Overview of the local authority audits 2008

AUDIT SCOTLAND

The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning

- following up issues of concern identified through the audit, to ensure satisfactory resolutions

- carrying out national performance studies to improve economy, efficiency and effectiveness in local government

- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 41 joint boards (including police and fire and rescue services). Local authorities spend over £19 billion of public funds a year.

Contents

Commission findings

The Commission acknowledges the progress achieved and considers it crucial that councils now focus on key areas to meet the significant challenges they face.

The Commission welcomes the evidence of improving local authority services across a range of areas. However, this latest report has been produced at a time when councils face significant challenges in dealing with fast changing economic circumstances and financial pressures, and in implementing Single Outcome Agreements with community planning partners.

We acknowledge the progress achieved and consider it crucial that councils now focus on a number of key areas to ensure they are fully equipped to address these challenges. In particular, we urge them to take action on the following matters:

- Performance management and monitoring – the focus on outcomes does not remove the need for good management processes and robust information about the quality, cost, accessibility and value for money of services.

- A culture of continuous improvement – councils should ensure that there is a strong culture of continuous improvement across services, with an even greater emphasis on efficiency and the effective use of resources.

- Competitiveness of key services – it is essential that councils take a more systematic and rigorous approach to demonstrating service competitiveness and value for money, by market testing activities and by making more use of benchmarking and other comparative information.

- Shared services – we are disappointed at the slow progress in securing efficiencies from shared service initiatives and, in light of the continuing financial pressures, all councils should consider this as a high priority.

- Making partnership working real and effective – the development of Single Outcome Agreements is a challenge for councils and their partners and will require further and quicker development of accountability, governance and public performance reporting arrangements.

- Continuous development of elected members – personal development is now established as essential to support elected members in carrying out their demanding and complex roles. All councillors should have a personal development plan which sets out training needs and progress.

Action by local authorities in response to these findings will contribute to improved public services for the people of Scotland. This also depends, however, on corresponding improvements by other public bodies and the Commission hopes that these bodies will address these matters, particularly in relation to partnership working and shared services.

Summary

This report provides an overview of the main issues identified from our local government audit work in 2008.

1. This report provides an overview of the main issues identified from our local government audit work in 2008, which includes:

- annual audits of the 32 councils and 41 other local authority bodies, such as police and fire and rescue authorities

- Best Value audit reports on Aberdeen City, Aberdeenshire, Falkirk, Midlothian, North Lanarkshire, Orkney Islands and Perth & Kinross, and the progress report on Argyll & Bute

- statutory reports on property transactions at Aberdeen City and on audit qualifications at Aberdeen City and Shetland Islands

- Statutory Performance Indicator (SPI) information published in December 2008

- national performance study reports on the schools estate, the national fraud initiative, fire and rescue authorities, the impact of the race equality duty and on energy efficiency.

2. The report also draws on a range of other sources and seeks to highlight issues of general importance for the local government sector in Scotland. It is organised in five parts:

- Part 1. The national context sets the scene.

- Part 2. Supporting continuous improvement looks at the role of elected members and senior managers in leading and directing councils.

- Part 3. Using resources considers how councils manage money, people and property.

- Part 4. Service performance looks at aspects of service delivery.

- Part 5. Looking ahead considers the key issues facing councils and how audit will support public scrutiny.
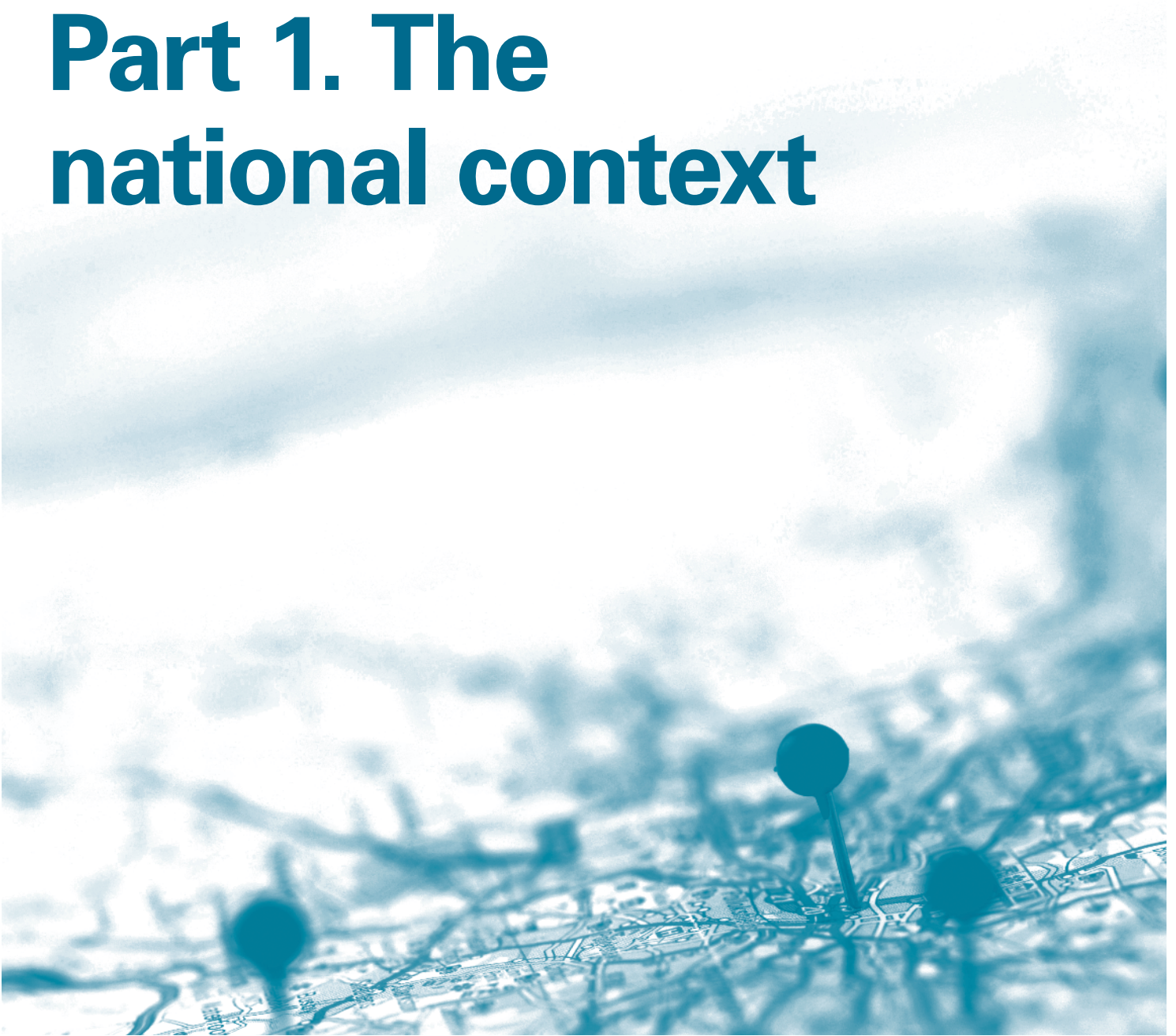
Key messages

- At a time of increasing demands on services, councils face difficult decisions in allocating resources and providing financially sustainable services. Current economic conditions necessitate even greater emphasis on efficiency and the effective use of resources.

- The outcomes-based approach is developing, and Single Outcome Agreements (SOAs) should now be the main vehicle for councils and their partners to plan and achieve better outcomes for their communities and continuous improvement in their services. The SOAs bring new challenges for councils in governance, public accountability and performance management.

- The effectiveness of governance and accountability has a direct impact on the quality of services. Development is essential to support elected members in carrying out their complex role and to enhance governance and scrutiny. Effective performance management has been a requirement under Best Value for some time, and it is now critical to support SOA implementation and development.

- Councils generally reported a better financial position than predicted for 2007/08, mainly due to underspending in some services and lower than expected financing costs. However, they continue to face significant financial pressures and some councils are experiencing difficulty in maintaining reserves in line with their policies. Those councils that have yet to implement single status need to do so as a matter of urgency.

- Evidence from sources, including the Statutory Performance Indicators and audit and inspection reports, indicates that services are improving across a range of areas.

- We are committed to developing more risk-based and proportionate scrutiny of local government with our partners in the inspectorates, and this is fundamental to the development of Best Value 2. The annual financial audits are increasingly important in the current economic environment, providing independent assurance on the financial position and on financial governance and management.

Part 1. The national context

The overall context is one of fast changing economic circumstances and challenges in implementing Single Outcome Agreements with community planning partners.

Key messages

- Local government has a key community leadership role and provides a range of vital social and economic services. Increasing costs, demands from service users and the focus on national priorities are leading to increasingly difficult decisions for councils in allocating resources and are necessitating an even greater emphasis on efficiency and the effective use of resources.

- The concordat between the Scottish Government and COSLA provides the basis for a new relationship between central and local government. Single Outcome Agreements (SOAs) are developing and bring new challenges for councils and their partners in governance, public accountability and performance management.

3. Local government has a key role in providing community leadership. It delivers vital public services, including education, social work, housing, roads, refuse collection, leisure, police, fire and rescue, and has the potential to make a significant impact on the quality of life in local communities by working with a range of partners.

4. Services delivered directly or in partnership with others involve substantial resources. Councils spend about £17 billion each year, employ around 257,000 full-time equivalent staff and use assets worth about £26 billion.

5. The move to proportional representation in the May 2007 elections resulted in major changes in the political context, with many councils seeing a shift from single party political control to coalition or minority administrations. Nearly half of the councillors elected in 2007 were new to local government and they have needed to adapt quickly to their complex roles.

6. There are continuing pressures on finances, including the costs of meeting the needs of an ageing population and implementing major changes in staff terms and conditions. New national policy expectations such as free school meals, reducing school class sizes and meeting environmental sustainability targets also have significant financial implications. The current economic situation is likely to mean further demands on social work and housing and will bring pressures on income from council tax and service fees and charges. Capital plans will also be affected as it becomes more difficult to realise income from asset sales to fund new developments.

7. The costs of delivering services are rising, necessitating an even greater emphasis on efficiency and the effective use of resources. Councils face increasingly hard choices in setting budgets that are sustainable and achieve a balance between national objectives and local priorities.

8. The concordat between the Scottish Government and COSLA has redefined the relationship between central and local government. It requires councils to give clear commitments through SOAs to achieving national and local outcomes, sets the funding for local government, including a freeze on council tax levels, and provides more flexibility for councils in how they spend money and deliver services.

9. The national priorities in the concordat are not delivered exclusively by councils. From 2009, SOAs will be agreed through community planning partnerships (CPPs) between councils and other public bodies. This reinforces the need for joint planning and working to deliver effective public services.

10. The focus on outcomes does not remove the need for good management processes and robust information about the quality, cost, accessibility and value for money of services. Statutory duties relating to

Best Value, Community Planning and Public Performance Reporting remain in place and councils must also meet their responsibilities for equalities and sustainability in ways that have a positive impact on local communities.

11. The increasing emphasis on CPPs for improving outcomes for local people is one factor driving the Accounts Commission's approach to the next phase of Best Value audits (BV2). Under BV2 there will be a greater emphasis on councils' community leadership role and the effectiveness of partnership working. BV2 will also see an increased use of risk assessment to inform a more proportionate audit approach. These developments are undertaken in the context of the Commission's leading role in streamlining external scrutiny of local government.

12. The annual financial audits are increasingly important in the current challenging economic environment, providing independent assurance on the financial position and on financial governance and management.

Part 2. Supporting continuous improvement

The outcomes-based approach makes it more important than ever that councils and their partners work together to achieve continuous improvement.

Key messages

- The outcomes-based approach, embodied in SOAs, makes it more important than ever that councils and their partners work together to achieve continuous improvement in their services and for their communities. There is still a good deal to be done to make sure SOAs fulfil their potential, in terms of planning and securing improvements on both high-level strategic priorities set out in SOAs and in supporting services provided by councils and their partners. Accountability and governance, performance management, and public performance reporting in particular, will need further development during 2009.

- Effective performance management has been a requirement under Best Value for some time and is now critical to support SOA implementation and development.

- Councils need to be more systematic in consulting communities and could make better use of area committee structures where these are in place. In general, they need better information about the make-up of their communities and their needs.

- Leadership by elected members and senior officers is central to creating a culture that promotes improvements in outcomes for communities. Development is essential to support elected members in carrying out their complex role and to enhance governance and scrutiny.

13. Best value means achieving continuous improvement in outcomes for communities and service delivery. The ability to drive improvement has become ever more important as public expectations continue to rise and the pressure on resources increases, and the concordat between central and local government provides a renewed focus on a shared set of strategic priorities. Our audit work shows the importance of a leadership culture that supports best value; those councils that have effective corporate systems and processes are best placed to deliver high-quality, user-focused services and to make a real difference for their communities.

Vision and strategic direction

14. The concordat and the subsequent development of SOAs constitutes a major change in the context within which councils operate. SOAs represent the strategic statement of what a council and its partners will prioritise over the next three years, reflecting both national and local priorities. All 32 councils agreed SOAs with the Scottish Government by 30 June 2008; half of these involved community planning partners.

15. The agreement of the first set of SOAs marks a real achievement. They are intended to enable the Scottish Government and local government to work together to align public services towards better outcomes for the people of Scotland. The SOAs cover a three-year period, initially from 2008/09 to 2010/11. The 2008/09 SOAs were developed to a tight timescale, and they are expected to evolve in future years. The second set of SOAs, for 2009/10, is due to be agreed by the end of May 2009 between the Scottish Government and the 32 CPPs.

16. SOAs should now be the main vehicle by which councils and their partners plan to achieve continuous improvements against an agreed set of priorities for their communities. There is still a good deal to be done to make sure that SOAs fulfil their potential, particularly in relation to accountability and governance, performance management, and public performance reporting. The most successful councils set clear priorities that ensure that they can maintain focus across the full range of their activities. Priorities need to be set out clearly so that council officers and their partners can focus on delivering them and local people can hold their council and its partners to account for performance.

17. Councils are improving their business planning and, in particular, strengthening links between plans so that there is a clear line from the overarching community plan to the council's corporate and service plans. Strategic resource management, which links resources to strategic objectives, remains underdeveloped in local government and more work is required to link spending plans to the related workforce and asset requirements.

18. Planning is particularly complex where it is cross-cutting, for example, in planning services for children and older people (which cut across education, social work, police and health service boundaries). Delivering improved outcomes for communities requires a different approach from delivering services to individuals, affecting both accountability and performance management. In broad terms, each of the partners to an SOA needs to be clear about:

- what outcomes they want to see for their communities

- what indicators they will use to measure these outcomes

- what the baseline looks like

- what each of them will do to improve these outcomes

- what performance measures they will use to know if their actions are working.

This will enable them to plan what actions each partner will take, track progress, and report to local people

and other stakeholders on how well they are achieving their goals. Evidence from recent audits of Best Value suggests that performance management systems in most councils will need a good deal of development if they are to be effective in this new environment.

19. Councils and their partners can find it difficult to translate ambitious vision into real improvements in outcomes and front-line services in this way. The concordat offers an opportunity for community planning partners to step back from their existing plans and look for new ways to work together to improve the agreed outcomes for their communities. This will be a critical role for elected members, board members and senior managers in each of the partner organisations.

20. Getting performance management right will also help to underpin the governance and accountability of community planning partners for the commitments contained within their SOAs, by spelling out who is responsible for what. This needs to be supported by regular reporting of the agreed performance measures to the partnership, allowing partners to take appropriate action if they are not achieving the results intended, and to the public.

21. Each council will issue a report in September 2009 for the 2008/09 SOAs and annually thereafter for future years. The reports will make available a much greater amount of performance information to stakeholders and the public, at a higher level, and they are likely to generate significant interest. These reports do not replace the requirement on councils to manage and report on the quality, accessibility and value for money of their services, and councils and the Scottish Government will need to work together to agree an approach to reporting that is clear, balanced and meets the needs of citizens.

22. Our evidence suggests that public performance reporting is gradually improving and becoming more balanced, but performance reporting at community planning level is generally not well established. In addition, the outcomes-based approach places a greater emphasis on councils and their partners having effective public reporting arrangements.

23. It is clear that SOAs represent something markedly different from what has gone before, in focusing much more clearly on outcomes for communities and in identifying a limited number of shared objectives. The key strength of SOAs at this stage is in providing a better way of managing the relationship between central and local government, and in clarifying how national objectives will be pursued in each area of Scotland.

Community engagement

24. Best Value requires a systematic approach to establishing the views of local communities and other stakeholders. The results of community engagement consultation should be used to plan, design and improve services. While councils have mechanisms in place, most still have some way to go to establish fully effective consultation.

25. As part of the new relationship between local government and the Scottish Government it is more important than ever that councils are answerable to their local communities. Even councils showing a commitment to consultation acknowledge that they need to improve the way they engage with communities. Where councils have area committee structures that offer a potential focus for engagement with local communities, this is not always realised. Common issues include:

- a lack of corporate coordination

- inconsistency in the way councils engage with different communities

- not bringing the results together to identify common themes

- not having effective ways of informing citizens about what has changed as a result of consultation.

Governance and accountability

26. Elected members are responsible for directing, monitoring and controlling their council's activities at a strategic level. If these corporate governance arrangements are not effective, councils will find it difficult to achieve their objectives and deliver best value. The introduction of SOAs means it is important that effective governance and accountability arrangements operate at a strategic level and at the operational and service delivery level.

27. At Aberdeen City, we identified serious weaknesses in corporate governance that affected key services, including social work, education and housing. We also highlighted concerns about the way that property disposals were managed (Exhibit 1).

Elected member training and development

28. Elected members have a demanding and varied role with many responsibilities, and it is important that they have the necessary skills, knowledge and understanding to undertake it effectively. Nearly half of the councillors elected in May 2007 were new, and many elected members hold positions requiring some degree of specialist expertise, such as membership of the planning committee.

Exhibit 1

The Best Value audit of Aberdeen City

The Best Value audit highlighted a range of concerns in corporate governance and, drawing on the work of inspection agencies, evidence of significant weaknesses in major services. These problems existed in the context of a financial position that the auditors reported as 'precarious'. The report expressed doubt over whether the council leadership would be able to deliver the cultural and behavioural changes necessary for the council to be in a position to achieve Best Value.

A separate report on property sales highlighted serious shortcomings in internal control and monitoring procedures.

In view of the significance of the issues arising, the Accounts Commission decided to hold a public hearing. The Commission wished to hear first-hand from representatives of Aberdeen City to gain a greater understanding of the council's difficulties in implementing its long-held vision for the area and its plans to improve its financial position. In particular the Commission wanted to explore:

• the pace of improvement in achieving the council's vision for the area

• the capacity of the council to secure change

• why staff commitment to the programme of change did not seem to have been achieved

• the council's financial position

• issues arising from the Controller of Audit's statutory report on property sales.

The Commission considered evidence from elected members and senior officers, trades union representatives and the voluntary sector.

The Commission found that while the council accepted the audit findings there was a lack of a full appreciation by the council of the seriousness of the circumstances it faced. The Commission's recommendations following the hearing included:

• The council should ensure the involvement of all political groups and external advisers in recruiting a new and experienced chief executive.

• The council should secure appropriate external assistance from peers to assist it in implementing the findings and recommendations of the Accounts Commission and the Controller of Audit.

• The council should establish an all-party leadership board to take ownership of its improvement plan to tackle the issues raised by the audit process.

• The council should review its organisational structure.

• The council should appoint an independent local government finance expert to ensure proposed savings are deliverable and the council remains on track to deliver them.

• The council should ensure robust and effective governance arrangements are in place and members should attend appropriate training courses.

• Scrutiny arrangements should be chaired by a member of an opposition party to enhance public confidence in scrutiny.

We intend to provide an update report to the Commission in July 2009.

Source: Audit Scotland

29. The Scottish Local Authorities Remuneration Committee (SLARC) emphasised the importance of adequate training for councillors and proposed compulsory role descriptions and mandatory training (Exhibit 2).

30. In the run-up to the elections in May 2007, the Improvement Service (IS) published an induction pack for newly elected councillors. This was supplemented by a training pack on planning. The IS also issued an induction toolkit designed to help officers provide workshops for new and returning councillors.

31. We found that most councillors took part in induction training and in some form of specialist training, typically on specific topics, such as the planning system, licensing or one-off local issues. Councils routinely record councillors' attendance at training courses and other events, but arrangements for assessing the impact of training are less well developed. Information from auditors indicates that only about half of all councillors have agreed personal development plans and more needs to be done to ensure that these are an established element of elected member training and development.

32. COSLA and SOLACE are working together to support elected members in carrying out their roles, and the IS is undertaking a consultation on a draft national elected member development strategy for Scottish local government.[1] We will keep this area under review.

Scrutiny
33. Scrutiny is a key part of the elected member role and involves reviewing council decisions, monitoring the council's success in achieving its strategic aims, and ensuring resources are properly targeted and used to good effect.

Exhibit 2
In 2008, SLARC recommended improvements to councillors' training and development

We supported the long-standing suggestion that all councillors should have a role description and that councils should have the flexibility to devise role descriptions that are fit for purpose in their area, but they should not be optional for any councillor.

We also believe that the public are entitled to have high expectations of their councillors and to feel confident that they are carrying out their role effectively and efficiently. As such, it is important that councillors actively engage with training and development opportunities on an ongoing basis.

We therefore recommended that all councillors – including long-serving councillors being re-elected – should participate in a training needs assessment and agree a personal development plan as soon as possible after election. That plan should be based around the core competencies.

Source: *Review of Implementation of Remuneration Arrangements for Local Authority Councillors* and *Annual Review of Remuneration Levels,* Scottish Local Authorities Remuneration Committee, September 2008

34. The range, quality and relevance of performance information available to members continues to be a barrier to effective scrutiny. Council officers need to engage with elected members to establish what would be most useful and accessible for them.

35. Committee structures are a matter for councils but, regardless of the form adopted, the lines of accountability between council functions and services and committees need to be clear and transparent. Schemes of delegation need to set out which matters are dealt with by each committee, which committees have the power to make specific decisions and which are responsible for monitoring performance.

36. Councils' audit and scrutiny committees play a key role in governance. Their effectiveness is enhanced by factors such as: access to good quality and timely reports; specialised training to assist members in carrying out their role; chairing by opposition members; and including external people to provide additional challenge.

37. Community planning and other joint work presents a particular challenge. We will explore this in a future national study on community planning and in the next phase of Best Value audits.

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1   *Consultation on Draft National Elected Member Development Strategy for Scottish Local Government,* Improvement Service, 2008.

Part 3. Using resources
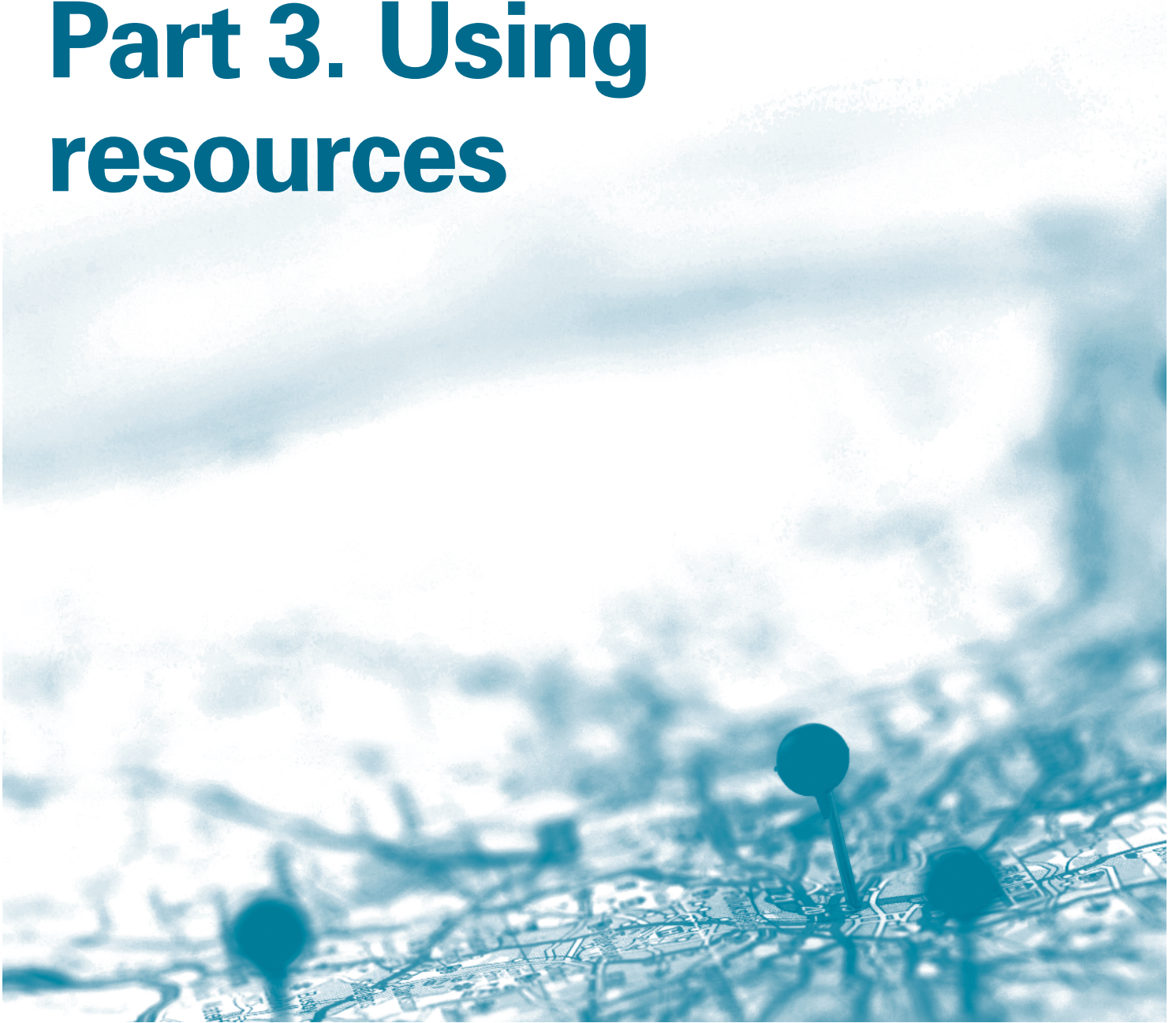
Councils continue to face significant financial pressures, particularly from workforce costs and service demands.

Key messages

- Councils generally reported a better financial position than predicted for 2007/08, mainly due to underspending in some services and lower than expected financing costs. However, they continue to face significant financial pressures, particularly from workforce costs and service demands in education, social work and waste management.

- General Fund reserves have increased but around two-thirds of the amounts held are earmarked for future expenditure. Some councils are experiencing difficulty in maintaining reserves in line with their policies.

- There is continuing slippage in capital spending. The current economic position means it is more difficult for councils to generate income from the disposal of property to finance capital and they may have to reassess their capital programmes.

- More work is required to develop a strategic and corporate approach to the management of operational assets linked to financial strategies and plans.

- Councils have been slow to develop workforce management plans because of their focus on single status and dealing with equal pay claims. Those councils that have yet to implement single status need to do so as a matter of urgency.

Financial management

Financial performance 2007/08
38. Councils' total net operating expenditure was £10.9 billion in 2007/08. Government support and council tax totalled £10.3 billion, resulting in an overall income and

Exhibit 3
Working to contain social work spending – Fife Council

In response to the financial pressures in social work, Fife has established a Social Work Challenge Group to oversee the implementation of a number of containment measures, including:

- child placements – return of young people accommodated in residential schools to their homes or foster carers

- adult placements – critical review of eligibility criteria. This included a review of all care packages

- homecare – reduction in contracted delivery hours to budgeted level together with a detailed review of eligibility criteria.

This was part of a change culture within the service, making managers more accountable and responsible for expenditure in their areas. In addition, the Social Work and Health Committee requested financial outturn projection reports at every committee during the year.

The achievement of these measures, combined with lower than anticipated spend in a number of key budgets, resulted in social work reporting a minor overspend of £0.1 million in 2007/08, compared with an overspend of £6.6 million in 2006/07.

Source: Annual audit report on Fife Council, Scott-Moncrieff LLP

expenditure account deficit of £0.6 billion for the year (2006/07: £0.01 billion). After accounting adjustments of £0.7 billion, mainly relating to fixed asset accounting, there was an overall increase in general fund balances of £0.1 billion during the year.

39. Most councils reported a better than anticipated financial position at the year end. This was due to a combination of factors including net underspending on services, lower than anticipated finance charges and higher than expected council tax income.

Expenditure
40. Councils spent £17 billion providing services in 2007/08, an increase of six per cent on 2006/07. Overall spending patterns across services, including police and fire and rescue services, were generally similar to last year. Councils spent most money on education (£5.4 billion); social work (£3.3 billion); and housing (£3.1 billion). Total spending in these areas increased by £0.9 billion (eight per cent) and

together represented 70 per cent of overall spending.

41. Overspending against budget was most common in education and social work in 2007/08, with specific pressures on budgets for special schools, residential care, foster care, adult social care, and provision of care for older people. Auditors identified instances of councils taking action to contain expenditure in response to financial pressures in social work, for example at Fife (Exhibit 3).

Income
42. Income from council tax was shown in the accounts as £2.2 billion in 2007/08 (£2 billion in 2006/07). Council tax collection rates continued to improve, with 94.2 per cent of council tax due in 2007/08 collected during the year, compared with 93.8 per cent last year (Exhibit 4). In three councils the collection rate fell but in all three the in-year collection rate exceeded 96 per cent. Details are available at www.audit-scotland.gov.uk/performance

Exhibit 4
Percentage of council tax collected in-year 1997/98 to 2007/08
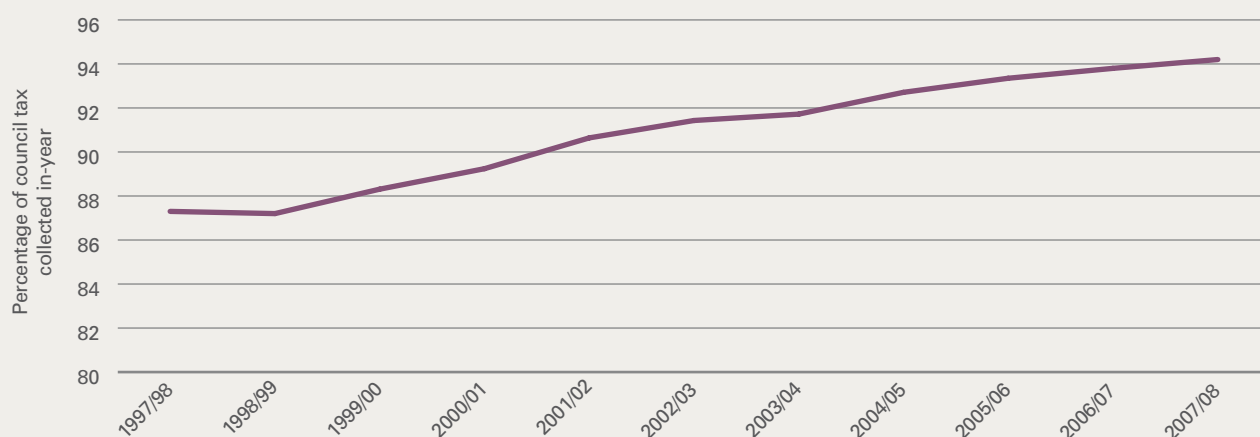
Source: Audit Scotland

43. The most recent local government finance settlement[2] announced overall funding for local government of £11.1 billion in 2008/09 rising by 5.1 per cent to £11.7 billion in 2009/10. This includes £70 million each year to maintain council tax levels. Over this same period, the Scottish Government's total managed expenditure will increase by 3.3 per cent.

44. As a result of the concordat, a number of previously ring-fenced grants are now included in mainstream funding. The level of revenue ring-fencing (where money is provided for a specified purpose) will reduce to £0.3 billion by 2010/11, excluding police grant which will remain ring-fenced. The reduction in ring-fencing gives councils more flexibility in how they allocate and use resources.

Pressures on revenue position
45. Councils' finances are subject to a range of pressures and competing demands.

46. Corporate pressures include:

- equal pay and related legal costs. Councils' 2007/08 accounts show total equal pay costs of £181 million (2006/07: £233 million; 2005/06: £280 million)

- single status implementation, which we estimate adds one to eight per cent to the overall pay bill

- increases in operating costs such as energy. Our recent report[3] noted that the price of electricity and gas doubled between July 2004 and June 2008

- cost of living pay increases. Current indications are that this will be around three per cent

- increasing employers' pension costs. The next triennial valuation is due to be reported early in 2009 and will determine future employer contribution rates.

47. Service pressures include:

- education – national priorities such as reducing class sizes, free school meals and residential school placements

- social care services – including increasing demand from an ageing population. The economic conditions may lead to even higher demand for some services such as housing and social work

- waste management initiatives – including the National Waste Strategy and EC Landfill Directive.

Efficiencies
48. Efficiency is defined as delivering the same services with less money or delivering more or better services with the same money. The government published its *Efficiency outturn report for 2007/08*[4] in October 2008. This set out the level of efficiencies achieved between 2005/06 and 2007/08 against plans published in 2004. The report shows total cash-releasing efficiencies in councils of £468.8 million (against a target of £327 million) and time releasing efficiencies of £53.2 million. In addition, there were

2 Finance Circular No. 5/2008, Scottish Government Public Service Reform Directorate – Local Government Division, December 2008.
3 *Improving energy efficiency,* Audit Scotland, December 2008.
4 *Efficiency outturn report for 2007/08*, Scottish Government, October 2008.

reported efficiencies in police of £15.3 million (target £8 million) and fire and rescue of £0.04 million (target £0.02 million).

49. For 2008/09 to 2010/11, the Scottish Government has indicated that the assumed level of annual efficiency savings for local government will be two per cent. The concordat allows councils to retain these to offset financial pressures and to address local priorities.

50. In many cases, councils are depending on efficiency gains to address financial pressures while maintaining services. There remains scope for improvement in councils' arrangements for managing their efficiency programmes, ensuring that efficiency targets are realistic and achievable, and differentiating between efficiencies and budget cuts. This is linked to the need for improved performance information generally.

Shared services
51. Shared services have the potential to contribute to more efficient and effective public services and councils are participating in a number of national and locally led shared services projects. Glasgow City and City of Edinburgh have been developing models of best practice through pathfinder projects, and a number of councils are now using the toolkits developed from the pathfinder work to identify opportunities for sharing services and making efficiencies. Councils in the north of Scotland have agreed to participate in a shared services initiative for the council tax and non-domestic rates and the administration of benefits.

52. Overall progress with shared services initiatives has been slow so far, and it remains a key challenge for councils to demonstrate that they are securing efficiency gains and service improvements by working together across organisational boundaries.

Reserves and balances
53. Councils hold reserves to deal with the effect of uneven cashflows, to build up funds for known and

predicted costs, and as a contingency for unforeseen expenditure. Total General Fund balances increased by £0.11 billion (around 25 per cent) to £0.53 billion at 31 March 2008 (£0.42 billion at 31 March 2007); balances fell in six councils.

54. £0.34 billion (65 per cent) of the total general fund balance was earmarked to meet known commitments such as future PPP/PFI payments, single status and equal pay claims and to maintain future council

tax levels. Councils recognise that the use of reserves to meet continuing pressures is not sustainable and they are seeking to stabilise reserves and balances at prudent levels, as part of their long-term financial planning.

55. The unallocated general fund balance of £0.19 billion is equivalent to 1.8 per cent of the total net cost of services, broadly the same as last year. The unallocated level at individual councils varies from 0.1 per cent to 5.5 per cent (Exhibit 5).

Exhibit 5
General fund balances as a percentage of net cost of services

Percentage of net cost of services

■ Unallocated balance as percentage of net cost of services

■ Earmarked balance as percentage of net cost of services
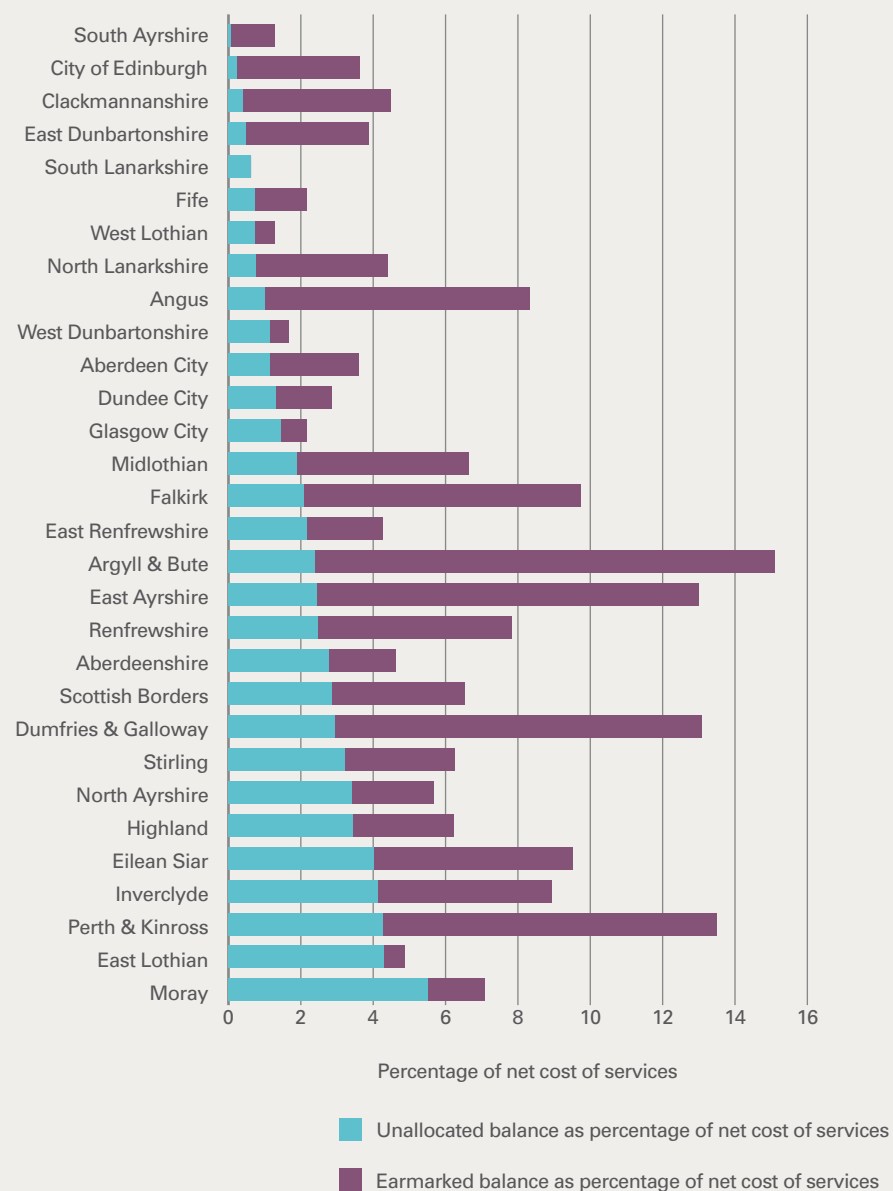
Source: Audit Scotland

56. A number of councils are taking action to restore reserves to their policy levels, but this is difficult because of ongoing financial pressures. Exhibit 6 shows examples from auditors' reports.

57. At 31 March 2008, councils had other cash-backed funds of £0.757 billion, an increase of 4.5 per cent on the previous year (Exhibit 7). These figures exclude the reserves and balances held by Orkney Islands and Shetland Islands, which arise mainly from harbour and other oil-related activities.

58. Some councils are using capital funds to support general fund expenditure (Exhibit 8), which is not sustainable in the long term.

Exhibit 6
Taking action to restore general fund balances

City of Edinburgh ended 2007/08 with some improvement in the unallocated balance on its general fund, which increased from £0.4m to £1.8m. This balance is insufficient to meet future uncertainty, and the council will aim for an unallocated balance of £11 million by 2011.

Fife has earmarked reserves of £10 million, which leaves the council with uncommitted balances of £5 million. The council's approved policy is to restore its uncommitted balances to a minimum level of £9 million over a three-year period commencing April 2007.

South Ayrshire aims to achieve a £2 million uncommitted general fund balance by 31 March 2010 but this is an ambitious target given the current circumstances. The council is running a high-risk strategy that will require achieving further additional savings.

Source: Annual audit reports on City of Edinburgh Council, Audit Scotland; Fife Council, Scott-Moncrieff LLP; and South Ayrshire Council, Audit Scotland

Exhibit 7
Other funds and balances

	31 March 08 £ billion	31 March 07 £ billion
Housing Revenue Account	0.129	0.111
Capital Fund	0.368	0.351
Capital Receipts Reserve	0.086	0.096
Insurance Fund	0.082	0.079
Repair and Renewal Fund	0.085	0.081
Other	0.007	0.006
Total	0.757	0.724

Source: Audit Scotland

Exhibit 8
Capital Funds to support general fund expenditure

Edinburgh – The budget for 2007/08 was based on a Band D council tax level of £1,169 with planned contributions of £4.6 million and £0.3 million from the capital fund and general fund respectively.
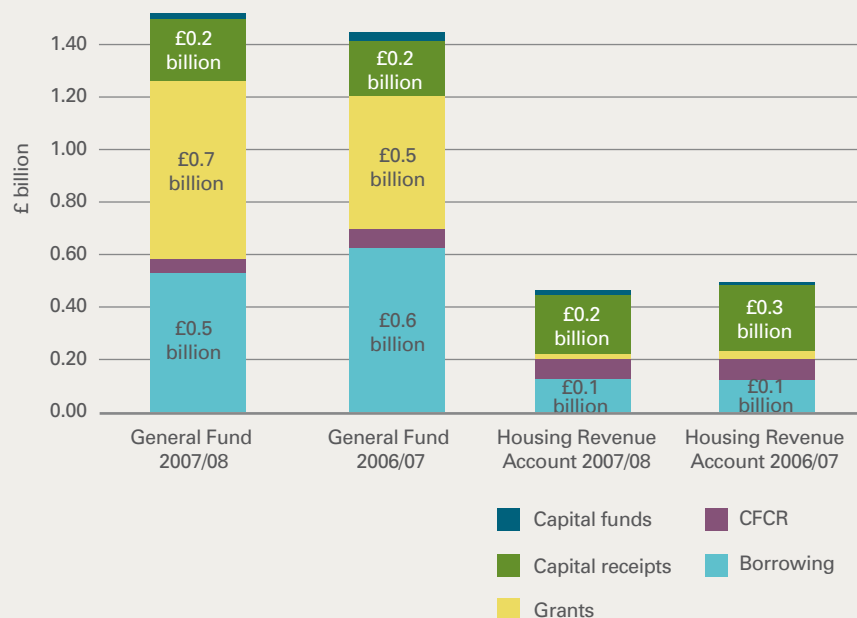
Glasgow – In 2007/08, £74.4 million from capital receipts has been released to the general fund.

Aberdeen City – £10.75 million was transferred from the capital fund to the general fund to cover debt principal repayments. Capital expenditure previously charged directly to the HRA was financed by a contribution from the capital fund, thereby allowing a further transfer of £5.54 million to the general fund. While the capital fund has been able to support both the general fund and the HRA, the remaining balance of £8.72 million will not allow this strategy to continue without further asset disposals.

Source: Annual audit reports on City of Edinburgh Council, Audit Scotland; Glasgow City Council, Audit Scotland; and Aberdeen City Council, Henderson Loggie

Exhibit 9
Capital expenditure and financing 2006/07 and 2007/08

Source: Audit Scotland

Exhibit 10
Addressing slippage in capital programmes

East Ayrshire's capital programme has been subject to considerable slippage in previous years. Following a reorganisation of the responsibilities for delivery of the capital programme and the subsequent decision to buy in external professional assistance, the council delivered an enhanced capital programme during 2007/08. Revisions to the 2007/08 capital programme were designed to address the significant slippage of the capital programme in 2006/07. Although total expenditure was £4.762 million less than the final plan, the results for the year represent a significant achievement in recovering the previous year's slippage.

Source: Annual audit report on East Ayrshire Council, Audit Scotland

Exhibit 11
Reassessment of PPP funding

Clackmannanshire contracted for three replacement secondary schools to be built under a PPP agreement during 2007/08. As part of the contract, the council agreed to make a significant capital contribution six months after the schools become operational. The council's expectation was that the capital injection would be funded from capital receipts generated mainly from the sale of surplus land from the replaced school sites. Recent changes in economic conditions have deflated property prices across the UK and, as a result, the council is unlikely to generate the level of capital receipts anticipated. This will create a funding gap and will require the council to re-visit its financial model for the PPP project.

Source: Annual audit report on Clackmannanshire Council, Grant Thornton

Capital expenditure
59. Capital expenditure totalled £2 billion in 2007/08 (£1.9 billion in 2006/07), £0.5 billion of which related to the Housing Revenue Account (HRA) (£0.5 billion in 2006/07). Capital expenditure financed by borrowing and revenue fell by 13 per cent and 11 per cent respectively. Funding from grants and other contributions increased by 30 per cent (Exhibit 9).

60. Most councils reported unplanned slippage in capital programmes during 2007/08 and this is likely to affect future capital programmes and service delivery. The main reasons were asset sales not materialising, problems with land acquisition and project management, and adverse weather. East Ayrshire has taken steps to address slippage (Exhibit 10). In some cases, councils have revised capital programmes to take account of the current economic conditions.

PPP
61. Some councils had planned to part-fund existing schools PPP projects from above-inflation increases in council tax or from asset sales. In the light of the council tax freeze and uncertainties about asset sales in the current financial climate, this needs to be reassessed. Clackmannanshire is among those to have identified risks (Exhibit 11).

Competitiveness and trading
62. Councils need to take a more systematic and rigorous approach to demonstrating service competitiveness and value for money. Our Best Value audits often show that reviews of competitiveness are out of date and in some cases services have not been tested for competitiveness for ten years or more. Councils need to market test commercial activities systematically and demonstrate competitiveness by using benchmarking and other comparative information.

63. Councils are required to maintain and disclose trading accounts for significant trading operations (STOs) that are required to break even over a rolling three-year period. There are currently 108 STOs across 32

councils, a reduction from 117 last year. Six councils reduced the number of STOs in 2007/08 following a review of their trading activities.

64. Twenty-eight STOs did not meet the statutory target and reported a cumulative three-year deficit of £60 million. Twenty-four of the 28 also did not meet the target in 2006/07. In most cases, this was due to equal pay costs and the costs of implementing single status.

Financial governance and planning

Senior officers and elected members
65. Councils are required to appoint a 'proper officer' who is responsible for the administration of their financial affairs. CIPFA's paper on the role of the director of Finance[5] states that the proper officer should be a member of the council's corporate management team to ensure that financial issues are given due consideration in policy and decision-making. Of the 32 councils, the proper officer is a member of the corporate management team in 25 councils. The remaining councils have other arrangements, for example the proper officer may have the right to attend corporate management team meetings.

66. Part 2 of this report refers to elected member training and development. The increasing complexity of the financial issues facing councils and the pressures on resources mean that it is essential that training on their financial responsibilities is available and that all councillors take part.

Internal controls
67. Councils prepared a Statement on the System of Internal Financial Control (SSIFC) or similar statement and identified a range of common areas for improvement:

- review or develop risk management arrangements

- implement the actions contained

in Best Value action plans or improvement plans

- develop business continuity planning

- enhance or develop performance management arrangements

- review or develop asset management plans

- embed good governance and strengthen partnership working

- improve the arrangements for corporate procurement.

68. Internal audit is an important part of councils' internal control environment and scrutiny. Several councils reported difficulty in staffing their internal audit function. In addition to the effect on internal controls, this means that external auditors had to extend their planned audit coverage.

69. Councils often work with other organisations and are required to produce group accounts where they have material interests in companies and other entities. They also need to ensure that those organisations have appropriate governance arrangements in place. Glasgow City, for example, obtains assurance statements from each company involved in its group and includes any issues arising in its SSIFC.

Financial planning
70. Councils are required to set a balanced budget each year, ensuring they have enough income to meet anticipated expenditure. They generally set three-year rolling revenue budgets, but most councils' strategic priorities are longer term and are affected by changing demands and other pressures. The recent shift in economic conditions highlights the need for flexibility in budgeting to enable councils to respond to changing circumstances.

71. There should be clear links between councils' budget-setting processes and their service planning

but this is not always the case. The Best Value audit at Aberdeen City, for example, found that its approach to linking budget setting to capital and service planning was underdeveloped.

Accounts and audit

72. All councils and related local authority bodies submitted their 2007/08 accounts for audit by the statutory deadline of 30 June 2008.

73. Accounts preparation and the quality of working papers were generally good. Councils' accounts are complex and are key to demonstrating councils' financial performance to the public. Clarity and use of the foreword to explain the financial position and the outturn position against the budget is essential.

74. As part of the transition to International Financial Reporting Standards (IFRS) the Accounting Code of Practice[6] (ACOP) required significant changes to 2007/08 accounts. Most councils dealt well with these changes but a few were required by their auditors to make adjustments to their accounts. Full implementation of IFRS in 2010/11 will result in further significant changes. Councils need to put arrangements in place now to ensure a smooth transition to the new IFRS requirements under ACOP.

75. Timely completion of accounts is an important part of public accountability. The Accounts Commission required auditors to complete the audits for 2007/08 by 30 September 2008. All were completed by this date, with the exception of Aberdeen City, which was completed in October.

76. Auditors qualified the accounts of two councils: Shetland Islands and Aberdeen City (Exhibit 12, overleaf). The councils are working to resolve the issues and avoid qualifications in 2008/09. The circumstances leading to the qualifications were the subject of separate reports by the Controller

5 *Statement on the role of the director of finance in local government*, CIPFA, 2003.
6 *Code of Practice for Local Authority Accounting in the United Kingdom; A Statement of Recommended Practice*, CIPFA.
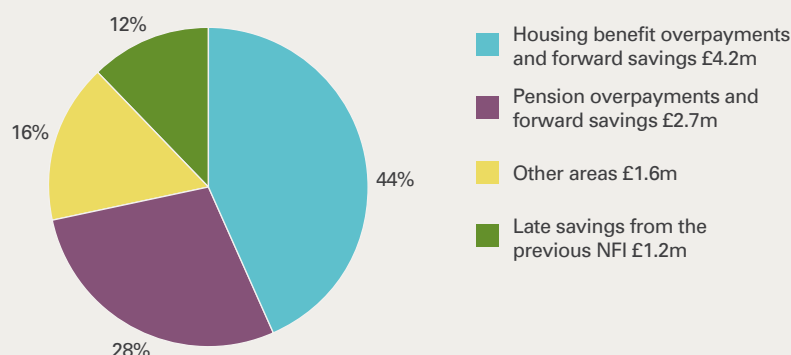
Exhibit 12
Audit qualifications 2007/08

Aberdeen City – extract from audit certificate: "*However, the evidence available to us was limited because the authority was unable to identify the cause of significant unmatched items forming part of the General Bank Account reconciliation at 31 March 2008. We were unable to obtain sufficient appropriate audit evidence to confirm that all bank transactions have been properly recorded.*"

Shetland Islands – extract from audit certificate: "*The council's group accounts do not include the Shetland Development Trust and the Shetland Charitable Trust, and their related subsidiaries. In my opinion, the substance of the council's relationship with both of these bodies represents a significant interest and their omission results in a material mis-statement of the group accounts.*"

Source: Audit certificates – Aberdeen City Council and Shetland Islands Council

Exhibit 13
NFI 2006/07 identified overpayments and savings

- 44% Housing benefit overpayments and forward savings £4.2m
- 28% Pension overpayments and forward savings £2.7m
- 16% Other areas £1.6m
- 12% Late savings from the previous NFI £1.2m

Source: Audit Scotland

of Audit to the Accounts Commission in December 2008.

77. Auditors produce annual audit reports which summarise the main matters arising from the year's work. Annual audit reports for all local authorities are available at www.audit-scotland.gov.uk

National Fraud Initiative (NFI)
78. The NFI matches data from a wide range of public bodies to help identify fraud and error. The data includes information about benefit applicants, employees, disabled 'blue badge' holders, tenants and public sector pensioners. Other datasets can be submitted if a council considers that the risks merit their inclusion. We coordinate this exercise working with the Audit Commission in England which matches the data on our behalf. During 2007/08, councils, police boards and fire and rescue boards, along with other public bodies, continued to follow up the data matches from the 2006/07 NFI.

79. By November 2008, councils had identified £9.7 million of overpayments and savings from the 2006/07 NFI (Exhibit 13). They are now engaged in data matching for the 2008/09 NFI, which will be reported in May 2010.

Asset management

80. Councils use operational fixed assets worth around £26 billion to deliver services. After employee costs, assets are the highest area of expenditure for public sector bodies. Some councils have made progress in asset management but our Best Value audits show that few have implemented an overarching corporate approach.

81. The 2007/08 SPIs[7] show that the proportion of operational buildings that are suitable for current use has increased from 54.7 per cent to 69.7 per cent and the proportion of operational buildings in a satisfactory condition has increased from 64 per cent to 68 per cent. The SPIs reflect some improvement in the reliability of data submitted but some councils still do not hold up-to-date basic information about the assets they hold.

82. A statutory report on property sales at Aberdeen City[8] identified: evidence of procedural and administrative deficiencies and poor record-keeping; cases where accurate and relevant information was not reported to elected members; a lack of evidence to support the valuation at which properties were sold; and cases where the council may have achieved a better price. It identified a potential loss of capital receipts which may be more than £5 million. We will be assessing progress as part of the Best Value follow-up work.

83. *Improving the schools estate*[9] found that when the schools strategy was launched in 2003, there was no comprehensive and consistent information about the physical condition and fitness for purpose of schools. Since 2003, the government and councils have been working together to develop a robust and consistent way of assessing the condition of school buildings.

84. We are currently undertaking a study on asset management in councils that will provide detail on the national

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7 Statutory performance indications 2007/08, council by council profiles, www.audit-scotland.gov.uk/performance/council
8 *Aberdeen City Council: Property sales investigation*, Controller of Audit, Audit Scotland, March 2008.
9 *Improving the schools estate*, Audit Scotland, March 2008.

picture. It examines councils' overall approach to asset management with the main focus on whether councils have adequate arrangements to ensure that their assets are managed corporately. The study is also looking at whether councils are using performance information and benchmarking with other organisations. The report will be published in spring 2009.

85. A recent framework document published by CIPFA Scottish Directors' of Finance[10] is aimed at assisting councils in collecting information and using systems for asset management.

Common good

86. There continues to be strong public interest in common good funds and assets. Councils administer these funds within their areas and are responsible for the common good assets they hold. Councils controlled common good assets of around £184 million at 31 March 2008 and revenue expenditure in 2007/08 was about £13.3 million.

87. Common good assets should be managed as part of councils' asset management strategies and in accordance with the principles of best value. There are some practical difficulties in identifying common good assets; in many cases these have been held for a long time and have been transferred from predecessor councils through successive local government reorganisations. To promote consistency in accounting and record-keeping, LASAAC[11] published a guidance note on accounting for common good funds in 2007. Auditors will assess councils' progress as part of their 2008/09 audits.

88. The Improvement Service published a report[12] in June 2008 on the management of common good assets and funds. This report provides information and advice for councils on asset registers and the management of common good funds generally and acknowledges that councils may face difficulties in implementing the LASAAC guidance.

People management

89. In June 2008, the number of staff employed in local government was around 257,000 full-time equivalents, a slight reduction from June 2007 (around 258,000 full-time equivalent). Local government (including police and fire and rescue) employs around 54 per cent of the total public sector workforce in Scotland.

Single status and equal pay

90. The single status agreement was signed in 1999, with an intended implementation date of April 2002. It aims to harmonise the terms and conditions of employment of manual and administrative, professional, technical and clerical workers. There have been significant delays in implementation due to ongoing negotiations and appeals processes. A third of councils (Aberdeen City, Clackmannanshire, Dumfries & Galloway, City of Edinburgh, Highland, Midlothian, Scottish Borders, Shetland Islands, South Ayrshire, Stirling, West Dunbartonshire) had yet to implement the agreement fully at 31 October 2008.

91. The delay in implementing single status continues to affect employer/ employee relations and, in turn, service delivery and the achievement of corporate objectives and performance improvements. Councils that have yet to implement single status also face the continuing risk of additional equal pay claims. Implementing the agreement, and resolving appeals, is a matter of urgency.

92. Across Scotland there are significant numbers of equal pay claims going through employment tribunals, which may have financial implications for councils. A survey[13] in October 2008 estimated that cases have cost Scottish councils £1.6 million in legal fees alone.

93. It is vital that councils ensure that pay and reward systems meet legislative requirements under the Equal Pay Act and that any areas of discriminatory practice are addressed. All relevant costs and financial implications should be reflected in budgets.

Workforce planning

94. Councils need to ensure that they have the right number of staff and that staff have the skills and knowledge to deliver corporate objectives. Best Value audits show that strategic workforce planning remains significantly under-developed across local government. There are indications that, as single status and equal pay issues are resolved, HR departments are redirecting their attention to workforce planning.

95. There have been significant changes in senior management in councils over the last two years, including at chief executive level. This has implications for workforce and succession planning. Eilean Siar, for example, has identified succession planning as a specific challenge as several senior officers have retired or will retire soon.

Absence management

96. Absence management is a key element of councils' wider workforce strategies. It is recognised as an area that councils need to address and was identified as one of the priority areas for efficiency savings.

97. SPIs show that council staff and teachers took over 3.1 million days off sick last year, equivalent to 5.4 per cent of working time (2006/07: 5.3 per cent). Sickness absence rates in police fell, from 5.0 per cent to 4.7 per cent for police officers and from 5.9 per cent to 5.3 per cent for support staff. In the fire and rescue service, levels fell from 6.0 per cent to 5.3 per cent for fire fighters and from 5.0 per cent to 4.5 per cent for fire support staff. Details are available at www.audit-scotland.gov.uk/performance

98. The Chartered Institute of Personnel and Development (CIPD) provides guidance on measuring and managing absence; the challenge for councils is to turn this into practice.

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10 *A guide to asset management and capital planning in local authorities,* Local Government Directors of Finance section – Scotland, October 2008.
11 *Accounting for the common good: A guidance note for practitioners*, LASAAC, December 2007.
12 *The management of common good assets and funds: Report of sample survey of council practice,* Improvement Service, June 2008.
13 Scottish Trades Union Congress, October 2008.

North Lanarkshire, for example, has introduced a managing attendance policy as part of a range of measures to improve sickness absence levels.

Procurement

99. Local government in Scotland spends around £4 billion annually on goods, works and services. This ranges from construction, consultancy services, social and community care, utilities and information technology to postal services, car hire and stationery. Construction and construction materials are the largest area of spend, at around £1.3 billion.

100. Within councils, there is a general move towards the creation of specialist procurement units, providing practical advice and support in all matters related to the procurement of goods, works and services. Councils acknowledge that better procurement has a critical role to play in achieving efficiencies. More work is needed to realise and demonstrate the efficiencies that can be generated from improved procurement practices.

101. The 2006 McClelland report[14] highlighted areas for improved procurement and the Government introduced a Procurement Reform Programme in 2006. We are currently undertaking a study which will review progress in introducing the reform programme and identify risks to its successful implementation.

102. Councils are expected to participate in a number of changes introduced by the reform programme, including Scotland Excel as a procurement centre of expertise, a new Best Practice Indicator Framework and a programme of staff awareness and learning and development opportunities.

103. Scotland Excel was established in April 2008 and involves 28 of the 32 councils. It will create the opportunity for councils to improve their procurement practices and

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Exhibit 14
The establishment of Scotland Excel

A number of steps need to be addressed by Scotland Excel in the short term. Expanding the range of collaborative contracts, developing an overall procurement strategy, finalising its business plan, delivering training on procurement matters and developing a strategy for liaising with suppliers are all current priorities. Work is also required, however, to fully develop and operate those corporate governance requirements expected of a publicly funded organisation.

Challenges also exist for local authorities to ensure that their own procurement strategies permit best value and that best practice indicators are established to manage procurement performance. Crucial to the whole initiative, however, will be the full engagement of councils with Scotland Excel to allow potential financial benefits to be realised.

Source: 2007/08 – A position statement on the establishment of the procurement centre of excellence for local authorities, Audit Scotland

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generate savings. It has initially been involved in promoting and establishing membership, negotiating contracts and establishing intelligence, learning and development (Exhibit 14).

Information and Communication Technology

104. Councils make significant investments in Information and Communication Technology (ICT). Modern, reliable ICT systems are critical in supporting accessible, efficient services. Our Best Value audits show that councils are increasingly recognising the need to have ICT strategies that support this.

Data handling and security
105. Information about citizens is a key resource in managing services effectively. The security of this information has received increased public and media attention recently due to a number of data loss incidents across the UK.

106. Councils share data with organisations such as the Department for Work and Pensions and other government departments and they recognise the implications for service users should there be security failures. The Scottish Government has set up a group to look at data handling with a view to establishing a set of guiding principles.

ICT investment
107. There is pressure from government to modernise and integrate service support systems to increase efficiency. In the last few years, local authorities have invested in e-procurement, contact centres and better websites, as well as improved ICT infrastructure. ICT investment carries significant risk of overspend and new technologies and changing working practices present challenges for improving governance and internal control.

Risk management

108. Risk management is about identifying risks to the successful achievement of corporate, strategic and operational objectives. Councils are continuing to improve their risk management arrangements and are increasingly recognising the importance of risk management across the organisation. More needs to be done to systematically embed risk management principles and practices. Risk management needs to be more widely recognised as a mechanism to inform service planning and performance and the strategic allocation of resources.

109. Recent events in the banking sector and the position in relation to investments in Icelandic banks further emphasised the need for robust risk management in councils' treasury functions.

14   *Review of public procurement in Scotland*, Scottish Government, March 2006.

Part 4. Service performance
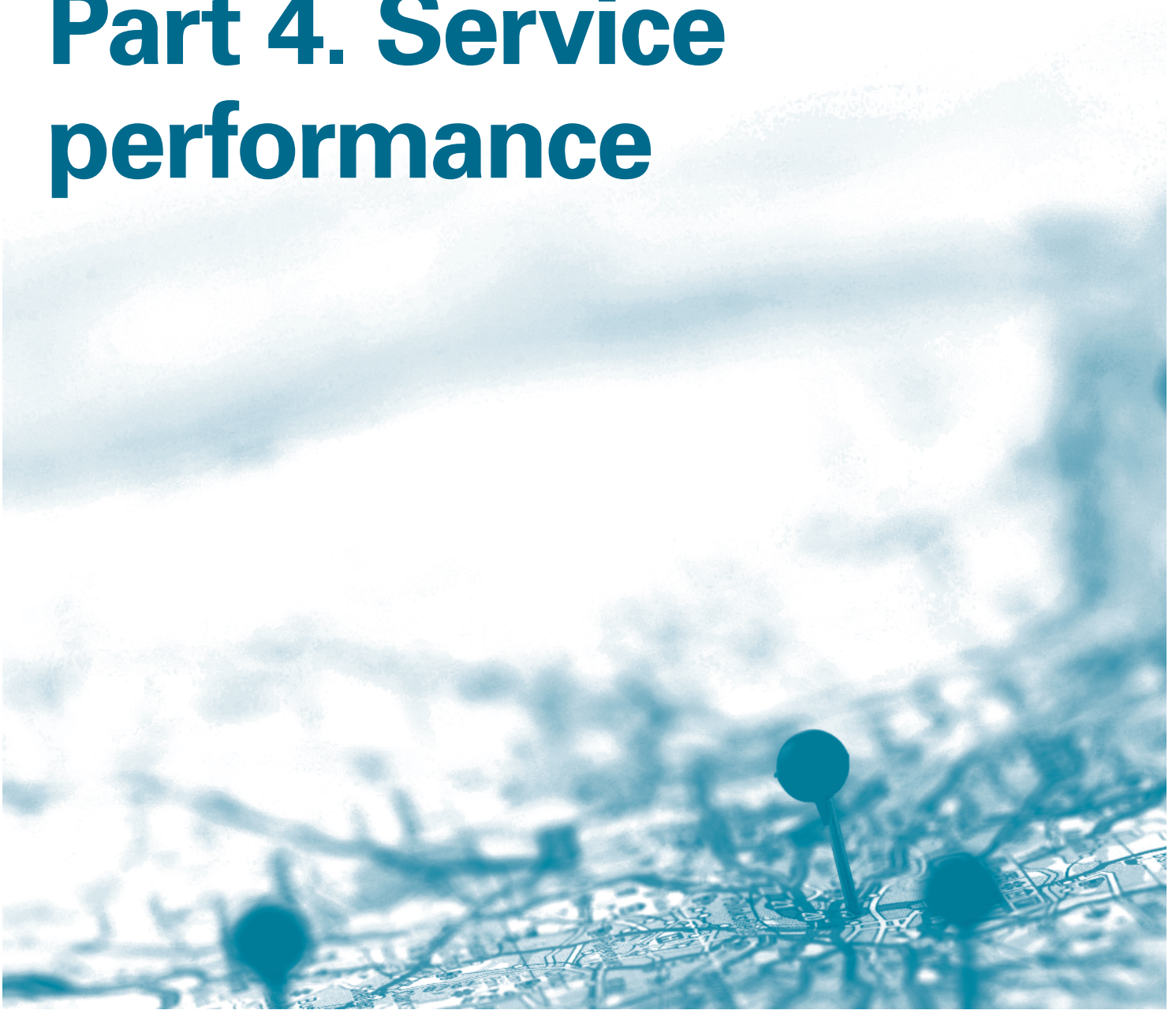
Evidence indicates good services across a range of areas and councils respond positively to findings from audits and inspections.

Key messages

- Councils are giving more emphasis to the needs of the people who use their services. They are making progress in improving customer care but there needs to be more consistency across service areas.

- Evidence from sources, including the Statutory Performance Indicators and audit and inspection reports, indicates good services across a range of areas.

- Councils generally respond positively to findings from audits and inspections and seek to address areas highlighted as in need of improvement.

User focus

110. Best Value requires councils to ensure that services are responsive to the needs of the people who use them. Councils can demonstrate this through regular monitoring and review of customer service strategies, service standards and targets.

111. Best Value audits in 2008 found that Perth & Kinross has established a customer service strategy and customer service standards. These set out the standards of service people can expect and enable performance to be measured against them. Falkirk showed improvements to customer service in recent years, including establishing a contact centre and increasing the services offered through its network of one-stop shops. Some services had developed a range of service standards and performance targets. In both councils, there was scope to take a more consistent approach across all services.

112. Councils serve a diverse range of communities. However, our report *The impact of the race equality duty on council services*[15] found that

councils lacked information about minority ethnic communities, their needs and experiences. We also found that, while there is some activity, councils cannot systematically demonstrate how consultations with ethnic minority communities have influenced the design or delivery of services and that consultation activity tends to be poorly coordinated between services.

113. Consumer Focus Scotland and the Improvement Service jointly commissioned research[16] into whether local government might benefit from a more collaborative approach to measuring consumer satisfaction and experience. The study found that adopting a common approach was likely to produce significant benefits.

114. Complaints are a valuable source of information about how services can be improved. Best Value audits indicate that most councils value the information they receive from complaints. However, they could do more to improve the way they respond and make better use of the information provided to ensure lessons learned are shared across the organisation. Dissatisfaction with the

way councils respond to complaints is often reflected in complaints referred to the Scottish Public Services Ombudsman. The need to improve complaint handling is a consistent theme in Ombudsman reports.

Service performance

Statutory Performance Indicators
115. Each year the Accounts Commission requires councils to publish a set of Statutory Performance Indicators (SPIs). The SPIs do not represent a comprehensive picture of council performance but they provide useful comparative information across the range of council services. The SPIs are compiled on a common basis and underlying systems are verified by external auditors. SPIs can be used to track service performance over time.

116. Analysis of the SPIs shows that the proportion of measures where councils have recorded an improvement continued to rise in comparison to those where there has been a decline in performance. The overall ratio of improvement to decline for these measures over the past five years shows a continuing trend of improvement (Exhibit 15).

Exhibit 15
SPIs ratio of improvement to decline since 2003/04

This table shows the change in ratio of improvement to decline for those measures that facilitate comparison.
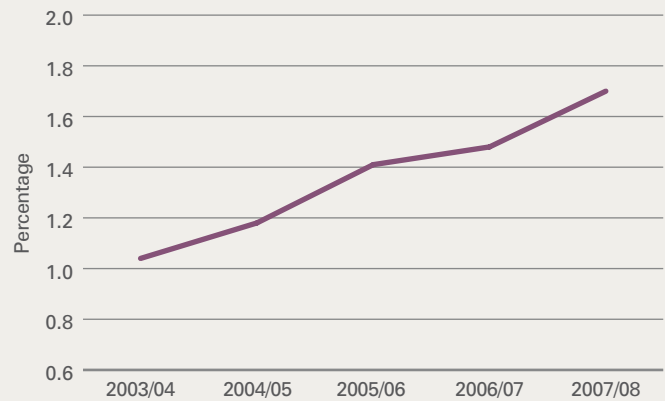
Source: Audit Scotland

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15 *The impact of the race equality duty on council services*, Audit Scotland, November 2008.
16 *Improving the understanding of customer satisfaction and experience in Scottish local government: Towards a collaborative and common approach*, Customer Focus Scotland/Improvement Service, October 2008.

117. Highlights from the 2007/08 SPIs include:

- Both in-year council tax collection and invoice payments within 30 days improved. Council tax collection rose to 94.2 per cent while the proportion of invoices paid within 30 days rose to 86.5 per cent.

- The gender balance in more senior posts across Scotland's councils is improving, with the proportion of women in the top two per cent of posts rising to 35.9 per cent from 33.9 per cent the previous year. The proportion of women in the top five per cent now stands at 44 per cent, up from 40.4 per cent the previous year. There is, however, considerable variation among councils in the proportion of women employed at senior levels.

- Processing planning applications within target times set by the Scottish Government continues to cause problems. The proportion of householder applications processed within two months fell to 76.3 per cent (target 90 per cent) from 79.8 per cent in 2006/07 and the overall proportion including non-householder applications processed within two months fell to 58.7 per cent (target 80 per cent) from 61.4 per cent.

- The proportion of buildings assessed as suitable for and accessible to people with disabilities continues to rise and now stands at 56.6 per cent, up from 51.9 per cent in the previous year.

- The index developed by Keep Scotland Beautiful to show the cleanliness of Scotland's roads and other relevant land shows a continuing trend of improvement. The index for Scotland was 73 compared with 71 in the previous year and 70 for the two years before that.

Education and children's services
Key facts:

- Councils spent £5.4 billion providing education services in 2007/08.

- There are 2,720 council-run schools in Scotland.

- Over 692,000 children attend these schools – over 95 per cent of all school age children in Scotland.

- There are nearly 15,000 children and young people looked after by Scottish councils – 700 of these are in local authority residential care homes.

118. SPIs for children's services show that the percentage of children subject to a supervision order that were seen by a supervising officer within 15 days has improved, as has the percentage of qualified care staff in local authority managed residential homes for children. The relative number of respite hours provided is increasing and less of this respite care is being provided in day centres. In contrast, overnight respite care is showing a declining trend in both the amount of service provided and the amount being provided other than in residential settings.

119. Her Majesty's Inspectorate of Education (HMIE) scrutinises the quality of education provided by councils. HMIE also works with other inspection agencies on joint inspections of services to protect children and young people. HMIE's reports are available at www.hmie.gov.uk

120. During 2008, HMIE published inspection reports on the education functions of four councils (Aberdeenshire, Fife, Moray, Shetland Islands). HMIE assesses the quality of the education service against ten quality indicators, using a six-point scale ranging from excellent (level six) to unsatisfactory (level one).

The councils inspected during 2008 all achieved ratings in the range 'very good' (level five) to 'adequate' (level three).

121. HMIE also published reports on the multi-agency inspection of services to protect children and meet their needs in 12 councils. It uses 18 quality indicators to evaluate the overall effectiveness of these services, again using a six-point scale ranging from excellent to unsatisfactory.

122. Clackmannanshire was assessed as weak on eight indicators and unsatisfactory on one. Aberdeen City was assessed as weak on ten indicators and unsatisfactory on a further four. In both councils, inspectors reported that they were not confident that all children at risk of harm, abuse or neglect, and in need of protection, were receiving the help and support they needed.

123. Follow-up reports on services to protect children were published on three councils. Midlothian was found to have responded quickly and positively to the main findings in the initial report, but there was still considerable work to be done. Highland had demonstrated effective performance in taking forward improvements. Inspectors found that progress in Edinburgh had been slow in some areas and a few still needed urgent attention.

124. Demographic change is set to reshape the demand for education and children's services. Across Scotland, the total number of children aged zero-15 is forecast to reduce by seven per cent over the period to 2031. However, the picture varies across councils: in 24 council areas the population aged zero-15 is expected to fall by between three per cent (South Lanarkshire) and 31 per cent (Shetland Islands). Increases of over ten per cent are predicted in East Lothian (15 per cent), Perth & Kinross (14 per cent) and West Lothian (11 per cent).

Improving the schools estate
125. In March 2008, we published a report[17] on the Schools Estate Strategy launched by the Scottish Executive and COSLA in 2003. The Strategy's aim was to raise and maintain the quality of the school estate, leaving no schools in an unsuitable condition for 21st century education.

126. In total, 219 newly built schools opened between 1999 and 2007. It is estimated that at least 160 more will be built through projects already committed to by councils. Expenditure on the school estate has risen significantly in recent years; councils and the government spent, or committed, £3.9 billion on capital improvements to school buildings in the seven years from 2000/01 to 2006/07. This was expected to increase to over £5.2 billion by April 2008.

127. Pupils and staff are generally satisfied with the design of new and refurbished schools. However, when assessed against good practice standards, aspects of design could improve, particularly where schools are being refurbished. The main areas for improvement are heating and ventilation, and the environmental sustainability of buildings.

128. Our study found that planning for demand for future school places varies considerably. Fewer than half of councils estimate the number of pupils they expect in their schools beyond the next ten years, although the planned lifetime of a new school is 50 years.

129. Councils that have completed more than one major schools improvement project learned important lessons that helped them in subsequent projects. However, we found that councils generally do not do enough to share experiences and good practice with each other. There is scope for efficiencies through sharing staff and technical expertise as well as design and procurement experience.

130. The government accepted our report's recommendations in full and committed to developing a new Schools Estate Strategy by spring 2009, which will take forward the report's recommendations. The Scottish Government is funding specialist architecture and design advice to councils over the next three years and a schools design champion has been appointed.

Social work services for adults
Key facts

- Councils spent £3.3 billion providing social work services in 2007/08.

- Around 55,000 people over 65 received care at home.

- Around 31,000 people over 65 received care in a residential setting.

131. The SPIs show the following significant trends:

- The total number of older people reported as receiving a homecare service rose to over 55,250, still considerably below the levels of

five years ago but the first reversal of a declining trend.

- The average number of homecare hours provided per 1,000 older people has declined to 500 compared to 512 hours five years ago.

- The proportions of clients receiving personal care services, evening/ overnight services or services during the weekend have all continued to increase (Exhibit 16). This, together with the decline in the number of homecare hours per thousand older people, reflects a trend for councils to focus resources on providing more intensive services to a smaller number of older people with more complex care needs.

132. The overall quality of social work services is scrutinised by the Social Work Inspection Agency (SWIA). During 2008, SWIA published inspection reports on the performance of social work services in seven councils. SWIA evaluates ten aspects of social work services using a six point scale ranging from excellent (level six) to unsatisfactory (level one). SWIA's reports are available at www.swia.gov.uk

Exhibit 16
Percentage of homecare clients receiving personal care, evening/ overnight or weekend services
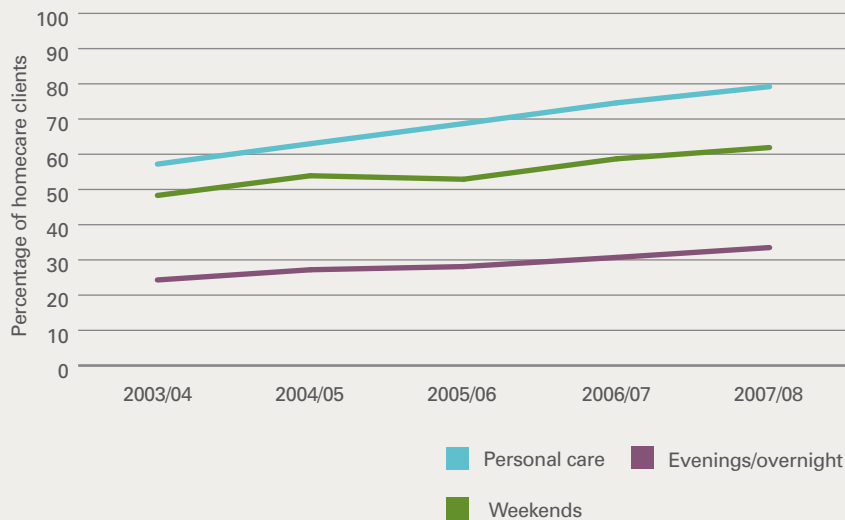
Source: Audit Scotland

17   *Improving the schools estate*, Audit Scotland, March 2008.

133. Most councils inspected in 2008 were assessed as 'good' (level four) or 'adequate' (level three) in the areas evaluated. The exception was Aberdeen City, which was assessed as 'adequate' in three areas, 'weak' in five and 'unsatisfactory' in two ('resources and capacity building' and 'leadership and direction').

134. During 2008, SWIA also published follow-up reports on eight councils. In the majority of cases councils were making progress on previous recommendations. SWIA expressed concerns about the pace of change in relation to some improvement actions in Eilean Siar and Dumfries & Galloway.

135. Our report[18] on free personal care informed Lord Sutherland's review and was considered by the Parliament's Public Audit Committee during 2008. The committee reported[19] in December 2008 setting out their findings and recommendations, which focused on funding estimates and allocations for the policy; how the financial impact of the policy is monitored; the clarity of legislation and guidance; and the consistency of service provision across Scotland.

136. There will be an increasing demand for social work services as a result of a significant rise in the number of people aged 65 and over. Across Scotland, the total number of people of pensionable age is expected to increase by 31 per cent by 2031. This ranges between three per cent (Glasgow City) and 76 per cent (Aberdeenshire). The number of people aged 75 and over is set to rise between 19 per cent (Glasgow City) and 156 per cent (Aberdeenshire).

Housing services
Key facts

- Councils spent £3.1 billion providing housing services in 2007/08.

- There were around 323,000 council houses in Scotland in September 2008.

- The number of council houses reduced by 290,000 (47 per cent) between 1997 and 2008.

- The average council house rent in 2007/08 was £48.35 per week.

- The number of households assessed as being homeless or potentially homeless in 2007/08 was around 41,000.

137. Councils have a key strategic role in ensuring the provision of suitable housing for people with a wide range of needs, through their role as public landlords and in providing services for people who are homeless. The current economic conditions are likely to lead to an increase in demand for social housing.

138. The number of council houses reduced by 290,000 (47 per cent) between 1997 and 2008, mainly due to the right to buy legislation and the transfer of houses to other landlords under housing stock transfers. Councils have transferred stock in Argyll & Bute, Dumfries & Galloway, Eilean Siar, Glasgow City, Inverclyde and Scottish Borders.

139. Some councils are currently considering innovative ways of providing homes, taking account of the current economic conditions. Others are involved in providing new homes, for example Midlothian is taking action to address a projected shortfall in affordable homes by building 1,000 new homes in a £105 million programme and is

working with registered social landlords and private developers to deliver an additional 800 affordable homes.

140. SPIs for 2007/08 show some positive trends:

- The proportion of rent lost due to empty homes has reduced from 2.29 per cent two years ago to 1.65 per cent.

- Current tenant arrears as a percentage of the net amount of rent due in the financial year has reduced from seven per cent two years ago to six per cent in 2007/08.

- The proportion of tenants with high arrears (13 weeks and over) has reduced from 4.5 per cent two years ago to 4.2 per cent in 2007/08.

- The proportion of former tenant arrears either collected or written off has increased from 28.7 per cent last year to 34.1 per cent in 2007/08.

- The proportion of council house sales undertaken within 26 weeks has increased from 74.6 per cent two years ago to 84.7 per cent in 2007/08.

141. For people assessed as homeless or potentially homeless, the average time between presentation and completion of the council's duty has increased from 16.5 weeks two years ago to 22.6 weeks in 2007/08. However, there has been a reduction in the proportion of cases reassessed as homeless or potentially homeless within 12 months, from 7.8 per cent to six per cent over this period.

142. The Scottish Housing Regulator (SHR) published inspection reports on nine councils in 2007/08 and graded their performance. Performance was assessed as 'excellent', 'good',

18 *A review of free personal and nursing care*, Audit Scotland, February 2008.
19 *Free personal and nursing care – 4th Report – 2008*, Public Audit Committee, Scottish Parliament.

Exhibit 17

The Scottish Housing Regulator assessed nine councils against three criteria

Council	Report published	Housing management	Asset management and repairs	Services for homeless people
Eilean Siar	Nov 08	No service	No service	Fair
East Ayrshire	Apr 08	Good	Good	Fair
East Dunbartonshire	Mar 08	Good	Fair	Good
East Lothian (re-inspection)	Jun 08	Not covered	Not covered	Fair
Falkirk	Feb 08	Fair	Fair	Poor
Inverclyde (re-inspection)	Aug 08	No service	No service	Fair
Midlothian	May 08	Poor	Good	Poor
North Ayrshire	Aug 08	Excellent	Fair	Good
Renfrewshire	Nov 08	Good	Fair	Fair

Source: The Scottish Housing Regulator

'fair', or 'poor' (Exhibit 17). Two of these councils were subject to re-inspection because of 'poor' grades previously and both improved their grades to 'fair' in the relevant areas. SHR reports are available at www. scottishhousingregulator.gov.uk

143. West Dunbartonshire received an interim inspection to assess progress since its original inspection in 2003/04 when its housing management service was assessed as 'poor'. The inspectors found the council's housing service has improved in some areas, eg management of empty houses. However, the inspectors found that the council still had many areas of weakness, some of which are significant, including its performance in rent arrears and its approach to managing applications and its housing list.

144. During the year, we carried out housing and council tax benefit work in 12 councils. This new audit work is planned in two phases: a risk assessment phase that identifies risks to the continuous improvement of benefits services; and a focused audit phase that examines matters in more

detail if a council is unable to reduce the risks it has identified itself.

145. We identified risks to continuous improvement in all 12 councils we looked at and all councils were therefore invited to provide their plans for reducing these risks. All councils responded positively and have provided action plans to address the risks identified within reasonable timescales. Having considered the councils' responses, we advised 11 councils that we would examine progress during the next risk assessment. Highland has been asked to provide an earlier update on progress in view of a significant performance weakness.

Sport and physical recreation

146. Public bodies spend around £558 million a year on sport in Scotland. Councils are responsible for 90 per cent of this expenditure, mostly on providing and maintaining facilities and on programmes to encourage participation and support individual athletes. Our national report[20] found that:

- the provision of sports facilities and other services is fragmented,

with no clear links between the government's national strategy for sport and councils' investment. The development of SOAs is an opportunity to clarify and align the links between national and local strategies

- the level of participation and funding in sport has been declining and participation by younger people falls short of targets

- sportscotland estimates that an additional £110 million a year is needed for the next 25 years to bring sports facilities up to an acceptable standard.

147. We will be undertaking a study on local authority physical recreation services as part of our ongoing performance audit work.

Police

148. Scotland has eight police and fire and rescue services. Six of these cover an area involving two or more local authorities while two fall within the area of a single council (Dumfries & Galloway and Fife).

20 *A performance overview of sport in Scotland*, Audit Scotland, April 2008.

149. HM Chief Inspector of Constabulary (HMCICS) issued a report on the 2007/08 results for the Scottish Policing Performance Framework (SPPF) in December 2008. This is the first report based on what is a new and evolving framework, and while there are limits in the early data, it is a good starting point for the new system. It provides a fuller overall report on police performance than has been available before and goes further than a report based only on the previous police SPIs. The Accounts Commission has recently incorporated the SPPF as a single SPI for all police authorities across Scotland.

150. The report highlights three areas where police performance across Scotland is encouraging.

- Overall recorded crimes and offences are down across Scotland as a whole (Exhibit 18). In particular, crimes of violence showed a reduction of nearly nine per cent on last year.

- The number of people killed or injured in road accidents across Scotland has decreased by 7.7 per cent compared with last year (Exhibit 19).

- The percentage of reports submitted to the procurator fiscal and the children's reporter within national targets have increased (Exhibit 20, overleaf).

151. The HMCICS report identifies areas where further improvement in performance information is needed by police forces, including:
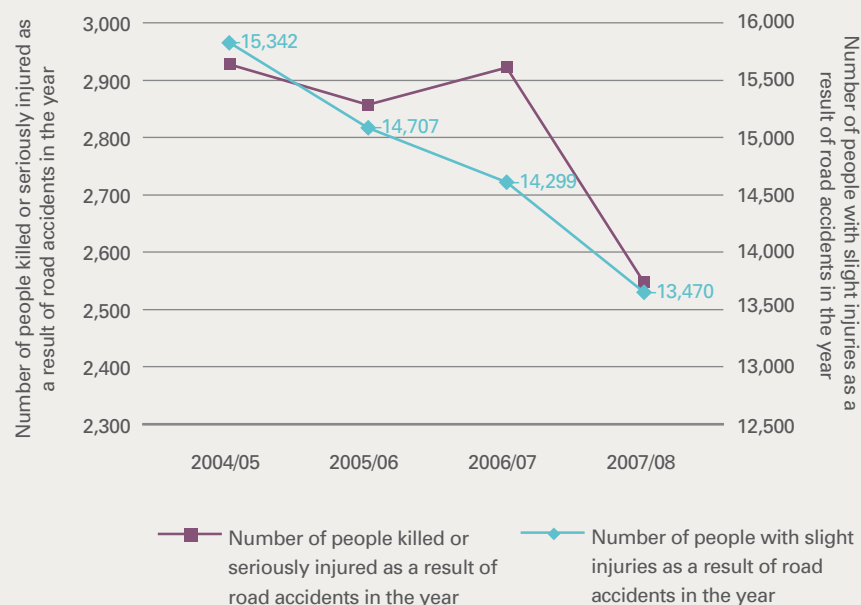
- the availability of data

- the adoption of common recording practices among forces

- the ability of forces to challenge, understand and explain variation in detection rates

- the need for a consistent approach to incident recording.

Exhibit 18
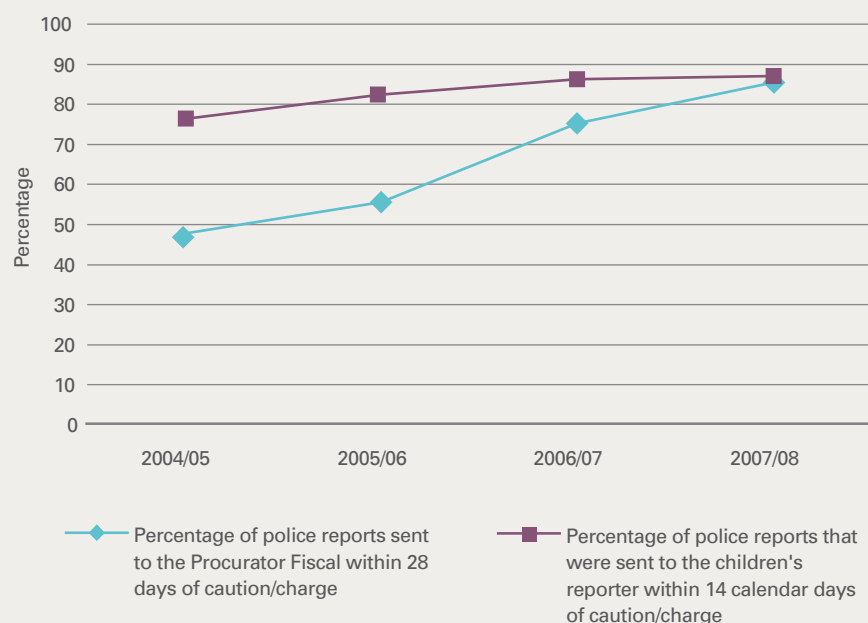Crime clear-up rates
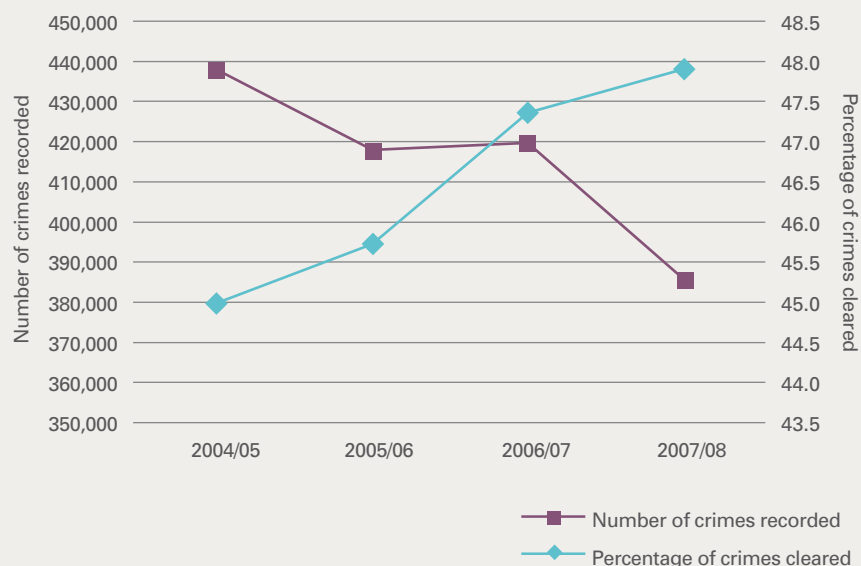
Source: Audit Scotland

Exhibit 19
Road accidents

Source: Audit Scotland

Exhibit 20

Reports to the procurator fiscal and children's reporter

Percentage of police reports sent to the Procurator Fiscal within 28 days of caution/charge

Percentage of police reports that were sent to the children's reporter within 14 calendar days of caution/charge

Source: Audit Scotland

152. The chief inspector also highlights the need for police authorities to challenge chief constables about local performance, and this is consistent with views that the Accounts Commission has expressed for some time regarding the need for clarity and improvement on aspects of governance and accountability for police services.

153. The Commission gave evidence to the Parliament's Justice Committee inquiry into the effective use of police resources that reported in January 2008. This was based on evidence from pilot audit work on Best Value in police services, and the findings of the joint Accounts Commission/Auditor General report, *Police call management: an initial review*.[21] The impact of the views expressed by the Commission at that time has continued during 2008. The Justice Committee inquiry has led to a review by HMCICS that will include consideration of governance and accountability issues for the police. The Parliament's Public Audit Committee continued its discussions on the police call management report

throughout 2008, exploring a number of issues including the role of police boards in holding chief constables to account. Reports from both inquiries are expected to be published early in 2009 and should help to improve performance management and reporting on police service performance.

154. In August 2008, the chair of the Accounts Commission wrote to all police authorities advising that Best Value audit arrangements for police services would be developed on the same principles as those for councils. This will be joint work with the HMCICS and will be piloted during 2009.

Fire and rescue

155. The main trends in SPIs indicate: a deterioration in the speed at which 999 calls are answered; an improvement in the number of shifts lost due to sickness absence and in sickness absence rates for other directly employed staff. The number of shifts lost, where firefighters are assigned work other than rider duties due to medical reasons, has increased.

156. In July 2008, we published a report[22] on the progress made by fire and rescue authorities against recommendations in our March 2007 report, *A review of service reform in Scottish fire and rescue authorities*.

157. The 2008 report shows some improvements, with progress in areas such as community safety and fire prevention. Home fire safety visits are increasingly targeted to the most vulnerable groups in the community, and there is some evidence that these are making a difference, with a continued reduction in accidental dwelling fires.

158. Councillors are now more aware of their governance and scrutiny responsibilities, and there is a better approach to working with partners. Staff management has also improved with the development of personal appraisal systems and positive steps have been taken to build a more diverse workforce and improve equalities.

159. However, there has been slower progress in other important areas. Fire and rescue authorities need to evaluate the impact and cost-effectiveness of their different approaches to community safety work and performance management generally needs to improve. Further work is also needed to demonstrate that efficiency savings are being delivered.

160. The Best Value responsibilities introduced for councils through the Local Government in Scotland Act 2003 also apply to fire and rescue authorities. The Accounts Commission intends to introduce Best Value audits of fire and rescue authorities and these will examine the progress of individual authorities in demonstrating continuous improvement.

21   *Police call management: an initial review*, Audit Scotland, September 2007.
22   *Scottish fire and rescue authorities 2007/08 – progress report*, Audit Scotland, July 2008.

Part 5. Looking ahead
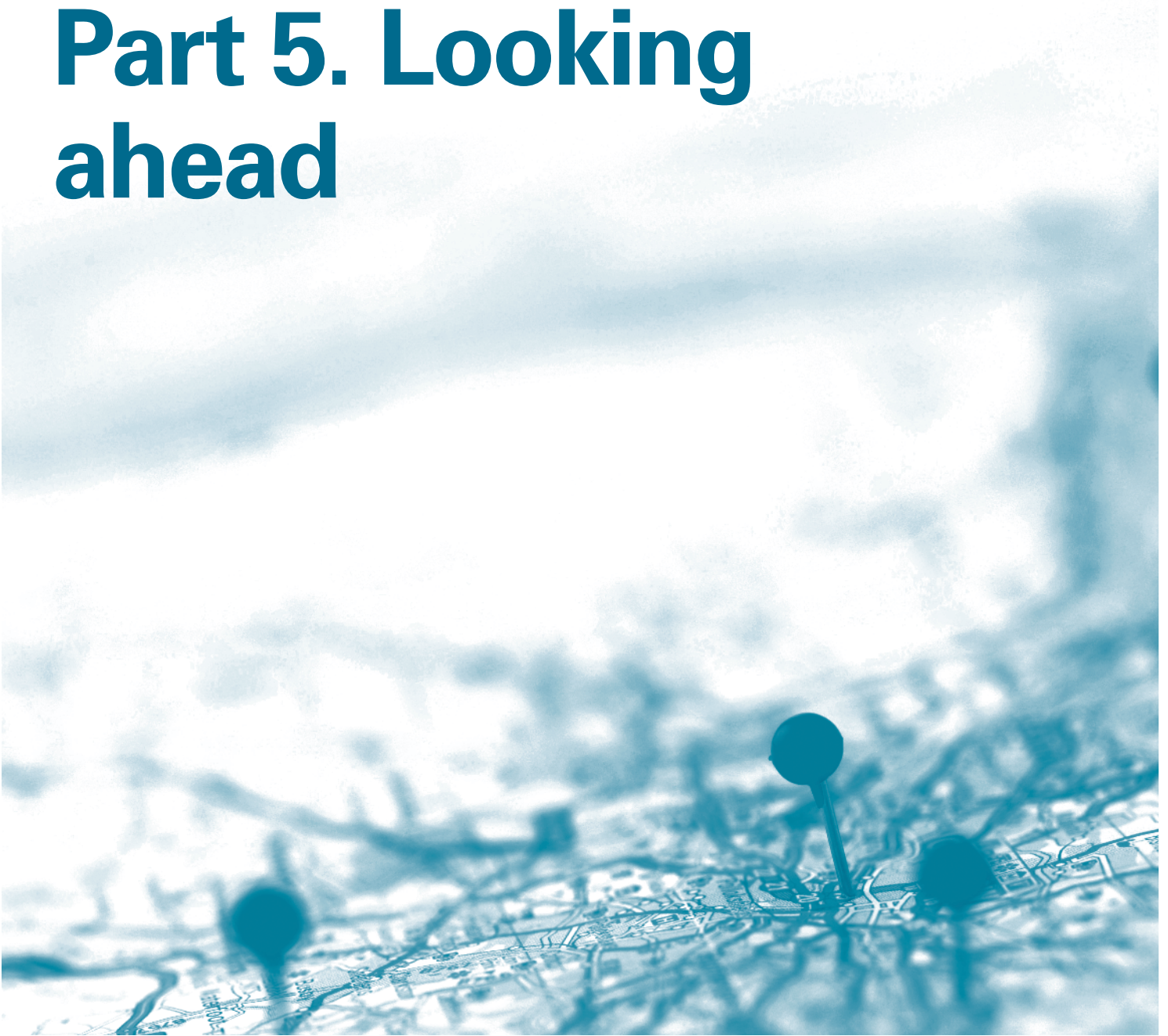
Delivery of outcomes and best value requires good governance, accountability and performance management and a more strategic approach to resource use.

Priorities and risks

161. The concordat between the Scottish Government and COSLA provides more flexibility in how councils spend money and deliver services. In return, they are required to give clear commitments through SOAs to deliver outcomes that support the Government's national priorities. With continuing demands on resources and services, councils will face difficult choices in deciding which services to provide and at what level. It will be critical for them to take a strategic approach in allocating resources, based on robust information about needs and the costs of services. The current economic situation is likely to bring fresh challenges and opportunities.

162. Our audit work is informed by our Priorities and Risks Framework (PRF).[23] This is used to plan risk-based audits and identifies the key national priorities facing councils and the main risks to their achievement. The following sections draw on the PRF.

Supporting continuous improvement
163. Delivery of outcomes and best value requires good governance, accountability and performance management:

- Vision and strategic direction – the shift in relations between central and local government and the development of SOAs will influence councils' strategic direction. Council leaders and senior managers will need to work more closely with local partners such as the NHS to ensure greater integration of their respective plans and strategies.

- Partnerships – councils will be submitting reports on the delivery of their 2008/09 SOAs in autumn 2009, and from April 2009 SOAs will be agreed between the government, councils and their community planning partners. This places even greater responsibility on partnership working and the question of attribution for

performance among partners will be of increased importance.

- Governance and accountability – pressures on budgets are likely to lead to increasingly difficult choices for councils in allocating budgets and making decisions about services. Elected members will continue to require training and development and good quality information from officers to support them in ensuring delivery of SOAs by scrutinising performance and holding officers to account. Maintaining good governance and clear accountabilities in funding external organisations will become increasingly important.

- Performance management and improvement – councils need to ensure robust performance management, to support the SOAs and their statutory responsibilities for best value and public performance reporting.

Using resources
164. With increasing pressure on resources and demands on services, councils will need to adopt a more strategic approach to resource use.

- Financial management and reporting – it is likely that existing pressures on finances will continue and that the current economic climate will have implications for both expenditure and income, including council tax collection. This will mean further emphasis on the efficient and effective use of finances and will require the highest standards of financial planning, control and governance.

- Full implementation of International Financial Reporting Standards (IFRS) in 2010/11 will result in significant changes to local authority accounts. Councils will need to restate their 2009/10 accounts and their closing balance sheet for 2008/09 to ensure that comparative data in the 2010/11 accounts is IFRS

compliant. Councils will have to plan ahead to ensure a smooth transition to IFRS reporting. The introduction of separate financial statements for local government pension funds is under consideration, with increased stakeholder attention on the financial reporting and management of pension schemes.

- People management – the implementation of single status will continue to be an issue for a number of councils in 2009 and, more generally, councils will need to deal with ongoing and new equal pay claims. The other main challenge for councils will be to make inroads into strategic workforce planning.

- Asset management – the recent economic downturn and associated decline in property values may result in significant reductions in capital receipts and the need to reassess capital plans.

- Procurement – the main priority for councils is to ensure that their governance arrangements comply with recommended best practice and to demonstrate that new approaches to procurement generate anticipated efficiency gains.

165. Many councils already have elements of good risk management within existing structures and processes. The challenge for most will be to raise the profile of risk management within their organisations and to make risk management an everyday part of policy development and service delivery planning and management.

Delivering services
166. The following summarises key challenges facing services based on information provided by service inspectorates. More detail is contained in the PRF.

- Education – implementation of curriculum for excellence; new inspection models; and inter-disciplinary responses to key

Scottish Government policy initiatives such as 'Getting it Right for Every Child' (GIRFEC), 'More Choices More Chances', Skills Strategy and the Early Years Strategy.

- Social Work – services in these areas are usually delivered in complex partnerships between agencies and are resource-intensive, and it is always impossible to eliminate risk. The important concept here is 'defensible decision-making', ie that the service has done everything reasonably expected of a professional competent body to assess and manage the predicted risks to an individual or family. Strategic commissioning is also of primary importance.

- Housing – councils' capacity to deliver on the 2009 and 2012 homeless targets; the level of corporate prominence given to homelessness services (particularly in the context of SOAs); impact of reducing receipts from land/house sales as a consequence of the slow down in the housing market; quality of information base to support effective housing asset management, particularly planning to achieve the Scottish Housing Quality Standard; and impact of central service recharges to councils' Housing Revenue Accounts on rent setting and resource availability to housing.

Audit approach

167. Our audit work is targeted and based on risk assessment so that we focus better on the issues that matter to stakeholders in local government and to ensure that we meet quality standards.

168. Following the recommendations of the Crerar review of regulation, audit, inspection and complaints handling we have been working with inspection agencies to streamline

scrutiny processes. The development of the approach to Best Value audit (BV2) is a central part of this agenda.

169. By spring 2009, we will have completed Best Value audits of all 32 councils. Work is well under way to develop BV2 which is underpinned by a set of core principles:

- A stronger focus on outcomes as well as on corporate performance management processes.

- A greater emphasis on community leadership and the effectiveness of partnership working.

- A stronger focus on the experience of citizens and service users.

- Improved coverage of service performance and the use of resources.

- A more proportionate and risk-based audit approach, founded on self-assessment.

- Improved audit reporting and greater transparency of the audit process.

- Improved support for improvement and sharing of good practice.

170. Fundamental to BV2 will be a move towards more risk-based and proportionate scrutiny across local government. This means that audit work at each council will be tailored in response to local risks and priorities. We are working with other scrutiny bodies to develop a shared risk assessment which will form the starting point for a rolling scrutiny programme. This will set out the detailed scrutiny activity to be undertaken at each council over a set period. The most appropriate model of scrutiny will be selected following discussion among the various agencies. We are also developing a detailed framework for Best Value audits at all police and fire and rescue authorities.

171. Our national studies programme for 2009 to 2010 has now been agreed by the Accounts Commission and the Auditor General (Exhibit 21, overleaf).

172. Every year, we publish SPI information on our website. In keeping with changes in the local government environment, the Commission has proposed a significant shift in the annual direction for the SPIs that will apply from April 2009. The proposals involve a more broadly drawn and flexible direction than in the past, consisting of two elements:

- Information chosen by local authorities about key functions that demonstrates how they meet their Best Value obligations and how they balance their national responsibilities with local priorities relating to local needs.

- A reduced number of specified performance indicators on issues of particular concern.

173. The Accounts Commission has underlined that reporting on SOAs is not in itself sufficient to fulfil the duty on local authorities to demonstrate Best Value. It believes that the new direction is consistent with the Commission's objectives for:

- bringing the SPI direction into line with the Best Value statutory duty

- reducing the dependence on SPIs as the main source of reported performance information in some councils

- placing responsibility for demonstrating Best Value with local authorities where it belongs

- emphasising the need for local authorities to further improve local performance management and public performance reporting

Exhibit 21
Local government performance studies starting in 2009 and 2010

Local government-based studies:

- Physical recreation services in local government
- Managing unit costs
- Management of local government pension funds
- Best Value and resource management series
- Impact of liquor licensing
- Physical planning services in local government

Cross-cutting studies:

- Delivering efficiencies
- Looked after children in residential settings
- Mental health (part of a series)
- Community Health Partnerships
- Community Planning
- Commonwealth Games

Follow-up studies:

- Roads maintenance

Source: Audit Scotland

- encouraging the use of locally determined and robust performance indicators relating to local needs and objectives

- maintaining the role of public reporting of performance information in holding local government to account for its performance.

174. Alongside the developments arising from SOAs, Crerar and BV2, this new approach to SPIs will require councils to take more responsibility and ownership of council performance, with choices being made about how best to monitor and measure service activity throughout the council.

175. Overall, we are committed to continuous improvement in our audit approach and to demonstrating the impact of our work.

Overview of the local authority audits 2008

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