils to urgently consider making fundamental changes in how they provide

services. No one could have predicted the years that were to follow, nor the pressures that councils would face, yet evidence that councils are delivering radical sustainable reform is limited.

64. In this section, we set out how councils are placed to respond to the challenges they face and to move towards adopting a sustainable future model of local government. We consider the following themes:



Finances and resources



Leadership



Collaboration



Workforce



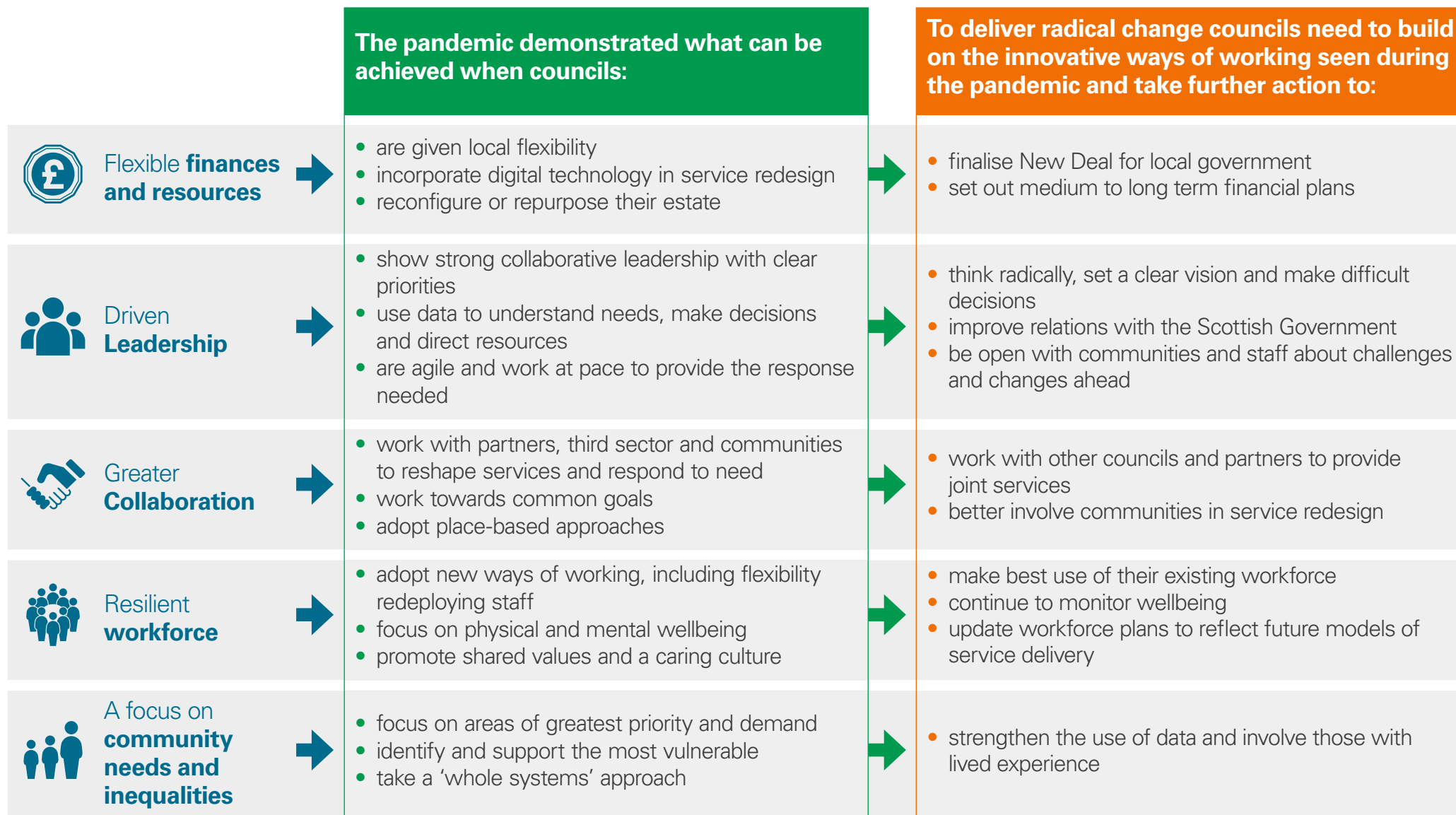
Community needs and inequalities

65. To achieve radical change, leaders need to build on the innovative ways of working demonstrated during the pandemic. [Exhibit 8 \(page 28\)](#) draws on lessons learned from the pandemic response based around the five themes above as well as outlining where we judge that more still needs to be done.

¹ [Christie Commission on the future delivery of public services, June 2011](#)

Exhibit 8.

Lessons learned from the pandemic and what more needs to be done





Councils need to balance immediate financial pressures with planning for and delivering long-term sustainable services

66. As the whole public sector faces the most difficult financial outlook seen for many years, councils need to make increasingly difficult choices about their spending priorities and balance short-term pressures with planning fundamental reform to provide long-term financial sustainability.

67. In the short term, councils have focused on immediate budget pressures. In our [Local Government in Scotland: Financial bulletin 2021/22](#) we reported that for 2022/23 the majority of the estimated budget gap (that is the gap between anticipated expenditure and revenue) was planned to be bridged by:

- **Recurring savings:** these savings were expected to meet about 37 per cent of the budget gap. For 2021/22 (the most recent year of accounts), councils' savings performance continued to improve but some chief executives and COSLA are concerned that forecasted reductions to funding will mean reductions or cuts in services and job losses.
- **Use of reserves:** two-thirds of councils intended to use reserves to help bridge the gap. This reliance on non-recurring reserves is not sustainable in the medium to long term.
- **Increasing council tax rates:** the Scottish Government lifted the freeze on council tax in December 2021. For 2022/23, the majority of councils increased council tax rates by three percent (in 2023/24, the majority increased rates by five per cent).
- **Use of financial flexibilities:** about four per cent of the gap was expected to be met by councils reprofiling their loans funds repayments by extending the repayment period. This generates one-off savings and is not sustainable in the long term.

- **Increasing income through fees and charges:** the scope for increasing income and the scale that can be achieved is currently limited but options being explored include councils introducing charges for garden waste, a transient visitor levy ('tourist tax') and tariffs for public electric vehicle charging.

68. The achievement of recurring savings and a movement away from the reliance and use of non-recurring savings and reserves will be important to ensuring longer-term financial sustainability.

69. Councils also need to focus on making increasingly difficult choices about their spending priorities and medium- to long-term financial planning must mature as councils look to make more fundamental change.

70. In May 2022, the Scottish Government published the first multi-year resource spending review in Scotland since 2011, outlining its resource spending plans up to the end of this Parliament in 2026/27.

While welcome, the financial information was not sufficiently detailed for planning purposes, with spending plans expressed at 'level 2' for the four years of the spending review period without individual council allocations indicated.

Agreeing the New Deal will be an important step forward

71. The May 2022 Resource Spending Review also set out plans to agree a New Deal for local government. The Scottish Government, COSLA and SOLACE are working together to advance this, building on the work of the paused local governance review (which was launched in 2017).

72. In its Programme for Government 2022/23 (published in September 2022), the Scottish Government reinforced its commitment to agreeing a New Deal including a fiscal framework for local government. The New Deal was expected to be agreed by April 2023.² However, the Cabinet Secretary for Social Justice, Housing and Local Government indicated in January 2023 that it was likely to be delayed by several months.³ Since then there has been a new First Minister and changes to senior posts in the Scottish Government and COSLA.

While it is important to get the New Deal right, action is now urgently needed to agree this. Further delays present considerable risks to the wider urgent action that councils need to take.

73. The New Deal is an important step in developing a partnership agreement that supports collaboration and trust, as well as developing a new fiscal framework that supports more certainty of funding, greater transparency and more flexibilities for local government. This should enable councils to better plan their long-term priorities and future service delivery models, and to manage council resources more effectively to deliver them.

² [Investing in Scotland's Future: Resource Spending Review](#), Scottish Government, May 2022.

³ [17 January 2023 Local Government, Housing and Planning Committee](#).



The New Deal is anticipated to include three elements:

- a partnership agreement with councils
- a fiscal framework to support greater transparency and accountability
- a working group to explore different options for the funding of local government in the future.

The aims of the New Deal include:

- balancing greater financial flexibility with accountability for delivering national priorities
- increased flexibility in and scope for revenue raising powers, such as the 'tourist tax' and workplace parking levy
- exploring how best to transform the digital administration of the non-domestic rates system
- increasing the flexibility available to councils for existing service concession arrangements, such as PFI- or NPD-funded projects
- a comprehensive capital accounting review.

Source: Audit Scotland using information from the [Scottish Government's Resource Spending Review](#), May 2022 and updates from [Letter from the Cabinet Secretary](#) to the Social Justice, Housing and Local Government, July 2022 and [Committee report](#), Net Zero, Energy and Transport Committee, January 2023.



Leaders need to invest time and capacity into thinking radically about their councils' future operating model, how it will be achieved and be open with communities and staff

74. Leaders (elected members and senior officers) must respond to the immediate pressures while also providing a long-term vision for their local areas and how services will be delivered differently in future. Leaders are vocal about the challenges ahead, and there is an increasingly clear appetite for change. However, the level of uncertainty and volatility faced by councils makes planning for the future more difficult.

75. In our Best Value reports on individual councils, we have seen that the quality of leadership and the pace and appetite for change varies. The current challenges may reinforce this gap with the risk that some councils will be left behind. The experience of leading through the pandemic and building on the lessons learned; reducing bureaucracy, working with partners and communities, focusing on the vulnerable, pivoting to digital and using the workforce in flexible ways must be consolidated and built upon.

76. In our [2022 report](#), we outlined important leadership principles that enabled councils' response to the pandemic – communication, collaboration, emotional intelligence, data-driven, agile and flexible, culture-focused, and enabling community empowerment. Leaders should draw on these to overcome the challenges now faced.

77. The challenging context needs leaders to invest time and capacity into thinking about radical changes to their council's future operating model. It is important that leaders are clear about their long-term policy and performance priorities, are managing council resources effectively to deliver them and are open with communities about what range and levels of services they can expect to receive in future.

78. It is important that councils with identified leadership risks develop the leadership skills needed to respond to this complex and uncertain

environment. It is positive that most councils have undertaken an assessment of senior leadership skills and developed action plans to address any skills gaps. High turnover at leadership level presents a risk to delivering change, and councils will need to continue to assess how best to recruit, pay and keep the talent needed.

79. Councils have structured induction programmes for new elected members and many also have further training programmes or development opportunities. Several councils have personal development plans to provide bespoke training for elected members ([Case study 2, page 32](#)). Elected members have a crucial role in engaging with their communities to explain future priorities and what that means for services and the local area, and to manage expectations. Many councils have been working on this through participatory budgeting and consultations on spending and service priorities ([Case study 3, page 32](#)).

80. Leaders recognise the need to engage with staff and trade unions on the implications of fundamental reforms for the workforce. They also recognise the need to involve them in developing solutions, innovating, and committing to a clear vision and aims for the council, its services, and the way it works with partners, the third sector and communities to make the most of scarce resources in their places. It is recognised, however, that this is particularly challenging in an environment of potential job losses.

Leadership is the focus of the Commission's annual Best Value thematic work this year and will be covered in all council annual audit reports published in Autumn 2023.

Case study 2. Elected member training and induction

West Lothian Council has an elected member development programme, which includes an online structured induction programme. Key topics include climate change, emergency planning and quality assurance procedures. Members are also supported to complete a personal development plan to enable them to identify and discuss specific and individual needs. Members are encouraged to review their role and consider what will help them to improve their performance and develop their knowledge, skills and abilities. This could be through training events, coaching, working with an experienced colleague or project work.

An evaluation of the induction programme was undertaken in July 2022 and positive feedback was received from elected members.

Source: Audit Scotland auditor data return and information from West Lothian Council

Case study 3. Community budget consultations

Perth and Kinross Council asked residents for their views on the council's 2023/24 budget and priorities for the next five years via an online survey accessed through the council's consultation hub. The council also held several in-person and online budget and corporate plan engagement events where communities could voice their views on the proposed new vision for Perth and Kinross. Residents were presented with the council's seven draft priorities and asked whether they agreed that these are the key issues that the council should focus on.

A summary of the responses from the survey and the engagement sessions was included in the report considered by the council when agreeing the corporate plan and budget.

Source: Audit Scotland using information from Perth and Kinross Council



Councils need to collaborate with communities, other councils and the wider public sector to tackle the challenges

Collaboration with communities

81. Our [2022 overview](#) report outlined how communities were a vital asset in the response phase of the pandemic but that more needed to be done to involve communities and service users in the recovery and the redesign of services. As councils take steps to fundamentally change how they provide services, the involvement of service users and communities will be critical to redesigning services that meet community needs and tackle long-term issues such as climate change and inequalities while also being sustainable.

82. Councils regularly consult with their communities to inform decision-making, including on setting annual budgets, redesigning services, and priorities for strategic plans. Reflecting the exceptionally challenging funding context this year, we have seen examples of councils engaging with their communities to explain the gaps in their budget and how they intend to bridge them ([Case study 3, page 32](#)).

83. We found good approaches to consulting communities to better understand the impact of the pandemic and inform decision-making on emerging challenges such as community impact assessments, research focused on the impact of the pandemic and establishing lived experience panels for the cost-of-living crisis ([Case study 4](#)).

84. Councils could still do more to empower communities and work more with them on the redesign of services. Our [Community empowerment: Covid-19 update](#) report brings together the learning points from the community response to the pandemic to help public bodies develop their longer-term approaches to supporting and empowering communities.

Case study 4.

Community engagement to better understand community needs and inform decision-making

East Renfrewshire Council uses a wide range of consultation and engagement approaches to understand community needs and issues and uses this intelligence to identify local priorities and inform strategic plans and service redesign. For example, it recently commissioned research on the impact of the pandemic to inform strategic decision-making and the redesign of services.

Source: Audit Scotland using information from East Renfrewshire Council

Collaboration with local partners

85. Councils have a good history of working with local partners and a statutory duty to do so through community planning partnerships.

86. The Covid-19 pandemic showed what can be achieved by working closely with local partners, including the third sector. Councils led a 'place-based approach' ([info box, page 35](#)) that worked across organisational and functional boundaries with aligned objectives and outcomes. This should now be consolidated into service delivery but there is concern that the momentum could be lost. Many organisations are facing their own funding and demand pressures that could threaten their ability to provide services and limit their capacity to explore new partnership working.

87. A recent report exploring barriers to effective collaboration between the third and public sectors identified four main themes: funding, meaningful collaboration, procurement and the cross-cutting issue of lack of trust.¹ All partners need to work with each other to overcome these barriers if councils are going to meet the challenge to deliver sustainable public services going forward.

88. Despite the barriers there are many positive examples of collaborative, place-based approaches and existing partnerships for councils to build on ([Case study 5](#)). The scale of the challenges mean that it is only by working together that councils and their local partners (including their communities and the third sector) will be able to provide sustainable public services and tackle long-term complex issues such as climate change, child poverty and inequalities.

¹ [Supporting collaboration between the third and public sectors: evidence review](#), Scottish Government, COSLA, SCVO and TSI Scotland Network, October 2022.

Case study 5. Local partnership working

Clackmannanshire Council works with local public sector partners and relevant third sector partners to deliver the STRIVE (Safeguarding through Rapid Intervention) programme.

Sharing crucial pieces of information at the earliest opportunity between trusted partners means practitioners are better able to 'join the dots' to understand the overall vulnerability of cases and share knowledge of existing support and interventions underway: this better informs the most appropriate action, reduces the likelihood and impact of people experiencing crisis and reduces the intensive resource required by services. An evaluation of STRIVE was undertaken in March 2021 and identified many benefits including preventing homelessness, improving financial security, providing rapid and direct access to mental health support, keeping families together and reducing alcohol and drug use. Building on the success to date, an early intervention approach has been added to other Family Wellbeing Partnership work in the area.

Source: Audit Scotland using information from COSLA and Clackmannanshire Council

Collaboration with other councils

89. Councils need to radically rethink how they work with other councils to move towards a more sustainable model of service delivery. Shared services and shared professionals offer efficiencies and can help to manage recruitment pressures and skills shortages.

90. Councils have made limited progress in this area. Few councils are sharing services. Only six out of 26 councils reported sharing services and four of these were sharing internal auditors ([Case study 6](#)).

Case study 6. Working with other councils

Scottish Borders Council and Dumfries and Galloway Council are working with other regional partners to develop and deliver a south of Scotland regional economic strategy. Through a Regional Economic Partnership, the councils have developed a long-term vision to guide and coordinate efforts to recover from the impacts of the Covid-19 pandemic, adjust to the UK's withdrawal from the EU, address the climate crisis and capitalise on new opportunities.

Source: Audit Scotland using information from Dumfries and Galloway Council and the South of Scotland Regional Economic Partnership



A place-based approach is about understanding the issues, interconnections and relationships in a place and coordinating action and investment to improve the quality of life for that community. The Scottish Government and COSLA have adopted a Place Principle. This promotes the need for communities, public organisations and businesses to work collaboratively with the assets and services in a place to achieve better outcomes.



Workforce planning must improve so that councils have the staff, skills and leaders needed to bring about change and create a resilient workforce for the future

91. Councils and their leaders need to respond to the direct pressures facing their workforce in terms of wellbeing and recruitment while managing the impact of pay demands and balancing the budget. Councils must invest in workforce planning to ensure a resilient workforce in the future.

92. Staff wellbeing was a priority during the pandemic and councils continue to take measures to promote staff health and wellbeing. With rising absence levels and persistent recruitment issues, some councils are looking at making roles more attractive by improving work-life balance through new ways of working ([Case study 7](#)).

93. Lessons learned from the pivot to remote working and then hybrid working during the pandemic indicate there are many potential benefits. For example, the flexibility to work remotely attracts more people and from a wider geographic spread, potentially bringing in more skills, it can support increased wellbeing and work life balance for existing staff, as well as reducing the carbon footprint through less travel to work. However, councils should continue to monitor the impact of new ways of working on employees' wellbeing and on service users' experience, productivity, and the local economy.

94. In future, councils' workforces may look and work quite differently as a result of job losses (fewer staff), increased digital processes, changing population demographics (an ageing workforce) and new service delivery models. Councils should embed the approaches they took during the Covid-19 pandemic which saw them adapt to working flexibly and being agile in how they deployed staff and working more closely with partners and communities.

Case study 7. Wellbeing initiatives

Angus Council runs a resilience programme to promote staff wellbeing and a programme for leaders is in development.

Dumfries and Galloway Council has created a robust wellbeing framework that includes cross-council and cross-sector collaboration.

North Lanarkshire Council updated its wellbeing communications to reflect new working practices and is also working closely with partners and providers to make sure the council's wellbeing offering meets staff needs.

South Lanarkshire Council has developed a 'New Deal for Employees' which encourages and supports employees to prioritise their own health and wellbeing. South Lanarkshire Council is the first in Scotland to ensure employees have the 'right to disconnect' outside of working hours.

[More information](#) is available on our website.

Source: Audit Scotland using information from the Improvement Service

95. The severe financial situation facing councils inhibits their ability to recruit and brings the risk of job losses. To meet rising demand and to deliver new Scottish Government policies, councils need to innovate to make the best use they can of their existing workforce to continue to provide sustainable services.

96. Effective workforce planning will be essential to:

- address current workforce challenges in recruitment, retention and skills shortages
- look ahead at longer-term capacity and skills requirements as councils fundamentally change how they deliver services
- ensure that councils reduce their workforce in an informed way so that skills and knowledge are not lost.

This requires sufficient capacity and skills, strategic thinking and comprehensive workforce data. See Audit Scotland’s workforce planning maturity matrix ([Exhibit 9](#)).

97. For several years we have reported that workforce planning needs to improve. Our auditors have told us that 16 out of 26 councils have updated their workforce plans since the Covid-19 pandemic and a further three have plans in development. Some councils have also been working to include succession planning in their workforce plans to develop future leaders or specific skills required across their workforce. Some are also now working with a three-year, rather than five-year, workforce planning cycle reflecting the more uncertain context.

98. However, councils continue to report that they lack the resources to support workforce planning, and that they are looking at ways to try and address this. Councils have been collaborating with one another, the Improvement Service and SPDS to share practice and to make improvements. The SPDS has suggested that COSLA have a role in engaging with the Scottish Government to develop a more holistic approach.

99. Workforce planning is the focus of the Commission’s annual Best Value thematic work next year and will be covered in all council annual audit reports published in Autumn 2024, followed by a national thematic report.

Exhibit 9. Workforce planning maturity matrix

Basic	Developing	Mature
<ul style="list-style-type: none"> • Short-term operational focus • Limited workforce data and analytics • Workforce plan not linked to priorities and delivery of strategic plans 	<ul style="list-style-type: none"> • Medium-term focus • Aligned to delivering priorities • Workforce and recruitment plans • Some workforce analysis • Annual review 	<ul style="list-style-type: none"> • Long-term focus on strategic priorities • Workforce and market analysis • Recruitment, development, retention and succession included in workforce planning • Workforce plans reflect new ways of working and scenario planning of future models service delivery and demands • Real time monitoring including of performance levels and staff wellbeing

Source: Audit Scotland



Councils have a clear focus on tackling inequalities and strengthening the use of data will help them to better understand community needs and focus fundamental change on improving long-term outcomes

100. Councils have a clear focus on tackling inequalities. We found evidence of data-driven approaches, partnership working, and community engagement being used to understand community needs and to develop plans and programmes to target inequalities and poverty. Positive findings include councils:

- setting up specific committees focusing on tackling poverty and inequalities ([Case study 8, page 39](#))
- working with partners, especially community planning partnerships, to understand need and develop place-based plans to tackle inequalities
- involving people with lived experience to better understand needs and demand.

101. Using lessons learned from the pandemic, councils have moved quickly to offer support to people in their communities most affected by the cost-of-living crisis. Many councils are working closely with third sector partners to help distribute crisis grants and provide support and funding to third sector partners directly to increase their support work. Some exceptional data-driven approaches are being used to identify and offer support to those most in need ([Case studies 9 and 10, page 39](#)).

102. Data can help councils to understand need, inform decision-making and service redesign, and drive improvement. Making better use of local data is still challenging especially the availability of equalities data and data sharing. Councils should supplement national datasets with local data and insight. Information from Scotland's Census 2022 is expected later in 2023 and should provide a valuable source of intelligence.

103. While we are seeing the emergence of some positive approaches to involving people with lived experience to better understand their needs, councils can do more ([Case study 4, page 33](#)). As councils take steps to radically change how they deliver services, the needs of the most vulnerable or people living in poverty must be at the centre. A key objective from the Christie Commission is that reform should 'prioritise prevention, reduce inequalities and promote equality'. While the pressures facing councils are immediate, they must not lose the focus on prevention and improving outcomes in the long term. A loss of preventative services will increase demand in the long term.

'Children growing up in poverty are at risk of poorer outcomes in the short and longer term'

[Tackling child poverty](#)

Accounts Commission and Auditor General for Scotland

Digital exclusion

104. The Covid-19 pandemic accelerated the shift to online services. While essential during the pandemic to allow the continued delivery of some services, the shift has increased the risk of digital exclusion. Councils have a variety of initiatives to reduce digital exclusion, such as working alongside the third sector to develop place-based approaches to reducing digital exclusion via library services or providing devices with internet access.

105. Digital technology will be a central component of future service delivery. Councils need to understand the needs of people experiencing digital exclusion and develop strategies to ensure that no one is left behind. We are currently undertaking a performance audit on digital exclusion. Our findings will be published later this year.

Case study 8. An approach to tackling inequalities

Aberdeen City Council has set up an anti-poverty and inequality committee to determine steps the city can take and to help key groups such as children, disabled people, women, people from black and ethnic minority communities, and those of pensionable age. The committee will also seek the views of those with lived experience and consider in-work poverty, youth employability, community food provision and energy costs. Several external advisers have been appointed to the committee. The expected benefits of the new committee include centralising all poverty and inequalities information which should allow elected members to thoroughly scrutinise reports, question council managers and directors and engage with the external advisers.

Source: Audit Scotland using information from Aberdeen City Council

Case studies 9 and 10. Supporting vulnerable communities

Inverclyde Council's Warm Hand of Friendship initiative was set up to help ensure that spaces, resources, advice and support are available throughout the council area for those who need them. Working with its partners and voluntary organisations, the council offers warm spaces or hubs and have delivered more than 400 activity sessions for adults and children such as book clubs and classes on IT skills. This has resulted in over 3,500 people being provided with a warm space, food and social interaction. Two thousand 'Warm Boxes' packed with useful items such as tea bags and blankets to help the most vulnerable keep comfortable throughout the winter were also distributed free to people receiving homecare support in Inverclyde.

Source: Audit Scotland using information from Inverclyde Council

Glasgow City Council: last year we reported on the council's innovative approach of using administrative data to identify and target resources at the most vulnerable communities during the pandemic. The council has continued this approach to target resources at those most affected by the cost-of-living crisis. The council distributed gift cards worth £105 to 85,000 to households who receive council tax reductions. They have also used data to identify people potentially eligible for Attendance Allowance and other benefits and used this provide an income maximisation service to clients over the age of eighty. Over the last year, 571 clients have been contacted by the service and over £1 million of financial gains have been secured on behalf of clients.

Source: Audit Scotland using information from Glasgow City Council

See our [website](#) for more examples of councils' approaches to reducing inequalities and better understanding the impact cuts have on people experiencing inequality.

Local government in Scotland

Overview 2023

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South Ayrshire Council

**Report by Director of Strategic Change and Communities
to Audit and Governance Panel
of 4 October 2023**

Subject: Best Value Action Plan 2023

1. Purpose

1.1 The purpose of this report is to seek approval for an expanded Best Value action plan.

2. Recommendation

2.1 It is recommended that the Panel:

2.1.1 agrees the augmented action plan, noting the additional improvement activity identified through the Best Value Thematic Work in South Ayrshire Council 22/23 [report](#); and

2.1.2 consider the response to the comments made by the Audit and Governance Panel in June 2023 ([Appendix 1](#)).

3. Background

3.1 In a report to Audit and Governance Panel in June 2023, Members:

- considered the draft Audit Scotland report on Best Value thematic work in South Ayrshire Council 2022/23;
- considered the draft improvement action plan included in of the Audit Scotland report; and
- provided feedback on the report and action plan and remitted the draft Audit Scotland report and improvement action plan to Cabinet on 29 August 2023 for approval.

3.2 The comments made by Audit and Governance Panel in June are captured, along with the Council's response, in [Appendix 1](#).

3.3 The Audit Scotland report raises several improvement actions that are not contained Audit Scotland's improvement action plan. In August 2023 Cabinet agreed that officers would present an augmented improvement action plan that captures the wider recommendations to Audit and Governance Panel in October 2023.

4. Proposals

4.1 The augmented action plan is attached as [Appendix 2](#).

4.2 The plan includes 15 additional actions and progress will be reported to Audit and Governance Panel on a quarterly basis. The Best Value Working Group will receive regular updates on progress against the plan.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 Not applicable

7. Human Resources Implications

7.1 Not applicable

8. Risk

8.1 Risk Implications of Adopting the Recommendations

8.1.1 There are no risks associated with adopting the recommendations.

8.2 Risk Implications of Rejecting the Recommendations

8.2.1 Rejecting the recommendations would result in reputational damage and criticism from Audit Scotland, the Accounts Commission and the Scottish Government.

9. Equalities

9.1 The proposals in this report allow scrutiny of performance. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an equality impact assessment is not required.

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

12.1 The matters referred to in this report contribute to delivery of all the Council's strategic objectives and strategic outcomes.

13. Results of Consultation

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Martin Dowey, Portfolio Holder for Corporate and Strategic, and the contents of this report reflect any feedback provided.

13.3 Consultation has also taken place with members of the Best Value Working Group, and the contents of this report reflect any feedback provided.

Background Papers **Report to Audit and Governance Panel of 28 June 2023 – [Best Value Thematic Work in South Ayrshire Council 2022/23](#)**

Report to Cabinet of 29 August 2023 – [Best Value Thematic Work in South Ayrshire Council 2022/23](#)

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Date: 20 September 2023

Response to points raised by Audit and Governance Panel

Point raised from A&G Panel	Response
A detailed work and action plan to support tracking of strategic priorities.	Council scrutinised and agreed all Service Plans in June 2023 . Progress against delivery of strategic priorities will be monitored through agreed Performance Management Framework.
Leadership decision making and consultation are supported by robust evidence and rationale.	Current reporting format ensures that members are presented with information and advice on which decisions can be taken. New Integrated Impact Assessment (IIA) will encourage informed decision making on key strategic issues. Details of the draft IIA are due to be considered by Cabinet in September 2023.
PI framework is fit for purpose, kept up to date, monitored, evaluated and presented/reported in different formats with particular focus on public reporting	New Performance Management Framework (PMF) agreed by Cabinet in June 2023. The PMF details how performance against key targets will be scrutinised by the Service and Partnerships Performance Panel and the Council's Leadership Team in alternate quarters. In addition, an action to improve the public performance reporting web pages has been included in the Council's 2023 BV Action Plan and is currently in progress.
Consider how Appointments and Appraisal Panel may consider how they monitor officer performance against Best Value.	Chief Officer Appointments and Appraisal Panel are responsible for monitoring the performance of the Chief Executive. The Panel will ensure that performance against Best Value is one of the key objectives for the Chief Executive. Performance of other officers will be monitored through the Council's agreed Performance Development and Review (PDR) process.
BVWG to consider how they monitor contribution of elected members	Recognising that the delivery of Best Value is the responsibility of both officers and elected members, the BVWG have requested that awareness raising and training be arranged in the first instance for the BVWG and then rolled out to all members. The BVWG will meet regularly to consider progress in delivering Best Value and ensure that both officers and members are contributing appropriately

Best Value - Action Plan 2023

Follow-up 2021 actions identified by Audit Scotland

Report Reference	Action 2023 report	Managed By	Progress	Original Due Date	Current Due Date	Update
<p>Exhibit 7</p> <p>2021 BVAR Recommendation 4</p> <p>The council should make sure that its transformation work is fully aligned and integrated to its Covid-19 recovery planning work and improve its approach to its strategic change programme by:</p> <ul style="list-style-type: none"> • adding greater detail about individual projects • setting clear timelines for each project <p>developing a benefits realisation tracker to assess whether the council has achieved its aims.</p>	<p>Not actioned for the version of the Strategic change programme to June 2023. Recently actioned for the reviewed programme. Refocussed programme with action trackers is due to be discussed by the Cabinet in June 2023. The most recent update to the South Ayrshire Way Strategic Change Programme was considered by the council's Service and Performance Panel in October 2022. This report included an update to the benefits realisation plan and tracker. There are 33 projects within the scope of the programme of which 17 have benefits trackers in place. The council is now planning to review the programme and focus on a smaller number of projects that will be tracked. This is due to be discussed with members in June 2023. We have discussed this at paragraphs 106 to 111 of this report.</p>	Kevin Anderson	100%	20-Jun-2023	20-Jun-2023	Updated and refocused strategic change programme agreed by Cabinet in June 2023 .

Report Reference	Action 2023 report	Managed By	Progress	Original Due Date	Current Due Date	Update
<p>BVAR 2021 Recommendation 5</p> <p>The council should improve performance reporting by:</p> <ul style="list-style-type: none"> • setting targets for its Key Performance Indicators (KPIs) • including a summary of performance against KPIs in its performance reports to members • increasing the frequency of reports to elected members • making performance reports more accessible to the public. 	<p>Not actioned for the previous Council Plan. To be progressed for the new Council Plan from June 2023 Despite it being reported in the 2021 BVAR as an area for improvement, the council did not effectively measure its performance against targets for priorities in its previous plan. Targets for measuring progress against the new council priorities are laid out in the service business plans to be discussed with members in June 2023. We have discussed this at paragraphs 25 to 32 of this report.</p>	<p>Kevin Anderson</p>	<p>100%</p>	<p>20-Jun-23</p>	<p>20-Jun-23</p>	<p>New Performance Management Framework aligned to the Council Plan 23-28 was approved by Cabinet in June 2023. Improving the accessibility of performance information has been carried over and is a stand-alone action in this plan.</p>

Audit Scotland Improvement Action Plan

Recommendation	Management Response	Managed By	Progress	Original Due Date	Current Due Date	Update
1. A balanced view of progress against the council plan priorities should be reported regularly to members. A timetable for performance reporting to elected members should be a priority. Performance reports should include details or links to planned improvement actions. The council should ensure it fully complies with the new Statutory Performance Information Direction.	New Council Plan reporting format for Council Leadership Team reports and Service and Partnerships Performance Panel reports included in Performance Management Framework report to June Cabinet. Officers will review new reporting format to ensure that it reflects the Accounts Commission's Statutory Performance Information Direction.	Kevin Anderson	100%	30 August 2023		Reporting format options to be circulated to CLT. All options under development take cognisance of the Account Commission's Statutory Performance Information Direction.
2. To ensure the effective delivery of local outcomes, the council should publish the remaining Place Plans	Ongoing dialogue with elected members on the details of the Place Plans can be used to advance place-based activity.	George Hunter	55%	31 March 2024		A new officer is being recruited for Place Plans to advance remaining Place Plans/refreshing others as required.
	Further work is required to align Place Plan development with localities and advance participatory budgeting approaches to place via Community Planning Long term ambitions linked with Community Plan for 23/28. A restructured Regeneration team needs considered through our Economy and Regeneration Service, through which, joint work supporting a refresh of older place plans should be advanced. New structure anticipated December 2024, with ongoing Place work over new Council Plan 23/28. Recruitment is underway for an officer within Thriving Communities to deliver remaining Place Plans. In addition,	George Hunter	50%	31 December 2023		Work has been undertaken by the Assistant Director and relevant coordinators to consider restructure and will be presented August 23 for consideration by Director. Place Plan recruitment has identified a candidate and HR checks are progressing to appointment. Discussions to align wider activity with emerging localities approach will be key before December deadline.

Recommendation	Management Response	Managed By	Progress	Original Due Date	Current Due Date	Update
	methodologies for Local Place Plans are being progressed by Planning, in coordination with Thriving Communities and Economy & Regeneration Services.					
<p>3. There should be a clear process introduced that is sufficiently resourced to ensure these cross-cutting priorities are given the necessary consideration. Measures should be set for monitoring progress for cross cutting themes. In particular how the council will measure that it is reducing inequalities</p>	Officers continue to develop Integrated Impact Assessment Tool including clear proposals for reporting and analysis. A report will be submitted to Cabinet for approval.	Kevin Anderson	75%	30-September-2023		Paper on Integrated Impact Assessment to be presented to Cabinet in September 2023 to agree process and monitoring framework.
<p>4. The plans to reintroduce a corporate approach to self-evaluation need to be progressed. The council's self-evaluation should include an understanding of its performance in relation to other councils.</p>	Officers and members will re-establish approaches to self-evaluation across the council using How Good Is Our Council (HGIOC) to develop a framework to support ongoing evaluation for improvement.	Kevin Anderson	25%	31- December 2023		Options appraisal underway to identify suitable self-evaluation framework.

Additional actions derived from report commentary

Report Reference	Management Response	Managed By	Progress	Original Due Date	Current Due Date	Update
In future the council is to demonstrate in budget papers how it is aligned to the council's priorities. (Key message 8)	Align future budget papers to the Council Plan.	Tim Baulk	35%	31 st March 2024		Briefings have taken place with members and the Budget Working Group has met on several occasions with a view to wider consultation on budget proposals.
Work will take place during 2023 to refresh the LOIP to identify a new set of priority areas for it from April 2024 onwards. The council's revised priorities and service delivery plans are being considered when developing the new LOIP (Para 24)	Ensure clear strategic links between the new LOIP and existing Council Plan.	Kevin Anderson	25%	31 st March 2024		The new Local Outcomes Improvement Plan (LOIP) is under development. The Community Planning Executive will meet to finalise proposed outcomes in November with a view to consulting with our communities over Jan/Feb 2024.
The council should review the content of the performance section of its website to ensure it meets the requirements of the new SPI direction. (Para 32)	Review content of the Council Performance and Best Value web pages	Kevin Anderson	100%	30 th September 2023		Work has been carried out to complete the refresh of the layout of the public performance reporting webpage – there are now 5 tiles which people can navigate on the following areas: South Ayrshire Council Performance Reporting (this section includes Council performance and Service Performance), Benchmarking (LBGF information and my 'mylocalcouncil' access), External Audit (Audit Scotland Reports), Community Planning Partnership (link to the CPP webpage and access to annual progress reports for the LOIP) and Best Value (Assurance Report, Progress Updates and Self Evaluation).

Report Reference	Management Response	Managed By	Progress	Original Due Date	Current Due Date	Update
South Ayrshire Council should use the LGBF data alongside its engagement with its communities to assess its local performance and priorities. (Para 50)	Update Local Government Benchmarking Framework (LGBF) report format to take account of the recommendations from Audit Scotland.	Kevin Anderson	20%	31 st June 2024		Data collection for 22/23 LGBF report has begun. Due to report to Service and Partnerships Performance Panel in June 2024.
As part of the impact assessment approach, it is intended that an increased and ongoing level of climate change expertise and support will be made available to policymakers from an early stage as they develop policies. (Para 82 & 83)	Agree revised structure for Sustainability and Climate Change Team to ensure support is available to policymakers.	Kevin Anderson	50%	31 st December 2023		Draft proposal under discussion at service level.
The council developed a Community Engagement Strategy in 2020, but there is no evidence of the council assessing whether it has improved community engagement Whilst publishing the results of each consultation provides transparency and feedback on the needs of citizens, the council could take this a step further by evidencing how the results of these surveys have impacted on the decisions taken by Council. (Para 56)	Assess the impact of the Community Engagement Strategy noting how feedback has influenced outcomes.	George Hunter	10%	31 st March 2024		The Thriving Communities team will take forward the review of the impact of the Community Engagement Strategy.

Report Reference	Management Response	Managed By	Progress	Original Due Date	Current Due Date	Update
<p>Capital investment has also been committed, including £1 million in each of the 8 wards across South Ayrshire over the next four years to make infrastructure improvements to benefit communities. These investment decisions have been influenced using the information collated as part of the council's engagement with its communities as part of its place planning. The identified projects have been linked to the new Council Plan's priorities. The proposed projects will be considered by the Council in June 2023. The council has committed to regular monitoring of the projects to ensure transparency with its investment decisions. (Para 94)</p>	<p>Agree monitoring process for Ward Capital Investment Process and outcomes.</p>	<p>Chris Cox</p>	<p>100%</p>	<p>30th September 2023</p>		<p>Paper presented to Cabinet in September 2023</p>

Report Reference	Management Response	Managed By	Progress	Original Due Date	Current Due Date	Update
The council has committed to updating the MTFP annually, with the next review due to take place in October 2023 (Para 100)	Review the Medium Term Financial Plan (MTFP)	Tim Baulk	25%	30 th November 2023		Agreement has been reached with External Auditors to replace the 3-year MTFP and 10-year LTFO with a 5-year Financial Plan. Auditors have agreed that this is a more robust approach given the changing funding situation. The plan will be presented to members in November 2023.
The next update of the LTFO is due to take place in October 2023. The council has committed to updating future iterations of both the MTFP and LTFO in line with the financial environment it is operating in at the time, together with the council's priorities. (Para 105)	Update Long-Term Financial Plan (LTFP)	Tim Baulk	25%	30 th November 2023		Agreement has been reached with External Auditors to replace the 3-year MTFP and 10-year LTFO with a 5-year Financial Plan. Auditors have agreed that this is a more robust approach given the changing funding situation. The plan will be presented to members in November 2023
As the Strategic Change programme progresses with delivering projects, officers from the team will be developing ways for council staff to suggest and bring forward project ideas. The use of corporate communication channels to promote examples of good practice will be considered to help publicise how officers and project teams have worked collaboratively to deliver change. (Para 110)	Develop method to encourage council staff to suggest project ideas and promote successful projects.	Kevin Anderson	10%	31 st March 2024		Discussion underway at service level.

Report Reference	Management Response	Managed By	Progress	Original Due Date	Current Due Date	Update
<p>The council has in place an ICT Strategy 2021-2023 and a Digital Strategy 2019-2022. Going forward there will be one combined strategy, originally planned for March 2023.</p> <p>Both current strategies have an action plan to be delivered over their lifecycle. A final report on the outcomes of the strategies will be provided to elected members in due course to allow visibility and scrutiny of the actions taken over this timeframe. (Para 124 & 125)</p>	<p>Provide elected members with a final report on the outcomes of the ICT Strategy 2021-23 and the Digital Strategy.</p>	<p>Tim Baulk</p>	<p>75%</p>	<p>30th November 2023</p>		<p>Paper to be presented to members in November 23.</p>
<p>Members should look for opportunities for further cross-party collaboration to help in the delivery of projects crucial to achieving the council's vision and priorities as set out in its Council Plan 2023-28. (Para 136)</p>	<p>Consider opportunities for further cross-party collaboration to help deliver on the Council Plan</p>	<p>Best Value Working Group</p>	<p>Not started</p>	<p>31st March 2024</p>		<p>Action to be discussed at the next meeting of the BVWG.</p>
<p>The council should now monitor the effectiveness of the new governance structure to ensure that the openness and transparency of decision making, and scrutiny is maintained. (Para 149)</p>	<p>Arrange training with members of Audit and Governance and Service and Partnership Performance Panel</p>	<p>Catriona Caves</p>	<p>50%</p>	<p>31st October 2023</p>		<p>The Improvement Service has confirmed that the Scrutinising business cases workshop will take place on Tuesday 3rd October at from 10.00a.m – 12 noon, and the Scrutiny Foundations workshop will take place from 10.00a.m – 12 .30p.m on Wednesday 25th October.</p>

Report Reference	Management Response	Managed By	Progress	Original Due Date	Current Due Date	Update
<p>From review of the update to Panel, on average 45 per cent of members were noted as attending the 11 briefings since August 2022. There is a need to improve the accuracy and relevance of the attendance figures. (Para 168)</p>	<p>Improve accuracy of recording attendance figures at member briefings.</p>	<p>Catriona Caves</p>	<p>25%</p>	<p>31st March 2024</p>		<p>Service Lead for Legal and Democratic is working with ICT to develop a solution that helps capture attendance more accurately.</p>