

**REPORT TO:** Audit and Governance Committee  
**MEETING DATE:** 11 June 2013  
**BY:** Executive Director (Services for Communities)  
**SUBJECT:** Housing and Environment Risk Register

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## **1 PURPOSE**

- 1.1 To present to the Audit and Governance Committee the Housing and Environment Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Housing and Environment Risk Register has been developed in keeping with the Council's Risk Management Strategy and is a live document which is reviewed and refreshed on a regular basis, led by the Housing and Environment Local Risk Working Group (LRWG).

## **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Audit and Governance Committee notes the content of the Housing and Environment Risk Register.
- 2.2 In doing so, the Audit and Governance Committee is asked to:
  - note that the relevant risks have been identified following appropriate consultation with all risk contacts;
  - recognise that while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Housing and Environment LRWG and the Head of Housing and Environment has lead responsibility;
  - note that the significance of each risk is appropriate to the current nature of the risk;
  - note that the total profile of the Housing and Environment risk can be borne by the Council at this time in relation to the Council's appetite for risk; and,
  - recognise that, although the risks presented are those requiring close monitoring and scrutiny throughout 2013, many are in fact longer term risks for Housing and Environment and are likely to be a feature of the risk register over a number of years.

## **3 BACKGROUND**

- 3.1 The Council's Risk Management Strategy was established following Audit Scotland's 2008/09 review of the Council when it was recommended that: "The implementation of the risk management framework be expedited and target dates established".
- 3.2 Responsibility for Risk Management sits within the Corporate Policy and Improvement unit. The Emergency Planning and Risk Manager, supported by a Risk Officer, has implemented the current Risk Management Strategy and set up both an

overarching Corporate Risk Management Group (CRMG) together with LRWGs in service areas.

- 3.3 The LRWGs meet on a regular basis to discuss their Risk Register which is also included as a topic in team meetings. They also feed information to the CRMG; this Group is fundamental to the delivery of risk management throughout the Council and ensures that risk management remains high on the corporate agenda.
- 3.4 All LRWG's were revised following the Senior Management and Service restructure of 2012 resulting in eight Risk Registers/Groups being reduced to seven.
- 3.5 A copy of the risk matrix used to calculate the level of risk is attached as Appendix 2.

#### **4 POLICY IMPLICATIONS**

- 4.1 In discussing and noting the Housing and Environment Risk Register the Committee will be affirming the process of embedding risk management principles across the Council in support of the Risk Management Strategy.

#### **5 EQUALITIES IMPACT ASSESSMENT**

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

#### **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – It is the consideration of the Housing and Environment LRWG that recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Housing and Environment Risk Register for 2013/14 should be met within the proposed budget allocations for 2013/14. Any unplanned and unbudgeted costs that arise in relation to any of the risks identified will be subject to review by the Board of Directors.
- 6.2 Personnel – There are no immediate implications.
- 6.3 Other – Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

#### **7 BACKGROUND PAPERS**

- 7.1 Appendix 1 – Housing and Environment Risk Register
- 7.2 Appendix 2 – Risk Matrix

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<b>DESIGNATION</b>	Risk Officer
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<b>DATE</b>	30 May 2013

# Housing and Environment Risk Register

Date reviewed: 29th May 2013

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
H&E 1	The impact of climate change i.e. severe weather causing high instances of dangerous buildings and the continuing financial recession that reduces owners' abilities to repair and maintain their properties has resulted in a higher enforcement workload. Not having the resources to increase staffing levels, where necessary, to meet enforcement duties and therefore not being able to maintain a safe environment. When severe weather results in numerous incidents all surveyors are diverted to emergency duties which impacts on the normal day to day Building Standards duties and therefore performance targets. Failure to enforce and control dangerous building incidents would endanger the public and in the worst case could lead to fatalities.	Climatic and financial factors are outwith East Lothian Council's control. No contractual obligation for staff to provide an out of hours dangerous buildings service which therefore relies on the goodwill of the BS Manager and two Principal BS Surveyors to provide cover outwith office hours.	4	5	20	Carry out a Service Review is to consider : <ul style="list-style-type: none"> <li>the appointment of an enforcement surveyor, and</li> <li>the provision of a contractual arrangement for fulltime cover for dangerous buildings callouts outwith office hours.</li> </ul>	4	4	16	Building Standards Manager	October 2013	9	
H&E 2	Abolition of priority need in 2012 has placed an obligation on the council to accept an additional 250 to 300 homeless cases per year as having a full re-housing right and also an obligation for the provision of temporary accommodation until that responsibility is delivered.	None - action totally out of LA hands, limited lobbying possible via COSLA / Scottish Government. Meetings being held with Scottish Government to raise awareness of East Lothian issues. Use of Private Sector increased significantly. Housing Options approach implemented April 11, reduction in homeless assessments but not enough to make 2012 attainable.	4	5	20	New homeless prevention approaches to be introduced. Further development of Housing Options approach.	4	4	16	Homelessness Manager	Reviewed annually	6, 10	Review 2012/13 – 13% reduction in homeless assessments.
H&E 3	Failure to adequately develop the Prevention role will lead in conjunction with the changes in legislation in 2012 to a position where the council will face significant re-housing demands which cannot be met from existing public sector demand. Additional concerns also exist about the private sector being able to make significant impacts on this demand due to stock structure, as most of latent demand is for 1 bedroom sized properties.	1. Further development of prevention role to reduce direct demand for homelessness service 2. Quarterly review of Homeless service includes assessment of prevention activity and outcomes 3. 2012 group identified need to raise impact of prevention 4. Increasing use of private rented sector via Rent Deposit Scheme 5. Review and comparison of benchmark authorities prevention activity 6. Continued Monitoring of RSL nomination process (new build and routine turnover) Meetings held with Scottish Government to raise awareness of East Lothian issues.	4	5	20	Continue new build activity.  Increased use of Private Sector for all cases.	4	4	16	Homelessness Manager	Reviewed annually	6, 10	Review 2012/13 – 13% reduction in homeless assessments  Increased use of Rent Guarantee Scheme to prevent/ deal with homelessness. Access mostly by older single people or families.

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H&E 4	Failure to obtain adequate funding for Repairs and Renewals programme could have the possible consequence of a failure of building elements with the risk of closure or enforcement by Statutory or Regulatory authorities.	Annual update of programme of works based on Condition, Suitability and Statutory Compliance assessments to inform budget requirement.	4	5	20	Ensure Condition and other data is maintained up to date to inform the planned delivery of works required to ensure buildings comply with statutory and legal requirements and are maintained in good condition.	2	5	10	Manager, Projects, Estates & Asset Management	Reviewed annually		
H&E 5	Proposed changes/changes already made to DWP Benefits systems incl. Housing benefit and the proposal to raise age for single room rate to 35 will reduce Private Sector options for a significant group of clients.	Action totally out of ELC hands, work ongoing with COSLA and Scottish Government etc. New LHS trying to address this issue. Housing options impact has reduced overall demand for homeless assessments.	4	4	16		4	4	16	Homelessness Manager	Reviewed regularly	6, 10	Review 12-13 outcomes decline in 1 bed-roomed Private sector rent deposits. Increase in B&B usage from Jan 2013 onwards. Impact of housing options has reduced overall demand for homeless assessments and impact from to 4.
H&E 6	Improve access to Private Sector. In order to meet 2012 requirements the Council will have to access accommodation from the private sector but a number of potential problems exist which may affect/or negate the impact of such action including the proposal to raise age for single room rate to 35 from 2012 which will reduce Private Sector options for a significant group of clients.	DWP Changes - None. Totally out of LA hands, limited lobbying possible via COSLA / Scottish Gov  Increased use of rent deposit – underway and intended to continue  Unknown impact of increased use of prevention approach but expected to mitigate demand slightly.	4	4	16		4	4	16	Homelessness Manager	Reviewed regularly	6, 10	Increased use of Rent Guarantee Scheme to prevent/ deal with homelessness. Access mostly by older single people or families.
H&E 7	Impact of budget reductions at a time when from 2012 the homeless unit has a full re-housing responsibility for approx 300 additional cases per year and an indefinite temporary accommodation responsibility for these applicants until houses.  It is not clear that budget reductions could be maintained without resources to direct services being affected.	Increase use of homeless prevention and housing options to reduce direct demand for homelessness service Increased use of private sector via Rent deposit scheme and other options.  Service charges reviewed, including rent for temporary accommodation to increase income and implemented.	4	4	16	Review of partnership/ SLA arrangements to identify areas of key or core responsibilities with measurable outcomes.	4	4	16	Homelessness Manager	Reviewed annually	6, 10	Review 2012/13 – 13% reduction in homeless assessments. Increased use of Rent Guarantee Scheme to prevent/ deal with homelessness. Access mostly by older single people or families. Increase in B&B usage from Jan 2013 onwards.

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H&E 8	<p>Loss of fee income from building warrant applications due to the downturn in the construction industry caused by the continuing financial recession.</p> <p>Loss of fees could result in the reduction of staffing levels while a backlog of inspection work still needs to be undertaken.</p> <p>This would cause delays in appraisal of building warrants and inspections for completion certificates which would impact on business, safety and the environment.</p> <p>A reduction in staffing levels, due to continuing recession, would impact on performance and when the recession lifts an increase in construction could not be serviced by current staffing levels.</p>	Monitoring of workload to fee income, performance to staffing levels and project complexity to staff abilities and training.	4	4	16	Measure impact of BSD's new performance framework, workload, employee costs for appraisal of warrants, acceptance of completion certificates and enforcement duties for varying project size and complexity to compare against fee income. Thereafter, carry out a Service Review to take into account all factors and so determine optimum staffing levels.	3	4	12	Building Standards Manager	October 2013	9	
H&E 9	<p>Obligation to provide temporary accommodation to all homeless people who require it either until re-housed or until advice and assistance obligations are met.</p> <p>The 2012 abolition of priority need has meant that for an additional 300 cases, out legal obligations to provide accommodation will move from providing accommodation for around 45 days to an obligation to provide accommodation for a further 300 applicants indefinitely until re-housing is achieved.</p>	<p>1. Further development of prevention role to reduce direct demand</p> <p>2. Quarterly review of Homeless service includes assessment of:</p> <ul style="list-style-type: none"> <li>• Allocations and time from re-house decision to case closure</li> <li>• New Build activity monitored via Housing development and within allocation statistics in quarterly review</li> <li>• Turn over in temporary accommodation</li> <li>• Costs and time in B and B accommodation</li> <li>• Monthly snap shots on B and B use</li> </ul> <p>3 Housing Development and Community Housing manage new build activities to maximise re-housing opportunities for homeless families either direct into new build or into houses vacated by filling the new build</p> <p>4 HAG grant coordinated by Housing Development, nominations activities managed by homeless team to maximise homeless allocations into RSL properties</p> <p>5 50% homeless nominations into RSL general need properties</p> <p>5 Increasing use of private rented sector via Rent Deposit Scheme</p> <p>6 Development of new temporary accommodation strategy</p> <p>7 B and B Service Procured</p>	4	4	16	<p>1. Implementation of new temporary accommodation strategy underway.</p> <p>2. Continue new build activity.</p> <p>3. Continued Monitoring of RSL nomination process (new build and routine turnover).</p> <p>4. Raise awareness of central Government to East Lothian Issues.</p> <p>5. Increased use of Private Sector for all cases.</p>	4	3	12	Head of Housing and Environment	Reviewed annually	6, 10	Review 2012/13 – 13% reduction in homeless assessments Increase in B and B use since legislative change in December 2012

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H&E 10	<p>Welfare reform</p> <p>The UK Government is introducing a range of measures to reform the welfare system and reduce the budget for welfare benefits by at least £11 billion annually. It has been estimated (Scottish Local Government Forum Against Poverty, Sept 2010) that the changes could result in the loss of £8m - £9.5m annually from welfare benefits paid to East Lothian residents.</p> <p>The changes could lead to:</p> <ul style="list-style-type: none"> <li>• Increase in rent arrears from reduced Housing Benefits and possible increase in evictions</li> <li>• increased pressures on tenancy support and rent collection teams</li> <li>• increase in homeless presentations, placing even more pressure on already stretched resources for temporary accommodation</li> <li>• increase in Council Tax arrears and non-payment of Council Tax</li> <li>• increase in caseload for Adult Wellbeing and Children's Wellbeing staff dealing with vulnerable people affected by cuts in benefits</li> <li>• increase in caseload and demand for services from the Welfare Rights Service</li> <li>• loss of income the Council currently receives for administering Housing Benefits</li> </ul>	<p>The Council has received several update reports on the impact of welfare reforms and the Council's response and will continue to be updated.</p> <p>The Council has established a Welfare Reform Task Group to plan for the changes to the welfare system. The Task Group has four work streams:</p> <ul style="list-style-type: none"> <li>• Communications</li> <li>• Data Sharing</li> <li>• Training</li> <li>• Migration</li> </ul> <p>The Task Group and work streams are meeting regularly and will continue to report back to the CMT. The 2011-12 Council budget reflects the need to build on the early intervention approach which tackles the root causes of poverty, to protect services which can prevent individuals and families from falling into poverty, or help them to manage their household income. Initiatives include:</p> <ul style="list-style-type: none"> <li>- The protection of grant funding to support tackling poverty work (see 'Fairer East Lothian Fund' below)</li> <li>- The expansion of the free school meals to P1-3 in some primary schools</li> <li>- Funding identified in relation to the Homelessness 2012 targets</li> <li>- Creation of two new additional Tenancy Support Officer posts to deal with tenancy sustainment and rent arrears</li> </ul> <p>The Council endorsed the work of the Tackling Poverty Theme Group to refocus the work of the group on a single headline outcome: 'Fewer People in East Lothian will experience poverty'. The Fairer East Lothian Fund (£476,000 in 2011/13) funds projects to deliver on the following key outcomes:</p> <ol style="list-style-type: none"> <li>1. Fewer people in East Lothian will be financially excluded.</li> <li>2. Financial capability in East Lothian will be improved.</li> <li>3. The life chances of people at risk of falling into poverty, or already living in poverty, will be improved.</li> <li>4. People in East Lothian will have better access to advice and information services, including debt and money advice.</li> </ol>	4	4	16	<p>The Council's Welfare Reform Task Group and four work streams will develop a detailed action plan that will ensure the Council takes necessary measures to prepare for the changes in the welfare system.</p> <p>A Tackling Poverty Strategy and Action Plan is being prepared detailing how the Council and the Community Planning Partnership aims to achieve the outcome: 'Fewer People in East Lothian will experience poverty'. The Fairer East Lothian Fund in 2013/14 will be used to assist in achieving the Strategy and Action Plan.</p>	4	3	12	<p>Board of Directors</p> <p>Welfare Reform Task Group</p>	<p>Risk to be reviewed December 2013</p>	6, 10	

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H&E 11	SG have revised their funding regime and there is a single funding source for both Council and RSL affordable housing programmes. Resource Planning Assumptions (RPAs) have now been announced for the 2015/16 – 2017/18 programme. This is a much reduced programme which will present challenges in the delivery of affordable housing. RSLs are experiencing difficulties in securing private finance in current lending markets to fund development and welfare reform could further impact negatively on the ability of RSLs to secure private finance due to loss of secure income stream. The Council has also reduced funding for its own new build affordable housing programme.	The Council is in discussion with RSLs and other organisations about delivering non social rent affordable housing models without grant.	5	3	15	Continue discussions with RSLs RE alternative financial and tenure models.	5	3	15	Housing Strategy and Development Service Manager	Ongoing Review	10	
H&E 12	Insufficient land in control of affordable housing providers due to limited amount of Council owned land and difficulty in competing on the open market to purchase land due to high land prices. Much of land in East Lothian tied up in options to private housing developers, leading to an inability to control provision of new affordable housing and reliance on planning policy for affordable housing to deliver land.	The Council is in discussion with various developers to bring forward additional land/projects wholly for affordable housing.	5	3	15	Continue to pursue opportunities to acquire land/bring forward private projects for affordable housing.	5	3	15	Housing Strategy and Development Service Manager	Ongoing Review	10	
H&E 13	Increase in fuel poverty due to a variety of factors: <ul style="list-style-type: none"> <li>- Increase in fuel prices</li> <li>- Impact of welfare reform</li> <li>- Changing householder economic/financial situation</li> </ul> This will make it difficult to meet the Scottish Government's target to eradicate fuel poverty by 2016 and is likely to place additional pressure on existing services.	Free insulation scheme in place Energy advice and fuel debt support in place Increasing energy efficiency standards in council housing stock	5	3	15	Provide a Home Energy Scotland Area Based Scheme Continue to provide energy advice and fuel debt support Promote collective fuel switch	4	3	12	Housing Strategy and Development Service Manager	June 2013	6, 10	

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H&E 14	Reliance on private sector to deliver land for housing in difficult economy - Private sector own/have legally binding contracts in place for the significant land allocations in East Lothian (4800 units to be delivered across 6 sites, 1200 affordable). Current economic conditions including difficulty in private businesses accessing credit and difficulty in potential house purchasers accessing mortgages mean that private developers do not want to develop sites or if they do, they wish to do this slowly. If private developers do not want to develop sites, no affordable housing will be delivered and the area will not benefit from this economic activity. The infrastructure required to bring forward sites is also causing private developers concern as funding available to them is not sufficient to deliver these requirements.	The Council continues to work with all developers in East Lothian to meet and discuss site specific issues in relation to delivery with a view to developing arrangements to unlock housing development	5	3	15	Continue discussions with developers.  Review the Council's Affordable Housing Policy.	5	2	10	Head of Housing and Environment  Housing Strategy and Development Service Manager	Ongoing Review	10	
H&E 15	Failure to comply with Statutory Electrical Testing may expose the Council to legal proceedings, financial loss and service reduction, damage to its reputation and potential injury or loss of life of building users. Failure to make sufficient finance available to carry out testing and implement recommendations may result in all of the above.	Performance will be monitored through the Condition SPIs, Asset Performance monitoring and regular Electrical Test results.	3	5	15	Accelerate programme for testing.	2	5	10	Manager, Projects, Estates & Asset Management	Tender prepared for increased testing in 2013.  Contractors' reports reviewed on ongoing basis.	9, 10	
H&E 16	Failure to comply with statutory Water Hygiene Testing may expose the Council to legal proceedings, financial loss and service reduction, damage to its reputation and potential injury or loss of life of building users through Legionella. Failure to make sufficient finance available to carry out testing and implement recommendations may result in all of the above.	Performance will be monitored through the Condition SPIs, Asset Performance monitoring and regular Water Test results.	3	5	15	Accelerate programme for testing.	2	5	10	Manager, Projects, Estates & Asset Management	Framework available 2013.  Annual review  Contractors' reports reviewed on ongoing basis.	9, 10	
H&E 17	The continued absence of a definitive electronic database for the recording of all antisocial behaviour cases reported directly to the local authority. This prevents the council from providing comprehensive reports with regard to the action taken within the context of antisocial behaviour cases. This would present a problem if the council was asked to supply detailed figures to external parties such as the Housing Regulator. This may have a negative impact on the council's reputation and lead to a detailed audit	The trialling of the Community Action Solution, a sub-system of the Orchard Housing database.	5	3	15	The full implementation of the Community Action Solution by the end of July 2013.	2	2	4	Safer Communities Team Leader	End of July 2013	8	



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	of the Safer Communities Team's work.												
H&E 18	Financial constraints placed on the Council could lead to the Building Standards Team not being able to maintain a level of staff that is adequately qualified, trained and competent to carry out the Building Standards duties of verification, enforcement, licensing etc. to the targets expected BSD's new performance framework. This could impact on service levels and result in an audit by the BSD that could lead to the Council losing the verification role.	Monitoring of workload to fee income, performance to staffing levels and project complexity to staff abilities and training. Involvement with the Local Authority Building Standards Scotland (LABSS) and the BSD to influence delivery of the new performance framework of 9 performance outcomes and a risk based inspection regime for Reasonable Inquiry to deliver compliance with the building regulations. Preparation of the Building Standards Team and review of its resources to align with the requirements and implementation of the new performance framework.	3	4	12	Measure impact of BSD's new performance framework, workload, employee costs for appraisal of warrants, acceptance of completion certificates and enforcement duties for varying project size and complexity to compare against fee income. Thereafter, carry out a Service Review to take into account all factors and so determine optimum staffing levels.	3	4	12	Building Standards Manager	December 2013	9	
H&E 19	The Scottish Government's Building Standards Division (BSD) introduced a new performance framework for Building Standards on 01.10.2012 to help deliver a more customer focused service with the emphasis moving from building warrant appraisal to inspection to deliver compliance on site through reasonable inquiry. The performance framework contains more stringent targets for the appraisal and handling of building warrants and completion certificates. It also introduced targets for reasonable enquiry through risk based approach that incorporates more site inspections, testing regimes, certification, increased enforcement role etc. The performance framework is used to assess Local Authority Verifiers to determine if they are delivering an acceptable Building Standards service fully utilising the fees generated from warrant applications. Not having the resources to increase staffing levels to meet the requirements of the new performance framework, especially increased number of site inspections and recording of findings, will result in an audit by the BSD that could lead to the Council losing the verification role.	Introduction of Enterprise software to allow real time monitoring of warrant appraisal data per BS Surveyor, which is to be extended to monitor site inspection processes. Uniform adapted to produce data for quarterly and annual performance data for BSD. Uniform adapted to produce automatic construction inspection plans (CCNPs) for differing Domestic properties, which is to be extended to Non-domestic properties. Building Standards Team currently being trained in the new performance framework, targets and Uniform and Enterprise systems.	3	4	12	Measure impact of BSD's new performance framework, workload and staff costs for appraisal of warrants, acceptance of completion certificates and enforcement duties for varying project size and complexity to compare against fee income. Thereafter, carry out a Service Review to take into account all factors and so determine optimum staffing levels. A review of the Team's resources is to be undertaken to align with the new performance framework and implementation of the required procedures and targets including monitoring of workload to fee income, performance to staffing levels and project complexity to staff abilities and training.	3	4	12	Building Standards Manager	October 2013	9	
H&E 20	Lack of accessible housing to meet needs of current and projected population leading to inability to meet needs of customers.  Could lead to pressure on care and health services as customers remain in inappropriate housing and require	Strategic planning for housing Strategic planning for social care	4	3	12	Implementation of strategic plans	3	3	9	Housing Strategy and Development Service Manager	31/3/14	5, 10, 11	

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	additional inputs to sustain them.  Likely increase in funding for adaptations will be required to make best use of existing stock to meet customers' needs.												
H&E 21	Our houses are required to meet The Scottish Housing Quality Standard by 2015, the target set by Scottish Ministers. Delivery of the Standard is a significant contribution to the achievement of several of the National Outcomes the Scottish Government aims to achieve.  The Scottish Housing Regulator is now closely monitoring progress towards achieving the SHQS target by 2015 and failure to clearly demonstrate good progress towards achieving the SHQS target may involve direct intervention by the SHR on the management of stock quality.  Failure to deliver on the SHQS would also lead to loss of reputation to council as a service provider and the largest landlord in East Lothian.	Standard Delivery Plan submitted and approved [2006].  Annual SPI monitoring and reporting to SHR and Audit Scotland.  Annual Housing Capital Investment Programme review. The Capital Programme funds planned programmes of work targeted at meeting the requirements of the SHQS. Updated Stock Condition Survey [Feb 2011] to maintain robust stock condition data to inform updates to the SHR and to clearly demonstrate the planned delivery of works required to achieve the SHQS by March 2015 Private Sector Housing Strategy - Scheme of assistance in place.	3	4	12	Monthly monitoring and reporting as part of Balanced Scorecard. Continued investment of £7 million per annum in targeted capital programme works.	2	4	8	Executive Director (Services for Communities)  Housing Strategy and Development Service Manager	Annual	10	
H&E 22	Failure to comply with Control of Asbestos at Work Regulations could lead to a risk of prosecution.  Inclusion of Housing surveys has significantly increased workload.	Policies and procedures in place and administered by Asbestos Manager in accordance with statutory requirements.	3	4	12	Review current systems meantime with review to put in place alternative methods of accommodating increased workload.	2	4	8	Manager, Projects, Estates & Asset Management	Review and implement by end 2013.	9, 10	
H&E 23	Failure to meet timescales for providing responses to planning applications on behalf of Education may delay process and risk appeals from developers and applicants.	S75 Policy and process in development.  Team roles and responsibilities identified.	3	4	12	Regular monitoring of planning applications and responses. Programme resource to respond to strategic site infrastructure requirements as part of the planning process.	2	4	8	Manager, Projects, Estates & Asset Management	Reviewed monthly	9, 10	
H&E 24	Asset data for operational properties is not current resulting in a failure to return SPI data and insufficient information to prioritise planned investment in buildings.	Annual desktop updates carried out.	3	4	12	Allocate resources, internal or external as required to carry out comprehensive 5 yearly reviews.	2	4	8	Manager, Projects, Estates & Asset Management	Reviewed monthly	9, 10, 11	
H&E 25	Failure to comply with Fire Safety Regulations 2006 - failure to carry out suitable risk assessments and implement requisite improvement works in operational properties and to take reasonable steps to minimise the risk from fire resulting in fire incident and injury with risk of prosecution. If sufficient resources are not allocated to this area of work, the	Programme of Fire Risk Assessments underway based on priority to minimise risk.	3	4	12	Prepare Fire Safety Plans for all assets. Involve Corporate Health and Safety in addressing the management aspects of Fire Risk.	2	4	8	Manager, Projects, Estates & Asset Management	Reviewed monthly	9, 10	

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood (Probability)	Impact (Severity)	Risk Rating		Likelihood (Probability)	Impact (Severity)	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
	Council may be exposed should there be an incident and it was established that had the Council acted upon the Fire Risk Assessment recommendations, the impact of the incident would have been reduced. Fire incidents can result in loss of life, injury to people and property, constraints upon activities within premises, with consequent costs, loss of reputation etc.												
H&E 26	Not being able to keep staff up to speed on constantly changing Building Regulations and Technical Standards that would result in the inability to fulfil the Building Standards function. New legislation introduced in 2013 requires enforcement of Energy Performance Certificates for new and existing buildings will add to this problem.	Monitoring of workload, performance, staffing levels and project complexity to staff abilities and training.	3	4	12	Carry out a Service Review to take into account the changes to Building Regulations, Technical Standards and Legislation to ensure training aligns with changes and will determine optimum staffing levels.	2	4	8	Building Standards Manager	October 2013	9	
H&E 27	Failure to Comply with DDA and the failure to provide sufficient and suitable access to facilities for disabled persons could result in compensation claims from service users on grounds of discrimination, as well as adverse local publicity. Failure to provide sufficient budget to implement improvements to meet requirements.	Problems being addressed within limited budget as far as possible.	4	3	12	Prepare comprehensive action plans for implementation.	2	3	6	Manager, Projects, Estates & Asset Management	Ongoing - quarterly	10	
H&E 28	Failure to acquire appropriate property or rights over property due to unwilling seller, lack of enough funding or lack of appropriate property would result in a delay to or inability to deliver affordable housing projects.	Ensure staff experienced/trained in negotiating, accurate valuation to ensure availability of correct funding in budget.	3	4	12	Try to set up appropriate arrangements to make CPO viable, set up group to discuss CPO's	3	2	6	Manager, Projects, Estates & Asset Management	Ongoing review	10	
H&E 29	There is a high likelihood of the Local Housing Strategy being out of date due to fast-changing social and economic environment leading to incorrect interventions to deliver outcomes. Incorrect interventions will waste scarce staff and financial resources and may deliver the wrong products and services for residents.	Comprehensive review of LHS annually	4	3	12	Put in place a revised Action Plan if required following the annual review	3	2	6	Housing Strategy and Development Service Manager	31/7/13	10	
H&E 30	The impact of health and social care integration on housing services is an area of risk which needs to be further clarified when there is a full understanding of the services being integrated and how these will be organised. It must be ensured that existing working arrangements and protocols in place internally and	Housing Representative to contribute/participate in Group taking this forward.	4	3	12	Engagement in integration development process	2	2	4	Head of Housing and Environment Housing Strategy and Development Service Manager	Ongoing	5, 10	

Risk ID No. & Status S/C/N (same, changed, new)	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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	externally remain intact during any transition period to ensure that 'whole system' works to provide services to residents. If this is lost there is a danger of services not been delivered to residents when required. There is also a need to ensure that the contribution of housing services, in the widest context, is maximised within any future planning and delivery, given organisational arrangements may change												
H&E 31	Failure to carry out Solid Fuel safety on all Solid Fuel Installations in ELC Housing Properties leading to potential CO poisoning of tenants and risk of prosecution.	Programme of Solid Fuel Servicing in place for all ELC housing properties. Heating replacements to alternative fuels ongoing. Central Heating Team monitoring Solid Fuel safety. Chimneys regularly swept and maintained and removed where found to be breached or unsafe. Competent contractors carry out all Solid Fuel servicing. Continue to service all properties. Check and replace installations on an ongoing basis. Report any issues or actions required at monthly Management Group meetings.	3	4	12	Complete programme for removal and replacement of solid fuel systems.	0	0	0	Manager, Projects, Estates & Asset Management	By end of 2015 subject to tenant agreement.	9, 10	
H&E 32	A major outbreak of food poisoning or a public health incident could result in serious illness or fatalities to the public. This would impact on public and business confidence within East Lothian. There would also be a reputational risk for the Council if the incident response was unsatisfactory. There would also be significant media interest (local & national). There could also be a public enquiry/formal investigation into the incident which would impact on the deployment of Council resources to carry out day to day work. Any enquiry/investigation could run for several years. There may also be third party insurance claims against the Council.	Currently risks are controlled through a food safety inspection programme and associated enforcement action where controls have broken down or have been breached. There is a rigorous monitoring of water supplies. This is conducted by a trained and competent food safety team. The business plan and inspection process are reviewed annually. Established liaison/ incident response arrangements with NHS Lothian. The Council has a major incident plan which may be activated.	2	5	10		2	5	10	Food Safety Manager		1, 5	
H&E 33	A number of common repair projects (Work Notice) remain un-invoiced and if final accounts cannot be agreed with owners, the Council is at risk from significant bad debt. If new Work Notice projects are not managed effectively then there could be significant reputational damage done to the Council.	For new projects East Lothian Council is reiterating that it is the owner's responsibility to work with their neighbours to agree a common way forward. For new Work Notices, a cross-service team has been established to define the scope of works and the enforcement action will be overseen by Environmental Health.	5	2	10	A project team is being established to finalise the accounts of existing projects and engage with owners to progress payment. This team will consist of professionals from Housing, Finance and Property and will report to the Head of Housing and Environment.	2	2	4	Head of Housing and Environment Housing Strategy and Development Service Manager	Reviewed monthly	10, 11	

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H&E 34	Insufficient funding available to deliver Affordable Housing Policy leading to decrease in affordable housing delivered, in particular social rented housing.	Review Affordable Housing Policy Priority will be given to delivering affordable housing on strategic sites.	5	2	10	Review Affordable Housing Policy in line with finance available to produce a deliverable Policy.	1	1	1	Head of Housing and Environment Housing Strategy and Development Service Manager	September 2013	10	
<b>Original date produced (V1)</b>	10th November 2011											<b>Risk Score</b>	<b>Overall Rating</b>
<b>File Name</b>	CH&PM Risk Register											<b>20-25</b>	<b>Very High</b>
<b>Original Author(s)</b>	Scott Kennedy, Risk Officer											<b>10-19</b>	<b>High</b>
<b>Current Revision Author(s)</b>	Scott Kennedy, Risk Officer											<b>5-9</b>	<b>Medium</b>
												<b>1-4</b>	<b>Low</b>
<b>Version</b>	<b>Date</b>	<b>Author(s)</b>	<b>Notes on Revisions</b>										
1	10/11/2011	S Kennedy								Original Version			
2	19/11/2012	S Kennedy	Updated following Senior Management Restructure and update to Corporate Risk Register and Risk Strategy										
3	09/01/2013	S Kennedy	Housing Standards Risk Updated and Register updated following Risk Group meeting										
4	03/04/13	S Kennedy	Policy and Projects Risks updated. Housing Strategy & Development Risks updated. Building Standards updated.										
5	May 2013	S Kennedy	Antisocial Behaviour Risks updated and unit title changed to Safer Communities. Environmental Health & Trading Standards Risks updated. Welfare Reform risks updated by C McCorry. Homelessness Risks updated by I Patterson. Projects, Estates and Asset Management Risks updated by L McLean.										

**Appendix 2**  
**East Lothian Council**  
**Risk Matrix**

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	Will undoubtedly happen, possibly frequently >90% chance
Likely	4	Will probably happen, but not a persistent issue >70%
Possible	3	May happen occasionally 30-70%
Unlikely	2	Not expected to happen but is possible <30%
Remote	1	Very unlikely this will ever happen <10%

Impact Description

Impact of Occurrence	Score	Description						
		Impact on Service Objectives	Financial Impact	Impact on People	Impact on Time	Impact on Reputation	Impact on Property	Business Continuity
Catastrophic	5	Unable to function, inability to fulfil obligations.	Severe financial loss (>5% budget)	Single or Multiple fatality within council control, fatal accident enquiry.	Serious - in excess of 2 years to recover pre-event position.	Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved.	Loss of building, rebuilding required, temporary accommodation required.	Complete inability to provide service/system, prolonged downtime with no back-up in place.
Major	4	Significant impact on service provision.	Major financial loss (3-5% budget)	Number of extensive injuries (major permanent harm) to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Major adverse publicity (regional/national), major loss of confidence.	Significant part of building unusable for prolonged period of time, alternative accommodation required.	Significant impact on service provision or loss of service.
Moderate	3	Service objectives partially achievable.	Significant financial loss (2-3% budget)	Serious injury requiring medical treatment to employee, service user or public (semi-permanent harm up to 1yr), council liable.	Considerable - between 6 months and 1 year to recover pre-event position.	Some adverse local publicity, limited damage with legal implications, elected members become involved.	Loss of use of building for medium period, no alternative in place.	Security support and performance of service/system borderline.
Minor	2	Minor impact on service objectives.	Moderate financial loss (0.5-2% budget)	Lost time due to employee injury or small compensation claim from service user or public (First aid treatment required).	Some - between 2 and 6 months to recover.	Some public embarrassment, no damage to reputation or service users.	Marginal damage covered by insurance.	Reasonable back-up arrangements, minor downtime of service/system.
None	1	Minimal impact, no service disruption.	Minimal loss (0.5% budget)	Minor injury to employee, service user or public.	Minimal - Up to 2 months to recover.	Minor impact to council reputation of no interest to the press (Internal).	Minor disruption to building, alternative arrangements in place.	No operational difficulties, back-up support in place and security level acceptable.

Risk	Impact				
	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Low	Medium	High	Very High
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**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 11 June 2013

**BY:** Executive Director (Services for Communities)

**SUBJECT:** Infrastructure Risk Register

**2**

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## **1 PURPOSE**

- 1.1 To present to the Audit and Governance Committee the Infrastructure Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Infrastructure Risk Register has been developed in keeping with the Council's Risk Management Strategy and is a live document which is reviewed and refreshed on a regular basis, led by the Infrastructure Local Risk Working Group (LRWG).

## **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Audit and Governance Committee notes the content of the Infrastructure Risk Register.
- 2.2 In doing so, the Audit and Governance Committee is asked to:
  - note that the relevant risks have been identified following appropriate consultation with all risk contacts;
  - recognise that while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Infrastructure LRWG and the Head of Infrastructure has lead responsibility;
  - note that the significance of each risk is appropriate to the current nature of the risk;
  - note that the total profile of the Infrastructure risk can be borne by the Council at this time in relation to the Council's appetite for risk; and,
  - recognise that, although the risks presented are those requiring close monitoring and scrutiny throughout 2013, many are in fact longer term risks for Infrastructure and are likely to be a feature of the risk register over a number of years.

## **3 BACKGROUND**

- 3.1 The Council's Risk Management Strategy was established following Audit Scotland's 2008/09 review of the Council when it was recommended that: "The implementation of the risk management framework be expedited and target dates established".
- 3.2 Responsibility for Risk Management sits within the Corporate Policy and Improvement unit. The Emergency Planning and Risk Manager, supported by a Risk Officer, has implemented the current Risk Management Strategy and set up both an

overarching Corporate Risk Management Group (CRMG) together with LRWGs in service areas.

- 3.3 The LRWGs meet on a regular basis to discuss their Risk Register which is also included as a topic in team meetings. They also feed information to the CRMG; this Group is fundamental to the delivery of risk management throughout the Council and ensures that risk management remains high on the corporate agenda.
- 3.4 All LRWG's were revised following the Senior Management and Service restructure of 2012 resulting in eight Risk Registers/Groups being reduced to seven.
- 3.5 A copy of the risk matrix used to calculate the level of risk is attached as Appendix 2.

#### **4 POLICY IMPLICATIONS**

- 4.1 In discussing and noting the Infrastructure Risk Register the Committee will be affirming the process of embedding risk management principles across the Council in support of the Risk Management Strategy.

#### **5 EQUALITIES IMPACT ASSESSMENT**

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

#### **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – It is the consideration of the Infrastructure LRWG that recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Infrastructure Risk Register for 2013/14 should be met within the proposed budget allocations for 2013/14. Any unplanned and unbudgeted costs that arise in relation to any of the risks identified will be subject to review by the Board of Directors.
- 6.2 Personnel – There are no immediate implications.
- 6.3 Other – Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

#### **7 BACKGROUND PAPERS**

- 7.1 Appendix 1 – Infrastructure Risk Register
- 7.2 Appendix 2 – Risk Matrix

<b>AUTHOR'S NAME</b>	Scott Kennedy
<b>DESIGNATION</b>	Risk Officer
<b>CONTACT INFO</b>	01620 827900
<b>DATE</b>	30 May 2013



# Infrastructure Risk Register

Date reviewed: 30 May 2013

Risk ID Number	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
INF 1	Failure to comply with the statutory requirements of the Control of Dogs (Scotland) Act could result in serious injury/death to a member of the public from attack by an out of control dog/s and reputational risk to the Council through prosecution of the Council for failure to comply with the Act.	Employees trained in the enforcement of the Act. Employees have appropriate training in the handling of dangerous dogs. Lothian & Borders Police input into complaints. Dog handling Risk Assessment in place. There should be sufficient appropriately trained employees to provide holiday and sickness absence cover although, currently this cover is not provided. This consequently increases the risk of incidents occurring that aren't followed up with a Dog Control Notice (DCN) or a reoccurrence due to the DCN not being monitored.	4	5	20	Correct quota of employees to be in place. Ensure all employees or sub contractors dealing with dangerous dogs are appropriately trained. Joint Protocol on the Control of Dogs with the Police to be approved and signed. Ability to monitor the effectiveness of a DCN.	3	5	15	Principal Amenity Officer  Amenity Protection Officer	Review Annually	8	Local L&C Risk Register reviewed 30 – 04 - 13. Risk rating increased due to there being an insufficient number of appropriate trained staff in place.
INF 2	Failing to maintain the Council's burial grounds could result in a serious injury/death to the public or ELC employees from falling headstones/memorials and a resulting financial loss due to insurance claims. There is also the risk of losing part of East Lothian's cultural heritage through the loss of family history records on headstones and memorials and failure to comply with the Equalities Act if access paths aren't maintained.	Limited action taken to make headstones safe. Responsibility for maintenance of facilities shared with Property Maintenance. An inspection of all headstones and memorials to record their condition has commenced that is highlighting the scale of the problem. North Berwick Cemetery extension has concrete foundation provided for headstones. A Community Pay Back scheme to repair headstones/memorials has been set up but will take time to make any significant impact.	4	5	20	Action Plan needs to be developed. Resources identified to undertake maintenance work. Use of the Community Pay Back scheme to repair headstones and memorials will take time to make any significant impact. All new cemeteries and cemetery extensions to have concrete foundations provided for headstones.	3	4	12	Principal Amenity Officer	Review Annually	11	

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			L	I	L x I		L	I	L x I				
INF 3	Inability to provide an efficient burial service and sufficient land for burial purposes would mean that the Council is unable to undertake its statutory duties, and create distress to family and mourners.	Particulars of Burial Forms need to be completed before the burial. At present due to the lack of continuity of Registrars at the local offices, employees are increasingly concerned there may be errors in the documentation. Risk Assessments and SOPs are in place. Training programme in place to ensure employees are qualified and experienced. Relatives/undertaker have to sign an indemnity form if they insist on carrying the coffin. Burial Strategy developed, but not approved yet. Communication procedure with the Registration Service has been put in place, with monthly liaison meetings. Interim procedure to minimise risk put in place.	5	4	20	Monitor new procedure. Ensure Risk Assessments & SOPs are regularly updated & employees are aware of them. Burial Strategy & Action Plan approved and capital budget identified to create new burial grounds. Maintain staffing levels. Service review of burial service.	2	4	8	Principal Amenity Officer	Capital Budget for burial grounds approved in 2013-2017 Capital Plan.  Burial Strategy & Action Plan approved by June 2013.	11	Local L&C Risk Register reviewed 31 – 01 -13, the risk has been increased due to a recent audit highlighting less available burial space than revealed in previous assessments. A sufficient capital budget/programme to extend existing cemeteries/buy land to create new cemeteries not yet having been approved or started.
INF 4	Failure to comply with the statutory requirements under the Health & Safety at Work Act in relation to HAVS and Whole Body Vibration (WBV) would create a financial risk to the Council through employee insurance claims and open up the Council to investigation by the HSE.	Initial health screening of all new employees to establish a benchmark. Thereafter, annual health monitoring of all staff exposed to risk undertaken by the Council's Occupational Health Service provider and specific restrictions placed on any staff who display symptoms of HAVS or Carpel Tunnel. All machinery and equipment has been tested and traffic light coded to indicate the length of time they can be used for each Tier level of HAVS. All staff record on their timesheets Exposure or Over Exposure to vibration. Amenity Technician has undergone WBV training. All Amenity Services machinery has been tested and assessed for WBV and there are no issues with existing machinery.	4	4	16	Roads Services machinery to be tested and assessed for WBV and if necessary an action plan put in place to deal with WBV.	2	3	6	Principal Amenity Officer  Road Services Manager  Property Maintenance Manager	Roads Services have a testing and assessment programme in place for WBV in 2013/14.	11	

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INF 5	Failure to manage and maintain the Council's tree estate including the current risk from tree diseases. This would have a negative impact on the landscape character of East Lothian and its towns and villages, biodiversity, health & wellbeing of residents and the local economy and tourism. Failure to deliver SOA Outcome.	Some regular inspections undertaken. Monitoring for tree diseases within the tree estate. Some record kept of trees inspected. Record kept of arboricultural work undertaken. Annual programme of tree planting. Record kept of trees planted. All forestry employees have appropriate qualifications, training and experience. Risk Assessments and SOPs in place for all arboricultural and forestry work. Woodland Action Plan in the Biodiversity Action Plan.	3	5	15	Survey of all Council owned trees on condition and location has been started, but without additional staff or resources it will take a long time to complete. Set up a rolling inspection programme. Ensure Risk Assessments & SOPs are regularly updated & employees are aware of them. Maintain staffing levels. Ensure sufficient resources to deliver service.	2	5	10	Tree Officer	Review Frequency Annually	11	Local L&C Risk Register reviewed 31 – 01 - 13. No change in Risk Rating.  Reinforced by the damage caused by the storms in December 2011, January and September 2012.
INF 6	Failure to comply with the statutory requirements of the Land Reform (Scotland) Act and to meet the expectations of access users, local community and land managers. There may also be a negative impact on sustainable transport, health & wellbeing of residents and access users and the local economy and tourism. Failure to deliver SOA Outcome and contribute to cross cutting SOA Outcomes.	Approved East Lothian Core Path Plan. Local Access Forum established that has quarterly meetings. Database maintained of access complaints and action taken to resolve them. Annual paths/rights of way maintenance programme in place. Voluntary Path Warden Scheme set up. East Lothian Core Path Plan available to purchase.	3	4	12	External sources of funding to create/improve core paths to be explored to offset loss of budget in Capital Plan. Work in partnership with local interest/community groups to secure funding for core path works. Investigate the constituting of the Path Warden Scheme as a means of securing external funding to maintain the path network.	2	4	8	Landscape & Countryside Manager  Principal Countryside Officer	Review Annually	1, 5, 11, 13	
INF 7	A failure to meet the targets agreed in our Single Outcome Agreement and to meet EU landfill targets could result in significant fines for the Council and loss of confidence and status in relation to public perception.	Recycling collections to all domestic properties – contract in place for up to seven years. Monitoring of national and local indicators. Waste Data Flow reporting to Waste Regulatory body. Operation of four Recycling Centres. Monitoring of kerbside collection systems and targeted intervention to offer support to residents using these services. Short term disposal/treatment framework Contract. Procurement of long term pre-treatment Contract.	3	4	12	Review services in line with policy changes. Introduction of food and other recycling collections. Reducing total waste to landfill to 36% by 2013. Increasing recycling to 50% by 2013.	2	4	8	Waste Services Manager	Review Annually	12	
INF 8	Extreme Weather conditions can result in the demand of rock salt exceeding supply resulting in problems with the availability and supply of rock salt.	Stockpile capacity of 9,000 tonnes as a result of new salt barn. Winter Maintenance Budget of £8-900,000. When the supply is reaching critical levels, intervention by the Government in the form of a Salt Cell which monitors stocks and generates advice to suppliers about the allocation of salt stocks.	2	5	10		2	5	10	Road Services Manager		9	

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INF 9	A pandemic resulting in a loss of workforce would impact on our ability to undertake normal duties, but more importantly, to respond to emergencies including winter maintenance.	Identify essential employees and other critical inputs required to maintain business operations by location and function during a pandemic. Use of external resources. Implementation of an exercise/drill to test readiness for emergencies and revise periodically. Keep up-to-date with reliable pandemic information from public health. Prioritise essential business functions and for a period of time prepare to suspend other non-essential business functions.	2	5	10		2	5	10	All Managers		9	
INF 10	Failure to maintain the AALS licence (Adventure Activities Licence) resulting in the Council being unable to provide adventure activities for under 18s. This in turn would significantly reduce the range of outdoor learning opportunities available to young people and impact on their health, wellbeing and personal development. Failure to contribute to SOA Outcomes.	Safety and Good Practice in managing Off-Site Visits Guidelines in place – Updated Feb 2012. Educational Excursion Approval needs to be gained prior to the event taking place .This is gained by the visit leader submitting a form using the internet based EVOLVE system. Employees have appropriate up to date qualifications and experience. Only appropriately qualified and experienced Associate Instructors are employed. All Outdoor Centres that provide adventure activities outside their grounds should have a valid Adventure Activity Licence and insurance cover. All Outdoor Centres that provide activities within their own grounds should use appropriately qualified staff, have risk assessments for each activity in place and have valid insurance cover. Joint monitoring programme with Health & Safety Advisers being developed. All schools and establishments using EVOLVE. Paper based EEF approval system being phased out.	2	5	10	Joint monitoring of activities being undertaken.	1	5	5	Principal Outdoor Education Teacher	Review Annually	2,5	
INF 11	Trading Operations fail to demonstrate Best Value & Workforce Equality resulting in work possibly having to be outsourced and subsequent job losses.	Structure and organisation of services (including option appraisal for Service Delivery). Production of Trading Accounts. Project Management procedures. Job Costing process. Stock management. Implementing mobile working in Property Maintenance Services.	2	5	10	Surplus to be achieved in 2012/13. Mobile working to be extended to more trades. Property Maintenance re-structure to be agreed.	1	5	5	Head of Infrastructure	Ongoing	9, 10, 11	

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			L	I	L x I		L	I	L x I				
<b>Original date produced (Version 1)</b>	9 <sup>th</sup> January 2013										<b>Risk Score</b>	<b>Overall Rating</b>	
<b>File Name</b>	Infrastructure Risk Register										<b>20-25</b>	<b>Very High</b>	
<b>Original Author(s)</b>	Scott Kennedy, Risk Officer										<b>10-19</b>	<b>High</b>	
<b>Current Revision Author(s)</b>	Scott Kennedy, Risk Officer										<b>5-9</b>	<b>Medium</b>	
<b>Version</b>	<b>Date</b>	<b>Author(s)</b>	<b>Notes on Revisions</b>										
1	09/01/2013	S Kennedy	Environment Register updated to Infrastructure Risk register following Senior Management Restructure and updates to Risk Strategy and Corporate Risk Register.										
2	April-May 2013	S Kennedy	Updated by M Johnston and T Reid. Risks combined following Working Group meeting. Dog Fouling/Dangerous Dogs risk split by M Johnston. Transport Services updated by I Dalglish. Facilities Management updated by J Marlow. Property Maintenance updated by R Rafferty.										

**Appendix 2**  
**East Lothian Council**  
**Risk Matrix**

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Impact of Occurrence	Score	Description						
		Impact on Service Objectives	Financial Impact	Impact on People	Impact on Time	Impact on Reputation	Impact on Property	Business Continuity
Catastrophic	5	Unable to function, inability to fulfil obligations.	Severe financial loss (>5% budget)	Single or Multiple fatality within council control, fatal accident enquiry.	Serious - in excess of 2 years to recover pre-event position.	Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved.	Loss of building, rebuilding required, temporary accommodation required.	Complete inability to provide service/system, prolonged downtime with no back-up in place.
Major	4	Significant impact on service provision.	Major financial loss (3-5% budget)	Number of extensive injuries (major permanent harm) to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Major adverse publicity (regional/national), major loss of confidence.	Significant part of building unusable for prolonged period of time, alternative accommodation required.	Significant impact on service provision or loss of service.
Moderate	3	Service objectives partially achievable.	Significant financial loss (2-3% budget)	Serious injury requiring medical treatment to employee, service user or public (semi-permanent harm up to 1yr), council liable.	Considerable - between 6 months and 1 year to recover pre-event position.	Some adverse local publicity, limited damage with legal implications, elected members become involved.	Loss of use of building for medium period, no alternative in place.	Security support and performance of service/system borderline.
Minor	2	Minor impact on service objectives.	Moderate financial loss (0.5-2% budget)	Lost time due to employee injury or small compensation claim from service user or public (First aid treatment required).	Some - between 2 and 6 months to recover.	Some public embarrassment, no damage to reputation or service users.	Marginal damage covered by insurance.	Reasonable back-up arrangements, minor downtime of service/system.
None	1	Minimal impact, no service disruption.	Minimal loss (0.5% budget)	Minor injury to employee, service user or public.	Minimal - Up to 2 months to recover.	Minor impact to council reputation of no interest to the press (Internal).	Minor disruption to building, alternative arrangements in place.	No operational difficulties, back-up support in place and security level acceptable.

Risk	Impact				
	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Low	Medium	High	Very High
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**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 11 June 2013

**BY:** Executive Director (Support Services)

**SUBJECT:** Health Inequalities in Scotland, Audit Scotland Report,  
December 2012

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3

## 1 PURPOSE

- 1.1 To review the Audit Scotland report 'Health Inequalities in Scotland' published in December 2012.

## 2 RECOMMENDATIONS

- 2.1 It is recommended that the Committee should review the contents of this report and identify areas for further scrutiny at future meetings of the Audit and Governance Committee.

## 3 BACKGROUND

- 3.1 The report 'Health Inequalities in Scotland' (December 2012) provides the findings and recommendations from Audit Scotland's audit of how well public sector organisations are working together to tackle health inequalities.

- 3.2 NHS Health Scotland has defined health inequalities in the following terms<sup>1</sup>:

*"Health inequalities are systematic differences in health between different groups within a society. As they are socially produced, they are potentially avoidable and deemed unacceptable to civilised society. Often economic factors are the primary determinants, but these can also underpin or exacerbate other dimensions of social inequality, such as differences in power and opportunities as well as discrimination on the basis of gender, race, disability, age, sexuality or religion."*

- 3.3 Given the scale and complexity of the problem, Audit Scotland's audit did not examine in detail the impact of wider policies such as education,

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<sup>1</sup> A Fairer Healthier Scotland; NHS Health Scotland, 2012

employment and housing on reducing health inequalities. Instead, it focused on how bodies work together to identify need, target resources and monitor their collective performance in reducing health inequalities. The report:

- outlines the scale of health inequalities and the effects on specific groups of people
- estimates how much the public sector spends on reducing health inequalities, although information on this was limited
- looks at the quality of evaluations
- reviews how well Community Planning Partnerships (CPPs) ensure that there is a coordinated focus on health inequalities
- looks at whether access to health services is equitable for all groups within the population, particularly people living in deprived areas.

3.4 Evidence for the audit is based on an analysis of national and local strategies and evaluations; finance and performance data; interviews with Scottish Government officials, NHS and council staff, academics and other relevant professionals; a review of CPP annual reports; and focus groups with a range of staff.

3.5 The Audit Scotland report is structured into four parts. The key messages from each of these parts of the report are summarised below:

#### ***Health Inequalities in Scotland***

- Overall health has improved over the last 50 years but deep-seated inequalities remain. Deprivation is the key determinant of health inequalities although age, gender and ethnicity are also factors. Health inequalities are highly localised and vary widely within individual NHS board and council areas.
- Children in the most deprived areas have significantly worse health compared to children living in the least deprived areas. They are more likely to have a lower birthweight, poorer dental health, higher obesity levels and higher rates of teenage pregnancy. They are also less likely to be breastfed, which is associated with a healthy start in life.
- There is a mixed picture of progress in tackling health inequalities. For some indicators, such as deaths from coronary heart disease, inequalities have decreased but other indicators, such as healthy life expectancy, mental health, smoking, and alcohol and drug misuse, remain significantly worse in the most deprived parts of Scotland.

#### ***Spending on reducing health inequalities***

- The Scottish Government takes account of deprivation, rurality and remoteness, and other local needs in allocating funding to NHS boards and councils but it is not clear how NHS boards and councils allocate resources



to target local areas with the greatest needs.

- We estimate that the Scottish Government allocated around £170 million to the NHS in 2011/12 – around 1.5 per cent of the overall NHS budget – for specific schemes to improve health and address health inequalities.
- Recent changes in quality payments to GPs have helped to provide more funding to GP practices in deprived areas. These changes mean that deprived areas should receive additional resources to help address problems related to health inequalities.

### ***Local health services for reducing health inequalities***

- Appropriate access to health services is an essential part of reducing health inequalities. GPs have a critical role to play in helping to reduce inequalities and in facilitating access to the whole range of NHS services including hospital care. But the distribution of primary care services across Scotland does not fully reflect the higher levels of ill health and wider needs found in deprived areas, or the need for more preventative health care. The distribution of other primary health care services, such as pharmacies, is more closely matched to need.
- Action taken to improve health can have the unintended consequence of widening inequalities if uptake by those most at risk does not increase. Patterns of access to hospital services vary among different groups within the population and people from more deprived areas tend to have poorer access and outcomes. NHS boards need to ensure that all patients get the services they need, and provide better access to services for disadvantaged communities to help reduce health inequalities.

### ***Effectiveness of approaches to reducing health inequalities.***

- Reducing health inequalities is challenging and requires effective partnership working across a range of organisations. CPPs need to clarify the roles and responsibilities of local organisations in tackling health inequalities, and ensure they take sufficient ownership of initiatives.
- There is evidence to show that the ban on smoking in public places has improved health, including a reduction in passive smoking and a potential link to decreased rates of premature and low birthweight babies. This may have helped to reduce health inequalities given the link between smoking and deprivation. Other national policies and strategies which aim to improve health and reduce health inequalities have so far shown limited evidence of impact. Changes will only be apparent in the long term but measures of short-term impact are important to demonstrate progress towards policy goals.
- The Scottish Government and CPPs need a more systematic approach to assessing the cost effectiveness of actions to reduce health inequalities. Changes may not take effect for a generation or more making the measurement of success in the short term difficult. However, many initiatives lack a clear focus from the outset on cost effectiveness and outcome

measures. This means that assessing value for money is difficult.

- Current performance measures are a mix of process measures, such as the number of smoking cessation services delivered, and outputs such as the prevalence of smoking among adults. CPPs' reports on delivering their Single Outcome Agreements (SOAs) are weak in the quality and range of evidence used to track progress in reducing health inequalities, and differences among SOAs means that a Scotland-wide picture is hard to identify.
- 3.6 The report makes a number of recommendations for the Scottish Government, NHS Boards and CPPs. The recommendations for CPPs are the most relevant to the Council.

*The Scottish Government and CPPs should:*

- Ensure cost effectiveness is built into evaluations of initiatives for reducing health inequalities from the start
- Align and rationalise the various performance measures to provide a clear indication of progress in reducing health inequalities

*CPPs should:*

- Ensure that all partners are clear about their respective roles, responsibilities and resources in tackling health inequalities, and take shared ownership and responsibility for actions aimed at reducing health inequalities
- Build robust evaluation, using all available data and including outcome measures and associated costs, into local initiatives aimed at reducing health inequalities
- Include in SOAs clear outcome measures for reducing health inequalities which demonstrate impact, and improve the transparency of their performance reporting

### **The East Lothian Position**

- 3.7 Members will be aware that East Lothian Community Planning Partnership has recently been re-structured and that a new Single Outcome Agreement (SOA) is being developed. Reducing health inequalities will be a key remit of the new Resilient People Partnership which will include representatives from the Council, the new Health and Social Care Partnership and NHS Lothian. The Council will be represented on the Resilient People partnership by three elected members, an Executive Director and the jointly accountable officer for the Health and Social Care Partnership. This will help to ensure that the Council is able to take shared ownership and responsibility for actions aimed at reducing health inequalities.
- 3.8 The East Lothian Data Profile and Ward Profiles that provide the evidence base for the new SOA include detailed information about the health of East Lothian residents which highlight levels of health

inequalities across the County and within Wards. The greater understanding of the level of health inequalities will provide the East Lothian Partnership with the evidence to more robustly evaluate the impact of actions aimed at reducing health inequalities.

- 3.9 The new SOA has not yet been finalised but the draft that is being developed includes a strong commitment to tackling health inequalities through the following key objective:

*'Resilient People: We will give people the best start in life, **reduce health inequalities** and protect vulnerable and older people'*

- 3.10 The East Lothian Public Health Team in consultation with key partners including East Lothian Council is developing a Health Inequality Strategy that will form the basis for activity and initiatives to reduce health inequalities within the context of the new SOA. The SOA will contain robust outcomes measures for reducing health inequalities.

- 3.11 Prevention and early intervention are to be a key driver within the new SOA. The shift in resources required to drive forward the prevention and early intervention approach has been underway for some years now in particular in relation to early years services (e.g. the development of the Support from the Start initiative) and in the Change Fund for services for older people. However, the new SOA will have to prioritise the further shift in resources required to re-direct resources to further develop and embed the preventative model of service delivery in areas such as health and reducing health inequalities.

#### **4 POLICY IMPLICATIONS**

- 4.1 The Audit Scotland report provides useful guidance and recommendations for how the Council in partnership with the NHS should tackle health inequalities. The East Lothian partnership's new SOA will prioritise reducing health inequalities and provide the basis for developing, resourcing and monitoring the effectiveness of actions aimed at reducing health inequalities.

#### **5 EQUALITIES IMPACT ASSESSMENT**

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

#### **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – none.  
6.2 Personnel – none.  
6.3 Other – none.

## 7 BACKGROUND PAPERS

7.1 'Health Inequalities in Scotland'; Audit Scotland, December 2012

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<b>DATE</b>	31 <sup>st</sup> May 2013

# Health inequalities in Scotland



Prepared for the Auditor General for Scotland and the Accounts Commission  
December 2012



# Auditor General for Scotland

The Auditor General for Scotland is the Parliament's watchdog for helping to ensure propriety and value for money in the spending of public funds.

She is responsible for investigating whether public spending bodies achieve the best possible value for money and adhere to the highest standards of financial management.

She is independent and not subject to the control of any member of the Scottish Government or the Parliament.

The Auditor General is responsible for securing the audit of the Scottish Government and most other public sector bodies except local authorities and fire and police boards.

The following bodies fall within the remit of the Auditor General:

- directorates of the Scottish Government
- government agencies, eg the Scottish Prison Service, Historic Scotland
- NHS bodies
- further education colleges
- Scottish Water
- NDPBs and others, eg Scottish Enterprise.

## The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, requests 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 45 joint boards and committees (including police and fire and rescue services).

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

# Contents

## Summary

Key facts  
Page 2

---

Background  
Page 3

---

About the audit

Key messages  
Page 4

---

Key recommendations  
Page 5

---

**Part 1. Health inequalities in Scotland**  
Page 6

---

Key messages

People in deprived areas have lower life expectancy  
Page 7

---

Children in deprived areas have poorer health  
Page 8

---

There is a mixed picture of progress in tackling health inequalities  
Page 10

---

**Part 2. Spending**  
Page 15

---

Key messages

Overall NHS and council funding formulae take account of deprivation and local needs

It is not clear how resources are targeted within local areas

Around £170 million was allocated to the NHS in 2011/12 for schemes related specifically to health inequalities  
Page 16

---

Changes in payments to GPs have led to more funding to deprived areas  
Page 18

---

Recommendations  
Page 20

---

**Part 3. Local health services**  
Page 21

---

Key messages

Better access to health services is needed to reduce health inequalities  
Page 22

---

Recommendations  
Page 26

---

**Part 4. Effectiveness**  
Page 27

---

Key messages

A range of factors can help to reduce health inequalities

Many organisations are involved in trying to reduce health inequalities

Better partnership working is needed  
Page 28

---

There is limited evidence to date of the impact of national policies and strategies  
Page 32

---

Some specific interventions have reduced health inequalities but better evidence about cost effectiveness is needed  
Page 33

---

Performance measures should provide a clearer picture of progress  
Page 34

---

Recommendations  
Page 35

---

**Appendix 1. Audit methodology**  
Page 37

---

**Appendix 2. Membership of the advisory group**  
Page 38

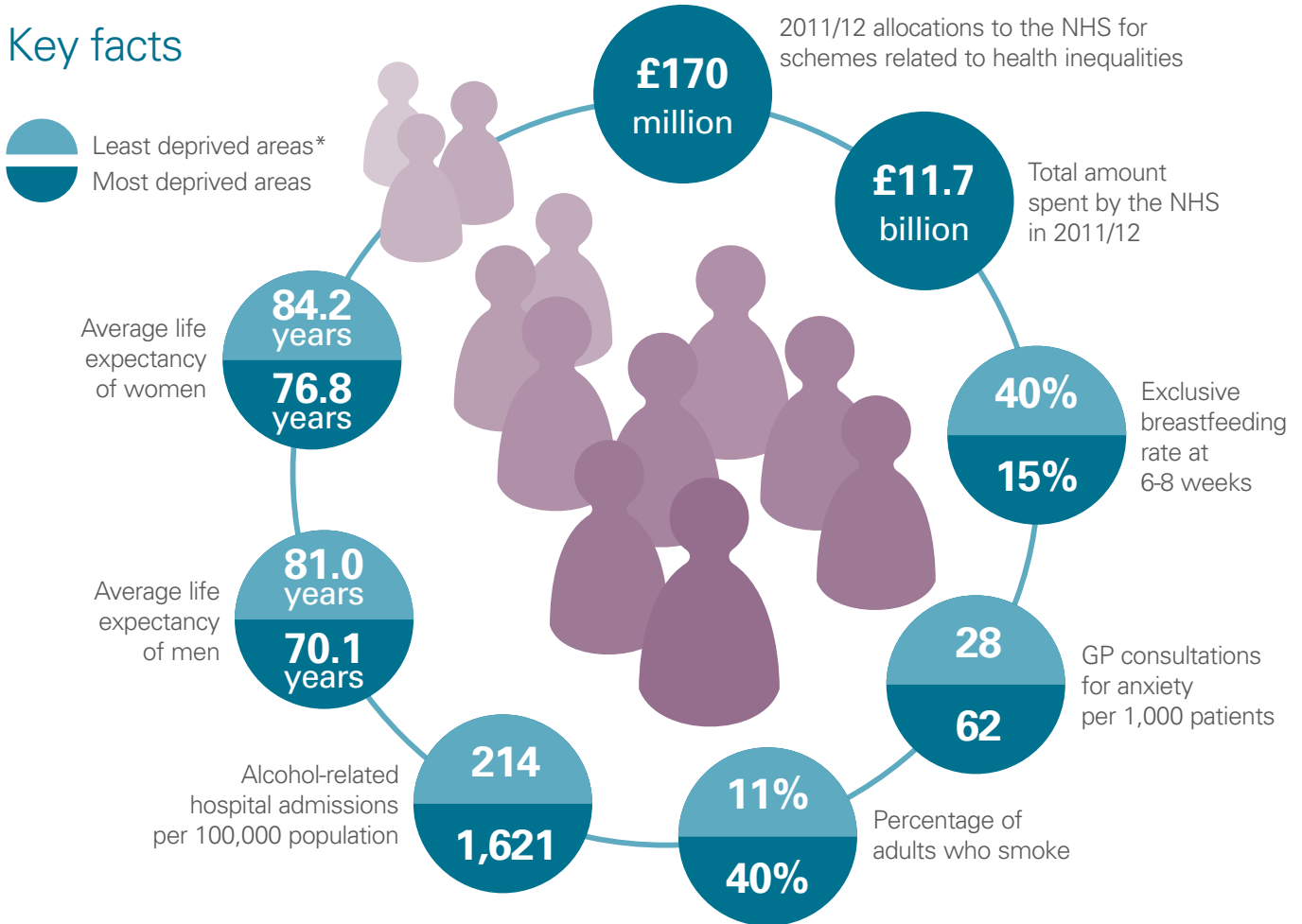
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**Appendix 3. National strategies for improving health and addressing health inequalities**  
Page 39

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# Summary

## Key facts



\* These comparisons refer to people living in the one-fifth most deprived and one-fifth least deprived areas.

There are significant and long-standing health inequalities in Scotland. The public sector can make better use of its resources to address these challenges.



## Background

**1.** Tackling health inequalities is challenging. Health inequalities are influenced by a wide range of factors including access to education, employment and good housing; equitable access to healthcare; individuals' circumstances and behaviours, such as their diet and how much they drink, smoke or exercise; and income levels.<sup>1</sup>

**2.** Given the complex and long-term nature of health inequalities, no single organisation can address health inequalities on its own. Community Planning Partnerships (CPPs) are responsible for bringing all the relevant organisations together locally and for taking the lead in tackling health inequalities.<sup>2</sup> Many public sector bodies and professionals contribute to reducing health inequalities; it is not just the responsibility of health services. Councils have a major role through their social care, education, housing, leisure and regeneration services. The voluntary sector also has a role in reducing local health inequalities.

**3.** There have been long-term increases in average life expectancy in Scotland and considerable improvements in overall health. However, there are still significant differences in life expectancy and health depending on deprivation, age, gender, where people live, and ethnic group. More data is available about the links between deprivation and health inequalities so we are able to provide more comment on deprivation in this report.

**4.** Reducing health inequalities will help increase life expectancy and improve the health of people in disadvantaged groups. It could also bring considerable economic benefits. For example, if the death rate in the most deprived groups in Scotland improved then the estimated average economic gains would be around £10 billion (at 2002 prices); and if the death rate across the whole population fell to the level in the least deprived areas, the estimated economic benefit for Scotland could exceed £20 billion.<sup>3</sup> These are conservative estimates as they relate only to differences in life expectancy and do not include other health inequalities.

**5.** Tackling the problems most commonly associated with health inequalities would also help to reduce the direct costs to the NHS and wider societal costs. For example, the Scottish Public Health Observatory has estimated that a one per cent reduction in smoking prevalence would save around 540 lives a year; reduce smoking-attributable hospital admissions by around 2,300; and reduce estimated NHS spending on smoking-related illness by between £13 million and £21 million.<sup>4</sup>

**6.** In 2007, the Scottish Government established a Ministerial Task Force for Health Inequalities to identify and prioritise practical actions to reduce the most significant and widening health inequalities. The Task Force published its report, *Equally Well*, in June 2008. This considered the evidence for health inequalities in Scotland and identified a range of priorities where action is most

needed to tackle health inequalities, including: children's early years; tackling poverty and increasing employment; physical environments and transport; and access to health and social care services. The report also included recommendations for the Scottish Government, NHS boards, councils and other public sector bodies. The Task Force published a review of *Equally Well* in 2010 which examined progress since the publication of *Equally Well* and made more recommendations for addressing health inequalities. The Task Force reconvened in November 2012.

**7.** Reducing health inequalities has been a priority for successive governments in Scotland with the introduction of major legislation supporting this aim, such as the ban on smoking in public places and minimum pricing for alcohol. The Scottish Government's 2012/13 spending review reiterated its commitment to addressing health inequalities, and in 2011/12 it allocated around £170 million to NHS boards to directly address health-related issues associated with inequalities.<sup>5</sup>

**8.** Shifting resources from dealing with the consequences of health inequalities to effective early intervention and access to preventative services is essential to tackling health inequalities.<sup>6</sup> The Scottish Government's policies prioritise preventing social problems rather than reacting to them but our previous work has highlighted that shifting resources will be challenging for the public sector, particularly in the current financial climate.<sup>7 8 9</sup>

1 *The Spirit Level*, R Wilkinson and K Pickett, Bloomsbury Press, 2009.

2 All council areas have a CPP to lead and manage community planning. CPPs are required to engage with communities, report on progress, and publish information on how they have implemented their duties and how outcomes have improved as a result. CPPs are not statutory committees of a council, or public bodies in their own right. They do not directly employ staff or deliver public services.

3 These estimates are based on a pro-rata comparison with estimates produced for the Marmot Review of health inequalities in England ('The economic benefits of reducing health inequalities in England and Wales', S Mazzucco, S Meggiolaro and M Suhrcke, background paper for the Marmot Review, January 2010).

4 *ScotPHO Smoking Ready Reckoner – 2011 Edition*, Scottish Public Health Observatory, June 2012.

5 *Scottish Spending Review 2011 and Draft Budget 2012-13*, Scottish Government, September 2011.

6 *Equally Well*, Scottish Government, 2008; *Equally Well Review 2010*, Scottish Government, 2010; *Fair Society, Healthy Lives*, Marmot Review, 2010.

7 *Report on preventative spending*, Scottish Parliament Finance Committee, 2011.

8 *Report of the Commission on the future delivery of public services*, 2011.

9 *Review of Community Health Partnerships*, Audit Scotland, 2011; *Commissioning social care*, Audit Scotland, 2012.

## About the audit

**9.** Our audit aimed to assess how well public sector organisations are working together to tackle health inequalities. Given the scale and complexity of the problem, we have not examined in detail the impact of wider policies such as education, employment and housing on reducing health inequalities. Instead we have focused on how bodies work together to identify need, target resources and monitor their collective performance in reducing health inequalities. In this report, we:

- outline the scale of health inequalities and the effects on specific groups of people
- estimate how much the public sector spends on reducing health inequalities, although information on this was limited
- look at the quality of evaluations
- review how well CPPs ensure that there is a coordinated focus on health inequalities
- look at whether access to health services is equitable for all groups within the population, particularly people living in deprived areas.

**10.** Evidence for this audit is based on an analysis of national and local strategies and evaluations; finance and performance data; interviews with Scottish Government officials, NHS and council staff, academics and other relevant professionals; a review of CPP annual reports; and focus groups with a range of staff. We also visited five *Equally Well* test sites to review their progress to date. Further details of our methodology are set out in [Appendix 1](#).

[Appendix 2](#) lists members of our Project Advisory Group, who gave

advice and feedback at key stages of the audit, and [Appendix 3](#) presents a summary of progress against national strategies for improving health and addressing health inequalities.

**11.** This report is structured into four parts:

- Health inequalities in Scotland ([Part 1](#))
- Spending on reducing health inequalities ([Part 2](#))
- Local health services for reducing health inequalities ([Part 3](#))
- Effectiveness of approaches to reducing health inequalities ([Part 4](#)).

**12.** In addition to this report, we have also published a range of accompanying documents on our website:

- a detailed analysis of the extent of health inequalities across a range of indicators
- a report on our focus groups with CPP managers, Community Health Partnership (CHP) managers and frontline staff
- a checklist for CPPs to help improve their approach to addressing health inequalities
- a checklist for non-executive and elected members to assess how well health inequalities are being addressed in their local areas.<sup>10 11</sup>

## Key messages

- Overall health has improved over the last 50 years but health inequalities remain a significant and long-standing problem in Scotland. Deprivation is a major factor in health inequalities, with people in more affluent areas living longer and having significantly better health. Health inequalities are highly localised and vary widely within individual NHS board and council areas. Children in deprived areas have significantly worse health than those in more affluent areas.
- The Scottish Government takes account of deprivation, rurality and remoteness, and other local needs in allocating funding to NHS boards and councils. However, it is not clear how NHS boards and councils allocate resources to target local areas with the greatest needs.
- The distribution of primary care services across Scotland does not fully reflect the higher levels of ill health and wider needs found in deprived areas, or the need for more preventative healthcare. Patterns of access to hospital services also vary among different groups within the population, with people from more deprived areas tending to have poorer access and outcomes.
- Reducing health inequalities requires effective partnership working across a range of organisations. However, there may be a lack of shared understanding among local organisations about what is meant by 'health inequalities'

<sup>10</sup> CHPs are responsible for coordinating a wide range of primary and community health services in the local areas, including GP services, general dental services, community-related health services and mental health services. We use the term CHP in this report to refer to both health-only structures and Community Health and Care Partnerships (CHCPs) which are integrated health and social care structures. The Scottish Government plans to integrate adult health and social care services, and to replace CHPs with Health and Social Care Partnerships.

<sup>11</sup> [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

and greater clarity is needed about organisations' roles and responsibilities.

- National policies and strategies which aim to improve health and reduce health inequalities have so far shown limited evidence of impact. Changes will only be apparent in the long term but measures of short-term impact are important to demonstrate progress towards policy goals. Many initiatives to reduce health inequalities have lacked a clear focus from the outset on cost effectiveness and outcome measures. This means that assessing value for money is difficult.
- Current performance measures do not provide a clear picture of progress. CPPs' reports on delivering their Single Outcome Agreements (SOAs) are weak in the quality and range of evidence used to track progress in reducing health inequalities, and differences among SOAs means that a Scotland-wide picture is hard to identify.

### Key recommendations

The Scottish Government should:

- introduce national indicators to specifically monitor progress in reducing health inequalities and report on progress.

The Scottish Government and NHS boards should:

- review the distribution of primary care services to ensure that needs associated with higher levels of deprivation are adequately resourced
- include measurable outcomes in the GP contract to monitor progress towards tackling health inequalities, and ensure

that the Quality and Outcomes Framework is specifically designed to help reduce health inequalities.

The Scottish Government and CPPs should:

- ensure that cost effectiveness is built into evaluations of initiatives for reducing health inequalities from the start
- align and rationalise the various performance measures to provide a clear indication of progress in reducing health inequalities.

CPPs should:

- ensure that all partners are clear about their respective roles, responsibilities and resources in tackling health inequalities, and take shared ownership and responsibility for actions aimed at reducing health inequalities
- build robust evaluation, using all available data and including outcome measures and associated costs, into local initiatives aimed at reducing health inequalities
- include in SOAs clear outcome measures for reducing health inequalities which demonstrate impact, and improve the transparency of their performance reporting.

NHS boards should:

- monitor the use of primary care, preventative and early detection services by different groups, particularly those from more deprived areas. If this identifies systemic under-representation of particular groups, NHS boards should take a targeted approach to improve uptake
- monitor the use of hospital services by different groups

and use this information to identify whether specific action is needed to help particular groups access services.

NHS boards and councils should:

- identify what they collectively spend on reducing health inequalities locally, and work together to ensure that resources are targeted at those with the greatest need.

# Part 1. Health inequalities in Scotland



The health of people in Scotland continues to improve but significant inequalities remain.

**Key messages**

- Overall health has improved over the last 50 years but deep-seated inequalities remain. Deprivation is the key determinant of health inequalities although age, gender and ethnicity are also factors. Health inequalities are highly localised and vary widely within individual NHS board and council areas.
- Children in the most deprived areas have significantly worse health compared to children living in the least deprived areas. They are more likely to have a lower birthweight, poorer dental health, higher obesity levels and higher rates of teenage pregnancy. They are also less likely to be breastfed, which is associated with a healthy start in life.
- There is a mixed picture of progress in tackling health inequalities. For some indicators, such as deaths from coronary heart disease, inequalities have decreased but other indicators, such as healthy life expectancy, mental health, smoking, and alcohol and drug misuse, remain significantly worse in the most deprived parts of Scotland.

**13.** Health inequalities are linked to a range of factors that are complex and interrelated. For example, genetic factors and poor housing can have a major effect on an individual's health over time, and these are likely to be exacerbated by harmful behaviours such as smoking, alcohol misuse and a lack of exercise. Public services in Scotland can address some of these factors, for example by improving social housing or access to sports facilities. Broader UK and global factors, such as the current economic downturn, also play a part.

**14.** Health and life expectancy generally worsen as deprivation levels increase. For example, the incidence of low birthweight and lung diseases are both higher in deprived areas, with the latter linked to higher rates of smoking in more disadvantaged groups. But other conditions such as high blood pressure and high cholesterol are not so directly associated with deprivation although they are risk factors for major illnesses that are strongly linked to deprivation, such as cardiovascular disease.<sup>12</sup> Binge drinking is more common among men living in the most deprived areas, but levels of

weekly alcohol consumption vary across the whole population and are not linked to deprivation. There are also gender differences in terms of inequalities; for example, women living in more deprived areas are more likely to be obese, but this pattern is less evident among men.

**People in deprived areas have lower life expectancy**

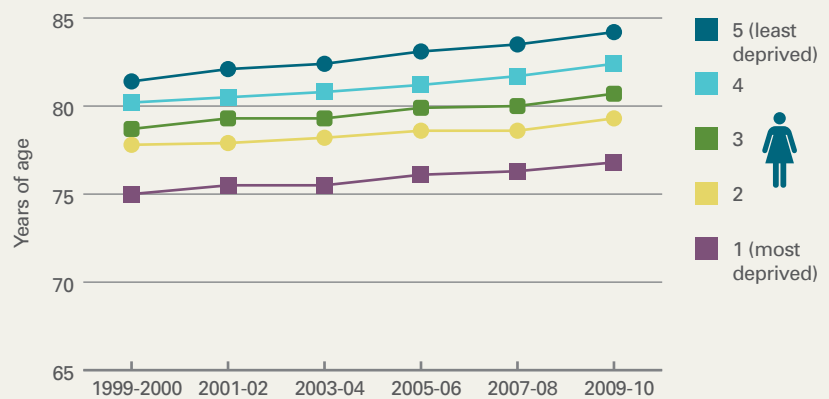
**15.** Overall life expectancy has increased in Scotland in recent years but continues to be closely associated with deprivation (*Exhibit 1*). Between 1999-2000 and 2009-10, the average

**Exhibit 1**

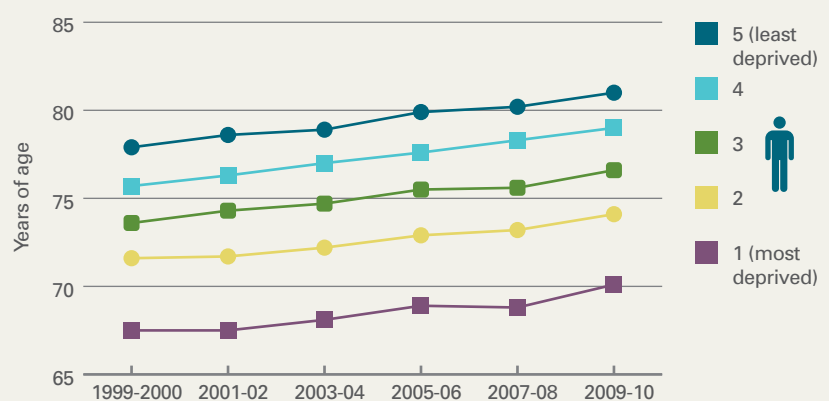
**Average life expectancy at birth, 1999-2000 to 2009-10**

Average life expectancy has increased but people in the least deprived areas still live longer than people living in the most deprived areas, and the gap has increased for women.

**Females**



**Males**



Source: Scottish Public Health Observatory, 2012

12 *Inequalities in health in Scotland: what are they and what can we do about them?*, S Macintyre, MRC Social and Public Health Sciences Unit, 2007.

life expectancy of men living in the least deprived areas remained around 11 years higher than in the most deprived areas but the corresponding difference for women increased from around 6.5 years to around 7.5 years. Life expectancy can vary widely within individual NHS board and council areas. For example, between 2006 and 2010, the average life expectancy among males in the most deprived areas of Renfrewshire was around 66 years which was nine years less than in the rest of Renfrewshire.<sup>13</sup>

**16.** Women tend to live longer than men but have more years living in poorer health. In 2009-10, average healthy life expectancy for women was around 2.5 years higher than for men, although this difference has fallen in recent years.<sup>14</sup> Between 1999-2000 and 2007-08, healthy life expectancy increased by around three years for men (from 65.1 to 68.0) and over two years for women (from 68.2 to 70.5).<sup>15</sup> The average healthy life expectancy of people living in the least deprived areas in 2009-10 was around 18 years higher than people living in the most deprived areas.<sup>16</sup>

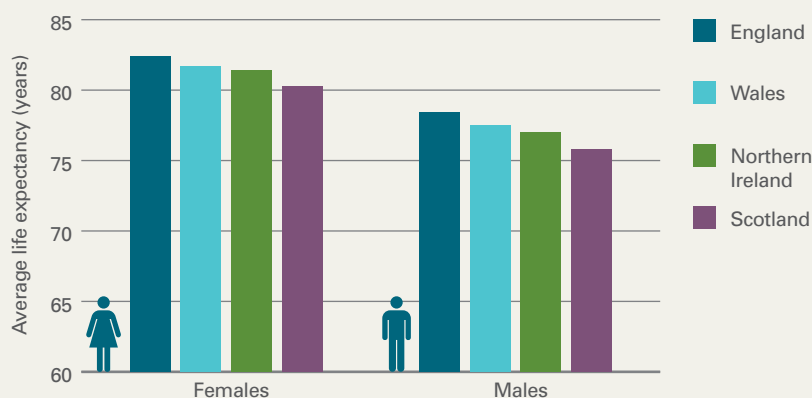
**17.** People living in rural areas live on average two to three years longer than people in urban areas and can expect to live in good health for an average of six years longer. This may be partly due to rural areas generally having lower levels of deprivation than urban areas.<sup>17</sup>

**18.** Although average life expectancy and healthy life expectancy in Scotland have increased, average life expectancy is lower than in other parts of the UK (Exhibit 2). Average healthy life expectancy is lower than the UK averages for both men and women.<sup>18</sup> Both life expectancy and

## Exhibit 2

### Life expectancy at birth in the UK, 2008–10

Average life expectancy in Scotland is lower than in the other UK countries.



Source: Office for National Statistics, 2012

healthy life expectancy are lower in Scotland than in many Western European countries.

### Deprivation is most concentrated in the west of Scotland

**19.** All NHS boards and councils in Scotland have areas of deprivation but the west of Scotland, especially Glasgow and its surrounding areas, has high levels of deprivation and consequently accounts for a significant proportion of health inequalities in Scotland.<sup>19</sup> Deprivation and life expectancy vary widely between CHPs in different parts of Scotland, and between CHPs within NHS board areas (Exhibit 3).<sup>20</sup>

### Health inequalities vary widely within local areas

**20.** There are wide variations in both deprivation and health inequalities in smaller geographical areas within individual NHS board or council areas. To assess variation within one council

area, we compared deprivation and an indicator of health inequalities (rate of hospital admission for drug misuse) across the 21 electoral wards within the Glasgow City Council area (Exhibit 4, page 10). To further examine the variation within an individual electoral ward, we also compared deprivation and health inequalities within one ward – Glasgow Shettleston (Exhibit 5, page 10). Our analysis shows that both deprivation and health inequalities can vary widely among small local areas.

### Children in deprived areas have poorer health

**21.** Children's early years are a major determinant of their future health.<sup>21</sup> Children living in the most deprived areas of Scotland experience significantly worse health outcomes than children living in the least deprived areas (Exhibit 6, page 11).

<sup>13</sup> *Life Expectancy in Scottish Council Areas split by Deprivation, 2005-2010*, National Records of Scotland, October 2011.

<sup>14</sup> Healthy life expectancy is the number of years people can expect to live in good health.

<sup>15</sup> Healthy life expectancy data from 2009/10 is not comparable with earlier years owing to a major change in methodology.

<sup>16</sup> This comparison refers to people living in the one-fifth most deprived and one-fifth least deprived areas.

<sup>17</sup> Scottish Public Health Observatory, 2011.

<sup>18</sup> *Health Expectancies at birth and at age 65 in the United Kingdom, 2008-2010*, Office for National Statistics, August 2012.

<sup>19</sup> Deprivation tends to be concentrated in small local areas and it can be difficult to see the pattern of local deprivation by looking at just the NHS board or council level. In this report, we have used CHP areas where possible to provide a more detailed analysis of the effect of deprivation.

<sup>20</sup> We have presented data for CHPs as we present data in Part 2 of this report to compare local deprivation level and indicative funding allocations by CHP.

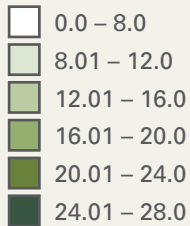
<sup>21</sup> *Early Years Framework*, Scottish Government, 2008. The Scottish Government defined early years as pre-birth to eight years old.

### Exhibit 3

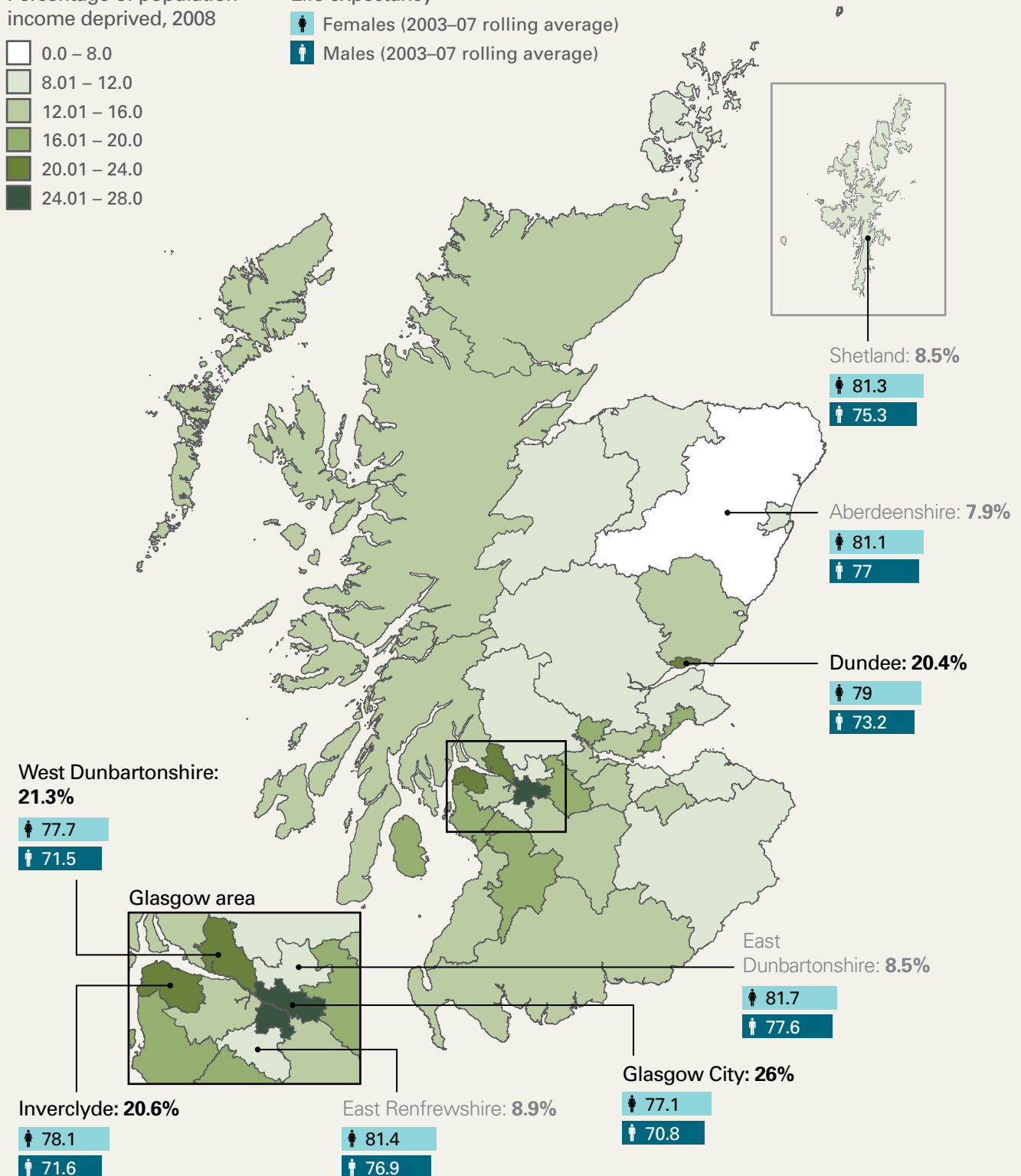
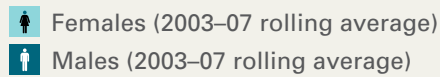
#### Deprivation and life expectancy in CHPs

The west of Scotland experiences higher levels of deprivation and lower life expectancy compared to most other parts of Scotland.

Percentage of population income deprived, 2008



Life expectancy



Note: We have presented comparisons for the four most deprived and four least deprived CHPs in Scotland. © Crown copyright and database rights 2012, Ordnance Survey licence number 0100050061. Source: Audit Scotland, 2012

**There is a mixed picture of progress in tackling health inequalities**

22. Scotland faces major challenges in tackling a range of deep-rooted health problems, and the inequalities associated with them. We reviewed a range of health indicators to look in detail at the extent of health inequalities related to them and progress made in reducing them (Exhibit 7, page 12). These indicators are all linked to deprivation and some are linked to other factors such as gender and ethnicity. Health inequalities have decreased for some indicators, but they have either remained the same or worsened for others.

23. Since 2008, the Scottish Government has published an annual report setting out progress against a range of long-term indicators of health inequalities.<sup>22</sup> The most recent report, published in 2012, shows that the gap in health inequalities has not narrowed for these indicators apart from indicators for low birthweight and alcohol-related deaths. These measures give an indication of progress but the Scottish Government has not set out timescales or numerical targets to measure progress against these long-term indicators.

**Exhibit 4**

**Variation in deprivation and rate of hospital admissions for drug misuse by electoral ward in Glasgow, 2005**

There are higher rates of drug-related hospital admissions among people from more deprived wards.



Source: Audit Scotland analysis of Scottish Neighbourhood Statistics

**Exhibit 5**

**Variation in deprivation and rate of hospital admissions for drug misuse within the Glasgow Shettleston electoral ward, 2005**

There are higher rates of drug-related hospital admissions among people from more deprived small areas.

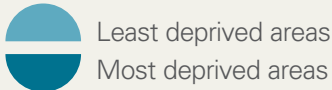


Source: Audit Scotland analysis of Scottish Neighbourhood Statistics



**Exhibit 6****Summary of health inequalities among children**

Children living in the most deprived areas experience significantly worse health outcomes.

**Low birthweight**

The percentage of low birthweight babies is over twice as high in the most deprived areas. In 2010, 31 per cent of babies who were born with very low birthweight were born to mothers living in the most deprived areas, compared with 13 per cent of babies born to mothers living in the least deprived areas.

13%

31%

40%

**Breastfeeding**

15%

Rates are almost three times lower in the most deprived areas. In 2011/12, 15 per cent of mothers in the most deprived areas exclusively breastfed their child at 6-8 weeks compared to 40 per cent of mothers in the least deprived areas.

**Dental health**

There have been recent overall improvements but children in the most deprived areas did not meet national tooth decay targets of 60 per cent of children with no dental decay. Fifty-four per cent of children in the most deprived areas had no dental decay in 2011, compared to 81 per cent in the least deprived areas.

81%

54%

18%

**Obesity/overweight**

25%

There is increasing prevalence of obesity among children in the most deprived areas. In 2010/11, 25 per cent of children in the most deprived areas were classified as overweight compared to 18 per cent in the least deprived areas.

**Teenage pregnancy**

per 1,000 population

Rates among under-16s are five times higher in the most deprived areas. In 2010, the rate was 14 per 1,000 population in the most deprived areas compared to three per 1,000 population in the least deprived areas.

3

14

Note: A more detailed analysis of these indicators is available on Audit Scotland's website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)  
Source: Audit Scotland analysis of published statistics, 2012

## Exhibit 7

### Summary of significant health challenges and health inequalities in Scotland<sup>1</sup>

Progress in tackling health inequalities is mixed.

Coronary Heart Disease (CHD)	
Overall patterns	<ul style="list-style-type: none"> <li>Between 2001 and 2010, the overall rate of death from CHD fell by around 40 per cent, from 202 per 100,000 to 129 in 2010. However, the rate in Scotland remains around a third higher than in England and higher than in most other Western European countries.</li> </ul>
Extent of inequalities <sup>2</sup>	<ul style="list-style-type: none"> <li>CHD death rates are highest in West Central Scotland and are higher among males than females, with a rate of 90 per 100,000 for women in 2010 compared to 168 for men. Death rates in the most deprived areas are over 1.5 times higher than in the least deprived areas.</li> <li>South Asians living in Scotland have substantially higher rates of heart attacks than the general population, but they also have higher survival rates.</li> </ul>
Change in inequalities	<ul style="list-style-type: none"> <li>There is some evidence that health inequalities are narrowing. Between 2001 and 2010, the death rate decreased by a third in the most deprived areas but by less than a fifth in the least deprived areas.</li> </ul>
Alcohol misuse	
Overall patterns	<ul style="list-style-type: none"> <li>Rates of alcohol-related hospital admissions have decreased in recent years. There was an 11 per cent fall between 2006/07 and 2010/11.</li> <li>However, there has been a long-term (30-year) increase in alcohol-related problems with alcoholic liver disease increasing fivefold, alcohol-related hospital admissions quadrupling and alcohol-related deaths trebling.</li> <li>There are higher levels of consumption and more significant health problems in Scotland compared to England and Wales. Alcohol sales are around 20 per cent higher in Scotland than in England while alcohol-related deaths are around twice as high.</li> </ul>
Extent of inequalities <sup>2</sup>	<ul style="list-style-type: none"> <li>Problems are twice as high among men than among women. One in ten of all hospital discharges for men was estimated to be attributable to alcohol compared to one in 20 for women. In 2011, there were 432 female alcohol-related deaths compared to 815 male deaths - almost twice as many.</li> <li>Alcohol-related deaths and hospital discharges are around six to seven times higher in the most deprived areas than in the least deprived areas. In 2010/11, the rate of alcohol-related discharges was 214 per 100,000 in the least deprived areas compared to 1,621 per 100,000 in the most deprived areas.</li> </ul>
Change in inequalities	<ul style="list-style-type: none"> <li>Health inequalities related to alcohol misuse are relatively stable.</li> </ul>
Smoking	
Overall patterns	<ul style="list-style-type: none"> <li>Just under a quarter of adults currently smoke. This has fallen from over 30 per cent in 1999. Prevalence in Scotland is generally higher than in England and Wales.</li> <li>The number of pregnant women who smoke has fallen over the past 15 years from 29 per cent in 1995 to 19 per cent in 2010.</li> </ul>
Extent of inequalities <sup>2</sup>	<ul style="list-style-type: none"> <li>Prevalence is around four times higher in the most deprived areas than in the least deprived areas. Around one in ten people in the least deprived areas smokes, compared with four in ten people in the most deprived areas.</li> <li>The percentage of women who reported smoking while pregnant is five times higher in the most deprived areas than in the least deprived areas.</li> </ul>
Change in inequalities	<ul style="list-style-type: none"> <li>Levels of smoking across the whole population are relatively stable with no significant changes between the most and least deprived areas.</li> <li>Over the past ten years, the largest reduction in the percentage of women who reported smoking while pregnant was in the most deprived areas.</li> </ul>

<b>Drug misuse</b>	
Overall patterns	<ul style="list-style-type: none"> <li>The estimated number of problem drug users in Scotland increased from around 55,000 in 2006 to almost 60,000 in 2009/10.<sup>3</sup></li> <li>The number of drug-related deaths in Scotland has been increasing and reached an all-time high in 2011.</li> </ul>
Extent of inequalities <sup>2</sup>	<ul style="list-style-type: none"> <li>Problems are higher among men than women. In 2011, men accounted for almost three-quarters of drug-related deaths with 429 deaths compared to 155 for women.</li> <li>Drug taking, drug-related harms and drug deaths are higher in the most deprived areas. In 2010/11, the rate of drug-related hospital discharges was over 16 times higher among people in the most deprived areas. More than half of drug-related deaths in 2010 were among people in the most deprived areas.</li> </ul>
Change in inequalities	<ul style="list-style-type: none"> <li>The inequalities gap for both drug-related hospital admissions and drug-related deaths are relatively stable.</li> </ul>
<b>Cancer</b>	
Overall patterns	<ul style="list-style-type: none"> <li>The overall death rate from cancer fell by 12 per cent between 2001 and 2011.</li> <li>Lung cancer levels in Scotland continue to be among the highest in the world.</li> </ul>
Extent of inequalities <sup>2</sup>	<ul style="list-style-type: none"> <li>Overall incidence is around a third higher and overall death rates are around 75 per cent higher in the most deprived areas. In 2007–11, the cancer mortality rate per 100,000 was 157 in the least deprived areas compared to 276 per 100,000 in the most deprived areas.</li> <li>The effect of deprivation on incidence and death rates varies by type of cancer: lung cancer rates are strongly linked to deprivation while breast cancer rates are not.</li> </ul>
Change in inequalities	<ul style="list-style-type: none"> <li>Inequalities by deprivation in cancer incidence are relatively stable, but the gap between the most and least deprived areas is growing for death rates from cancer.</li> </ul>
<b>Mental health</b>	
Overall patterns	<ul style="list-style-type: none"> <li>There has been little recent change in the Scottish Government's indicator of mental well-being (the Warwick-Edinburgh Mental Well-being Scale).</li> <li>The suicide rate in Scotland has been similar to or lower than the EU average since the 1980s.</li> <li>The suicide rate in Scotland has fallen in recent years but remains higher than in England.</li> <li>In 2008, the suicide rate among males in Scotland was almost double that in England and Wales, with 24.1 suicides per 100,000 population compared to 12.6 in England and Wales.</li> </ul>
Extent of inequalities <sup>2</sup>	<ul style="list-style-type: none"> <li>More than twice as many females consulted GPs for depression and anxiety than males in 2010/11.</li> <li>People in deprived areas have lower overall mental well-being and more GP consultations for depression and anxiety. In 2010/11, those in the most deprived areas had twice as many consultations for anxiety (62 consultations per 1,000 patients compared to 28 per 1,000 patients in the least deprived areas).</li> <li>Suicide rates are three times higher among men than women and over three times higher in the most deprived areas. Between 2007 and 2011, the suicide rate in Scotland was 26.4 per 100,000 in the most deprived areas compared to 7.1 in the least deprived areas.</li> </ul>
Change in inequalities	<ul style="list-style-type: none"> <li>The difference in the suicide rate between the least and most deprived areas has remained stable in recent years.</li> </ul>

<b>Obesity</b>	
Overall patterns	<ul style="list-style-type: none"> <li>Obesity in Scotland has been increasing over recent years. More than a million adults in Scotland – over a quarter of the adult population – are now obese or morbidly obese.</li> </ul>
Extent of inequalities <sup>2</sup>	<ul style="list-style-type: none"> <li>Obesity increases with age, with the highest level (38 per cent) among people aged 55-64.</li> <li>Obesity rates are higher in the most deprived areas than in the least deprived areas, especially among women. Around a third of women in the most deprived areas are classified as obese compared with less than a fifth in the least deprived areas.</li> </ul>
Change in inequalities	<ul style="list-style-type: none"> <li>The gap in obesity rates for women by level of deprivation is stable.</li> </ul>
<b>Diabetes</b>	
Overall patterns	<ul style="list-style-type: none"> <li>By 2012, around 247,000 people in Scotland had been diagnosed with diabetes, an 18 per cent increase since 2007.</li> </ul>
Extent of inequalities <sup>2</sup>	<ul style="list-style-type: none"> <li>Type 2 diabetes rates increase with deprivation level. In 2008, incidence was around 2.5 per cent in the least deprived areas compared to over four per cent in the most deprived areas.</li> <li>Prevalence of type 2 diabetes is higher among some ethnic groups.</li> </ul>
Change in inequalities	<ul style="list-style-type: none"> <li>GP contact data shows no signs of an increase in the gap in inequalities by deprivation.</li> </ul>
<b>Screening</b>	
Overall patterns	<ul style="list-style-type: none"> <li>Recent annual uptake rates for breast screening and cervical screening were around 75 per cent. In May 2012, the overall uptake rate for bowel screening was around 55 per cent.</li> </ul>
Extent of inequalities <sup>2</sup>	<ul style="list-style-type: none"> <li>Uptake for bowel cancer screening is higher among women (58 per cent uptake) compared to among men (51 per cent).</li> <li>Uptake for both breast and bowel cancer screening is higher among people living in less deprived areas. For bowel cancer screening, uptake is 63 per cent in the least deprived areas compared to 42 per cent in the most deprived areas. For breast cancer screening, the uptake rates are 82 per cent and 64 per cent, respectively.</li> </ul>
Change in inequalities	<ul style="list-style-type: none"> <li>Differences between the most and least deprived areas in uptake of breast cancer screening are constant over time.</li> </ul>
<b>Unintentional injuries</b>	
Overall patterns	<ul style="list-style-type: none"> <li>In 2010/11, approximately one in nine adult emergency hospital admissions and one in seven child emergency hospital admissions were due to unintentional injuries.</li> </ul>
Extent of inequalities <sup>2</sup>	<ul style="list-style-type: none"> <li>Adults and children in the most deprived areas are more than twice as likely to die from an unintentional injury compared with those living in the least deprived areas. Between 2006 and 2010, there were 1,502 adult deaths in the most deprived areas compared to 810 in the least deprived areas.</li> </ul>
Change in inequalities	<ul style="list-style-type: none"> <li>Trend data is not yet available.</li> </ul>

## Notes:

1. A more detailed analysis of these indicators is available on Audit Scotland's website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)
2. These comparisons refer to people living in the one-fifth most deprived and one-fifth least deprived areas.
3. The 2009/10 estimates of problem drug users are for financial year, while earlier estimates were for calendar year. The change to financial year brought the estimates in line with other available information sources on drug misuse in Scotland, and to align them with the reporting format of the other UK administrations.

Source: Audit Scotland analysis of published statistics, 2012

# Part 2. Spending



The public sector needs to make better use of resources to help reduce health inequalities.

## Key messages

- The Scottish Government takes account of deprivation, rurality and remoteness, and other local needs in allocating funding to NHS boards and councils but it is not clear how NHS boards and councils allocate resources to target local areas with the greatest needs.
- We estimate that the Scottish Government allocated around £170 million to the NHS in 2011/12 – around 1.5 per cent of the overall NHS budget – for specific schemes to improve health and address health inequalities.
- Recent changes in quality payments to GPs have helped to provide more funding to GP practices in deprived areas. These changes mean that deprived areas should receive additional resources to help address problems related to health inequalities.

## Overall NHS and council funding formulae take account of deprivation and local needs

**24.** The Scottish Government's funding formula for the NHS is designed to take account of levels of local deprivation.<sup>23 24</sup> This formula also takes account of each board area's population size, age and gender distribution, levels of ill health and the additional costs of providing care in rural and remote areas. The Scottish

Government is phasing in the introduction of this formula to allow NHS boards to plan for any significant changes to their budgets.<sup>25</sup> There is no timescale for full implementation and some NHS boards are not yet receiving their target share.<sup>26</sup> This may affect boards' capacity to effectively tackle health inequalities in their local areas.

**25.** In 2010/11, councils in Scotland spent around £18.5 billion. The Scottish Government funds around 85 per cent of council spending through a block grant to each council, with the remainder being funded by council tax and other income streams.<sup>27</sup> The Scottish Government allocates money to councils through Grant-Aided Expenditure (GAE) according to the level of local demand for services. GAE also takes account of factors within each council area, such as the proportion of people living in deprived areas or in rural locations, which may affect the level of required funding.<sup>28</sup>

**26.** In 2010/11, councils spent around £3.6 billion on social work services, including £155 million on services for adults with mental health problems and £60 million on services for adults with substance misuse problems.<sup>29</sup> However, this does not present a complete picture of all council spending on services to reduce health inequalities.

## It is not clear how resources are targeted within local areas

**27.** The formula for allocating money to each NHS board is built up from information on small geographical

areas.<sup>30</sup> Indicative weightings have also been calculated at CHP level.<sup>31</sup> CHPs with the highest indicative weightings are remote and rural areas such as Western Isles, Orkney and Shetland, and areas with high levels of deprivation and ill health such as Glasgow and Dundee (**Exhibit 8**).

**28.** It is not clear whether the local distribution of resources is targeted on the areas of greatest need. The Scottish Government allocates funding to NHS boards but there is no national or local information about how NHS boards allocate these resources locally. There is significant variation in the extent to which NHS boards devolve services and budgets to CHPs, and CHPs directly manage only around a quarter of total NHS spending.<sup>32</sup> There is also no published information about how councils allocate resources locally.

## Around £170 million was allocated to the NHS in 2011/12 for schemes related specifically to health inequalities

**It is difficult to track direct spending by the NHS and councils on addressing health inequalities**

**29.** NHS boards spent around £11.7 billion in 2011/12 and councils spent around £18.5 billion in 2010/11 (**Exhibit 9**). NHS boards report their spending on a range of clinical and non-clinical services, and councils report their spending on a range of services, including services for adult mental health and substance misuse problems. However, there is no information about specific spending on addressing health inequalities.

23 The Scottish Government uses the NHSScotland Resource Allocation Committee (NRAC) formula to calculate the target percentage share of the health budget each NHS board should receive to provide Hospital and Community Health Services (HCHS) and GP prescribing. HCHS includes acute care, care of the elderly, mental and learning difficulties services, maternity services and community services. NRAC replaced the previous Arbuthnott formula. Both formulae have similar overall approaches but the NRAC formula more accurately accounts for: changes in population; the higher relative needs of the very young and very old; and the need for increased healthcare services due to levels of ill health and deprivation.

24 The Scottish Government uses the NRAC formula to allocate around 70 per cent of its total health budget. It allocates the other 30 per cent to NHS boards to provide Family Health Services (general dental, ophthalmic and pharmaceutical services) and to tackle drugs misuse and blood-borne viruses.

25 This gradual introduction means that all boards receive real-terms increases in funding each year. NHS boards below their NRAC target share will receive more money per head of population than other NHS boards until boards reach their NRAC target share.

26 *NHS financial performance 2011/12*, Audit Scotland, 2012.

27 *Revenue Funding Streams to Local Authorities*, Scottish Government, 2011.

28 *'Green Book' for Grant-Aided Expenditure, Local Government Finance Settlement 2012-2015*, Scottish Government, February 2012.

29 *Scottish Local Government Finance Statistics 2010/11*, Scottish Government, February 2012.

30 The small geographical areas used are intermediate data zones for HCHS and GP practices for GP prescribing. There are 1,235 intermediate data zones in Scotland, each with a population of between 2,500 and 6,000 people.

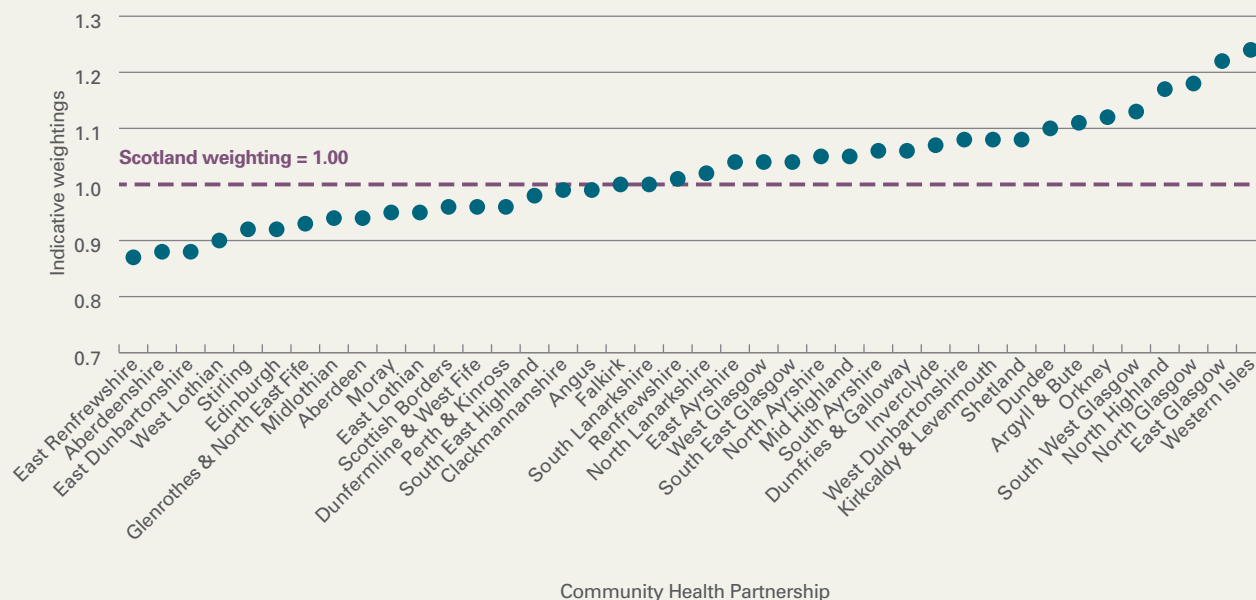
31 *Resource Allocation Formula*, NHS Information Services Division, March 2012.

32 *Review of Community Health Partnerships*, Audit Scotland, 2011.

### Exhibit 8

#### Indicative weightings for funding allocations by CHP, 2012/13

CHPs with higher levels of rurality or deprivation have higher indicative weightings for funding allocations.

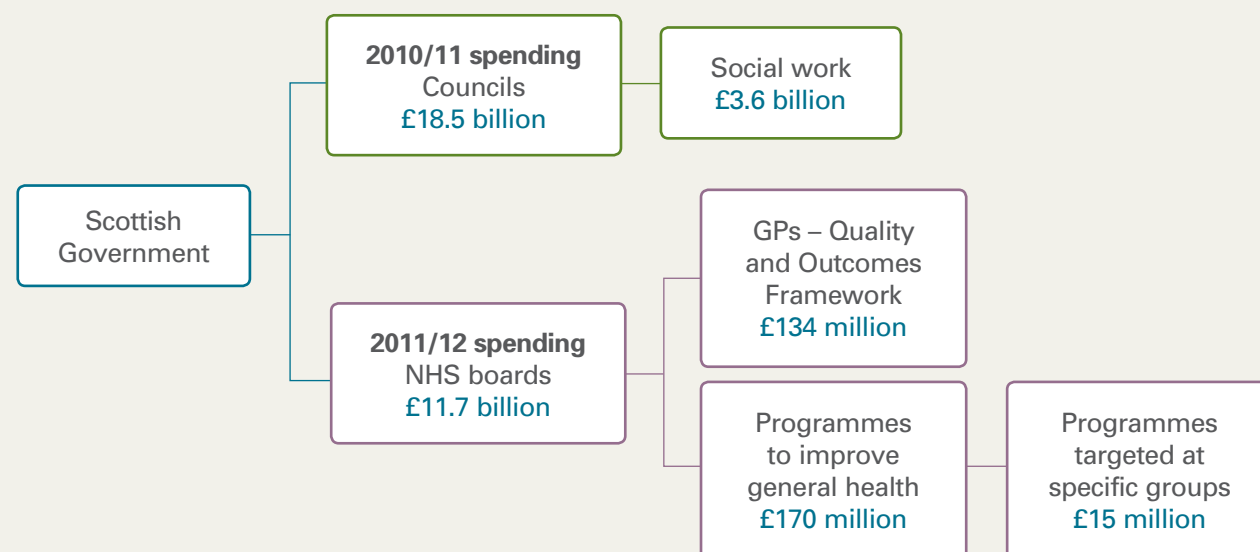


Source: Information Services Division, 2012

### Exhibit 9

#### NHS board spending (2011/12) and selected council spending (2010/11) for programmes related to health inequalities

Information about NHS and council spending makes it difficult to track direct spending on addressing health inequalities.



Source: Scottish Government

**30.** We estimate that the Scottish Government allocated around £170 million to NHS boards in 2011/12 for programmes related specifically to health inequalities (**Exhibit 10**). This represents around 1.5 per cent of the total health spending of around £11.7 billion. The Government's allocations included around £15 million for programmes such as *Keep Well* and *Childsmile* which are specifically aimed at reducing health inequalities by targeting specific groups within the population.<sup>33</sup> The remainder of the £170 million is spent on improving the health of the whole population.

**31.** Funding for the *Keep Well* programme up to 2014/15, and for tackling some of the other problems associated with health inequalities (including smoking, alcohol misuse and obesity) is expected to remain at the same level as 2012/13.<sup>34</sup> This will mean a decrease in real terms.

**The Scottish Government allocated an estimated £1.8 billion from 2008/09 to 2010/11 for issues related to health inequalities**

**32.** In *Equally Well*, the Ministerial Task Force set out the Scottish Government's overall funding allocations to councils and NHS boards for programmes and services which aim to address both the underlying causes and the consequences of health inequalities. The Task Force identified that the Scottish Government had allocated about £1.8 billion between 2008/09 and 2010/11 to tackling health inequalities (**Exhibit 11**).

**33.** The information in *Equally Well* provides an estimate of Scottish Government funding aimed at addressing issues linked to health inequalities as not all of the allocated funding was specifically for this purpose. For example, annual allocations for tackling poverty and fuel poverty accounted for around one-third of the total allocations but these initiatives have only an indirect effect in

**Exhibit 10**

**Scottish Government funding allocations to the NHS for tackling health issues associated with inequalities, 2011/12**

The Scottish Government directly allocated around £170 million to NHS boards for schemes related to health inequalities.



Notes:

1. This funding is for a range of national initiatives and programmes including support for the Mental Welfare Commission for Scotland, delivery of mental health legislation and NHS targets, and support for organisations such as NHS Health Scotland.
2. The Scottish Enhanced Services Programme includes a range of services which the Scottish Government has identified as national priorities. These include child obesity services, alcohol screening and brief interventions, and flexible GP appointment sessions.
3. Healthy Start helps to provide a nutritional diet for pregnant mothers and young children in the UK, particularly those in low income families. The scheme provides fresh milk, fresh fruit and vegetables and infant formula milk and vitamins as a benefit in kind and is primarily targeted at women and children under four in families in receipt of Income Support.

Source: Audit Scotland analysis of Scottish Government data

reducing health inequalities. There was no information about whether these estimated funding allocations were targeted at areas of greatest need.

**Changes in payments to GPs have led to more funding to deprived areas**

**34.** GPs make an important contribution to reducing health inequalities by providing advice and

primary care services. In 2011/12, the Scottish Government allocated around £710 million to NHS boards to contract services from GP practices.<sup>35</sup>

**35.** Most GPs in Scotland are paid through the UK-wide General Medical Services (GMS) contract which is made up of the following elements:

- the global sum which accounts for more than half of the total

<sup>33</sup> *Keep Well* is the Scottish Government's principal national programme for tackling health inequalities. It delivers health checks to people in the most deprived areas. *Childsmile* is a national programme designed to improve the dental health of children in Scotland, and reduce inequalities in dental health.

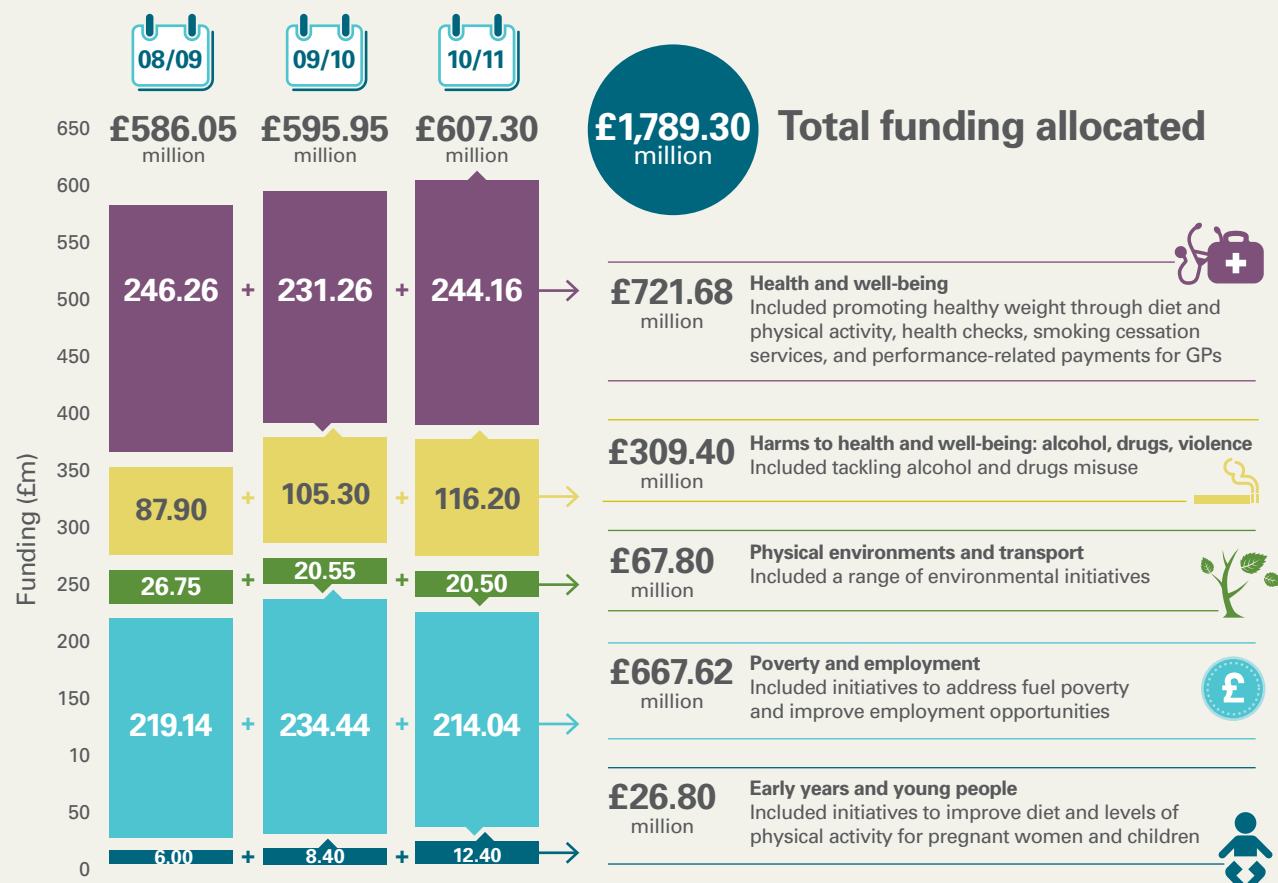
<sup>34</sup> *Scottish Draft Budget 2013-14*, Scottish Government, September 2012.

<sup>35</sup> *Scottish Spending Review 2011 and Draft Budget 2012-13*, Scottish Government, September 2011.



**Exhibit 11****Scottish Government funding for reducing health inequalities, 2008/09 to 2010/11**

The Task Force estimated that the Government allocated around £1.8 billion between 2008/09 and 2010/11 to the public sector to help address issues related to health inequalities.



Source: *Equally Well*, Scottish Government, 2008

funding and which pays for routine services that GPs must provide. Funding for these services takes account of various patient and population characteristics including age, sex, deprivation, and remoteness and rurality

- payments for enhanced services such as health checks and immunisation programmes, which are not part of the routine services provided by GPs
- the Quality and Outcomes Framework (QOF) which provides additional funding to practices

that meet a range of quality targets, including improving the management of chronic diseases.

**36.** In 2011/12, GP practices in Scotland received around £134 million in QOF payments (just under a fifth of the total payments to GPs), and the average QOF payment to a GP practice was around £139,000.<sup>36</sup> The QOF is an important part of the GP contract and has the potential to help reduce health inequalities although it was not explicitly designed to do this. There is evidence that it has helped to reduce the gap between the most and the least deprived

areas in the management of chronic disease through better recording and monitoring of health problems. This was shown by a narrowing gap between QOF payments to practices in the most and the least deprived areas, but it is too early to say whether these improvements in management practice have led to reductions in health inequalities.<sup>37</sup>

**37.** In 2009, the system for calculating QOF payments was adjusted to better reflect the prevalence of long-term conditions in local communities. We compared the QOF payments to the 100 practices serving the most

<sup>36</sup> *Quality & Outcomes Framework of the new GMS contract*, Information Services Division, September 2012.

<sup>37</sup> *The Quality and Outcomes Framework (QOF): does it reduce health inequalities?*, National Institute for Health Research, April 2011.

deprived areas in Scotland (known as 'Deep End' practices) with other GP practices. In the three years following the change, average QOF payments per patient to Deep End practices increased by around eight per cent while the average payment to non-Deep End practices increased by around four per cent (Exhibit 12).

**38.** Changes to the GMS contract are negotiated at a UK level, but the Scottish Government has signalled its intention to move to a more Scottish-focused contract to better reflect Scottish health priorities.

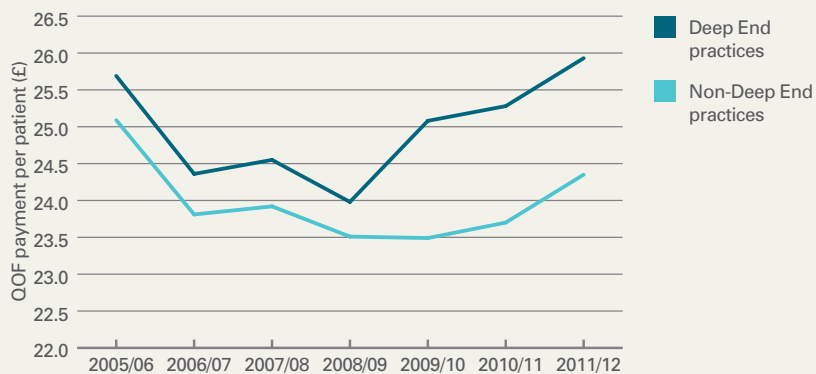
### Recommendations

- The Scottish Government and NHS boards should include measurable outcomes in the GP contract to monitor progress towards tackling health inequalities, and ensure that the Quality and Outcomes Framework is specifically designed to help reduce health inequalities.
- NHS boards and councils should identify what they collectively spend on reducing health inequalities locally, and work together to ensure that resources are targeted at those with the greatest need.

### Exhibit 12

#### QOF payments to Deep End and non-Deep End GP practices

Deep End practices received higher increases following a change in funding method in 2009.



Source: Audit Scotland analysis of Information Services Division data, 2012

# Part 3. Local health services



The health service can do more to reduce health inequalities by providing better access to services for disadvantaged groups.

## Key messages

- Appropriate access to health services is an essential part of reducing health inequalities. GPs have a critical role to play in helping to reduce inequalities and in facilitating access to the whole range of NHS services including hospital care. But the distribution of primary care services across Scotland does not fully reflect the higher levels of ill health and wider needs found in deprived areas, or the need for more preventative health care. The distribution of other primary health care services, such as pharmacies, is more closely matched to need.
- Action taken to improve health can have the unintended consequence of widening inequalities if uptake by those most at risk does not increase. Patterns of access to hospital services vary among different groups within the population and people from more deprived areas tend to have poorer access and outcomes. NHS boards need to ensure that all patients get the services they need, and provide better access to services for disadvantaged communities to help reduce health inequalities.

### Better access to health services is needed to reduce health inequalities

**39.** Appropriate access to healthcare services can contribute to the prevention of poor health and better outcomes from treatment for disadvantaged groups. In May 2010, the Scottish Government published *The Healthcare Quality Strategy for NHSScotland*, which includes a commitment by the NHS to understand the needs of different

communities, eliminate discrimination, reduce inequality, protect human rights and build good relations by breaking down barriers that may prevent people from accessing the care and services that they need. However, there is evidence that people from disadvantaged communities may have difficulties accessing these services.

### GPs in the most deprived areas face significant challenges in tackling health inequalities

**40.** For most people, GPs are the initial point of contact with healthcare services. Primary care is the main focus of most efforts to reduce health inequalities, and *Equally Well* stated that: 'NHS action to reduce health inequalities starts with primary care, where more than 90% of patient contacts take place.'

**41.** The distribution of GPs across Scotland does not fully reflect levels of deprivation (**Exhibit 13**).<sup>38</sup> The availability of GPs is more accurately measured by whole time equivalent (WTE) rather than headcount. The NHS has published information on

the number of WTE GPs in Scotland but this did not include details of the distribution of WTE GPs across the various levels of deprivation and has not been updated since 2009.<sup>39</sup>

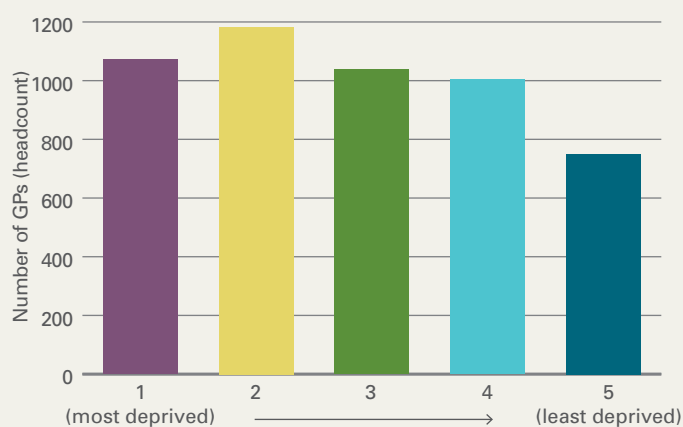
**42.** Recent findings from the Deep End project indicate that GPs working in the most deprived areas of Scotland face significant challenges in tackling health inequalities. For example, GPs in these practices reported that:

- they treat patients with higher levels of multiple health problems than GPs working in less deprived areas<sup>40</sup>
- public sector budget reductions and changes to the benefits system were increasing patients' visits to GPs and having detrimental effects on patients' mental and physical health<sup>41</sup>
- they are constrained by a shortage of consultation time with patients which limits the opportunity to provide appropriate treatment, advice and referral to suitable services.<sup>42</sup>

### Exhibit 13

#### GP numbers by deprivation in Scotland, 2012

The distribution of GPs does not fully reflect the levels of deprivation.



Source: Information Services Division, 2012

<sup>38</sup> 'GPs at the Deep End', G Watt, *British Journal of General Practice*, January 2011.

<sup>39</sup> *National Primary Care Workforce Planning Survey*, Information Services Division, 2009.

<sup>40</sup> 'Epidemiology of multimorbidity and implications for health care, research, and medical education: a cross-sectional study', K Barnett, S Mercer, M Norbury, G Watt, S Wyke and B Guthrie, *Lancet*, May 2012.

<sup>41</sup> *GP experience of the impact of austerity on patients and general practices in very deprived areas*, Deep End Steering Group, March 2012.

<sup>42</sup> 'Patient encounters in very deprived areas', G Watt, *British Journal of General Practice*, January 2011.

**43.** Audit Scotland's 2011 review of CHPs reported variable engagement between CHPs, GPs and other independent contractors owing to a lack of shared vision and priorities. The Deep End project and our focus groups of CPP managers and CHP managers also reported difficulties in getting good engagement between GPs, CHPs and councils.<sup>43</sup>

**44.** Practice nurses provide an increasingly important role in primary care, often providing services such as immunisations, blood pressure checks and programmes to help people to stop smoking. However, information about the numbers of practice nurses across different areas of deprivation is not available, so it is unclear whether their distribution matches levels of patient demand.

#### Access to other primary care services reflects higher levels of need in deprived areas

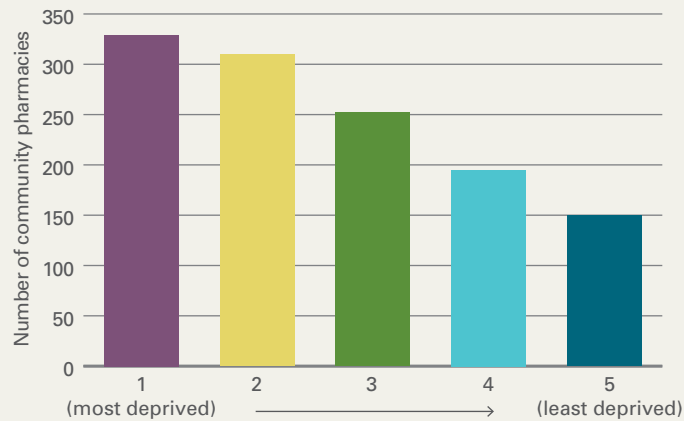
**45.** In addition to GP practice staff, other staff working in primary and community services make an important contribution to improving public health and reducing health inequalities. Community pharmacists provide a range of services, including advice and treatment for minor ailments. Pharmacists may also deliver health improvement services such as smoking cessation. Our analysis shows that the distribution of community pharmacies across Scotland varies by deprivation levels, with the highest number of pharmacies in the most deprived areas ([Exhibit 14](#)).

**46.** Dentists also have an important role to play in helping to reduce health inequalities. Information on adult oral health is generally poor, but the incidence of oral cancer is higher amongst people from deprived areas, and risk factors for poor oral health such as smoking and poor diet are higher in deprived areas. The distribution of dentists across Scotland varies by deprivation levels, with the highest number of dentists in the most deprived areas ([Exhibit 15](#)).

#### Exhibit 14

##### Distribution of community pharmacies by deprivation, 2012

There are over twice as many pharmacies in the most deprived areas than in the least deprived areas.

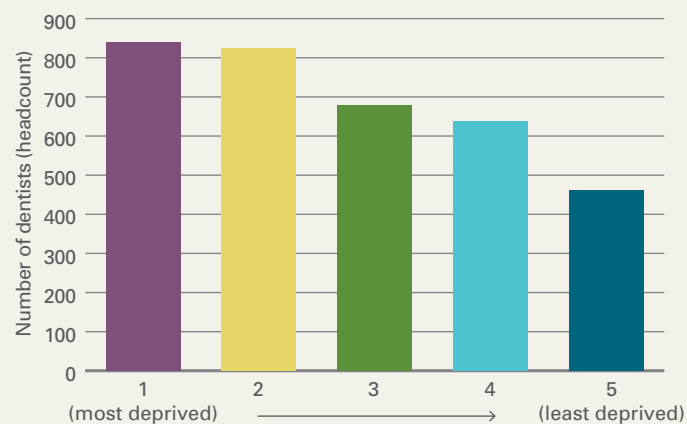


Source: Practitioner Services Division, 2012

#### Exhibit 15

##### Distribution of dentists by deprivation, March 2012

There are almost twice as many dentists in the most deprived areas than in the least deprived areas.



Source: Audit Scotland analysis of Information Services Division dental workforce data, 2012

**47.** Since 2007, dentists practising in the most deprived areas of Scotland have received a Deprived Areas Allowance of up to £9,000 a year.<sup>44</sup> Between 2007 and 2012, the number of dentists based in the most deprived areas more than doubled, compared to an increase of one-fifth in the least deprived areas (Exhibit 16).<sup>45</sup>

### Policies designed to improve the health of the whole population can increase inequalities

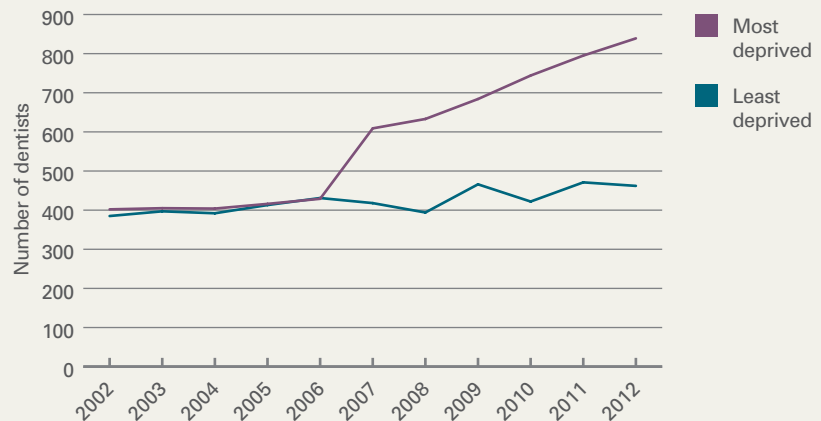
**48.** The NHS provides a range of universally available services, including cancer screening and eye tests, which aim to detect health problems at an early stage or prevent them altogether. However, there is evidence that these services may widen health inequalities if uptake is lowest among those who would derive the greatest benefits (Case studies 1 and 2).

### Better access to hospital services may help to improve outcomes for disadvantaged groups

**49.** Although primary care is the main focus of efforts to tackle health inequalities, better access to hospital services may also help to improve outcomes for disadvantaged groups. Audit Scotland's 2012 report on cardiology services highlighted research showing that patients from deprived areas receive over 20 per cent fewer cardiology treatments than expected while those from the least deprived areas received over 60 per cent more treatments than expected.<sup>46</sup> People from more deprived areas may have lower rates of treatment because they are less likely to reach hospital alive following a heart attack. This is due to people in more deprived areas having poorer awareness of the symptoms of a heart attack, and higher rates of sudden death from a heart attack for people who smoke. The report recommended that the Scottish Government and NHS boards should monitor access to procedures by different groups within

## Exhibit 16

**Distribution of dentists in the most and least deprived areas, 2002–12**  
The number of dentists in the most deprived areas increased following the introduction of the Deprived Areas Allowance in 2007.



Source: Information Services Division dental workforce statistics, 2012

## Case study 1

The introduction of free eye tests in Scotland in 2006 led to an increase in the number of people having their eyes examined. In 2005, before the free tests were introduced, around 32 per cent of people in Scotland had an eye examination, the lowest figure among the UK countries. By 2008, this figure had increased to around 35 per cent and the relative difference between Scotland and the other UK countries had reduced. However, the increase in the uptake of optometry services was lower among people with low education and those from more deprived households, resulting in increased inequality.

Source: 'Utilisation of eye-care services: An examination of the effect of Scotland's free eye examination policy', H Dickey et al, University of Aberdeen, 2012

## Case study 2

Child health reviews are available to all children but those living in the most deprived areas are less likely to have a review. Unavailability or lack of parental engagement were the most common reasons for missed reviews, but aligning the distribution of health visitors to the needs of the population is also essential to ensure children from all areas receive health reviews.

Source: 'Trends in the coverage of "universal" child health reviews: observational study using routinely available data', R Wood et al, *BMJ Open*, 2012

<sup>44</sup> *An Analysis of the Dental Workforce in Scotland: A Strategic Review 2010*, Scottish Government, December 2010.

<sup>45</sup> These data refer to General Dental Service dentists.

<sup>46</sup> *Cardiology services*, Audit Scotland, 2012.

### Exhibit 17

#### Patterns of access to hospital services

People in the most deprived areas require greater access to hospital services.

Issue	Pattern
Diabetes	People with diabetes who live in deprived areas tend to have higher levels of hospital admissions for complications relating to their condition. For example, those living in the most deprived areas are 52 per cent more likely to have a hospital admission relating to stroke, and 57 per cent more likely to have an admission relating to ischaemic heart disease compared to those living in the least deprived areas. There is some evidence that they are also less likely to have results of clinical tests recorded. <sup>1 2</sup>
Alcohol	Patients who are admitted to intensive care units (ICUs) with alcohol-related conditions are more likely to be from deprived areas, and around twice as many admissions to ICUs are from the most deprived areas compared with the least deprived areas. Patients from deprived areas also tend to have worse outcomes after admission to an ICU, where data was adjusted for severity of illness on admission. <sup>3 4</sup>

Notes:

1. 'Socioeconomic status and diabetes-related hospital admissions: a cross-sectional study of people with diagnosed diabetes', S Wild et al, 2010.
2. *Diabetes and the disadvantaged*, Diabetes UK, 2006.
3. 'A national service evaluation of the impact of alcohol on admissions to Scottish intensive care units', T Geary et al, 2012.
4. 'The effect of socioeconomic status on mortality in the critically ill: A national linkage study', N Lone et al, 2011.

Source: Audit Scotland analysis of published information, 2012

the population to help ensure that all patients have appropriate and timely treatment. In its subsequent inquiry into cardiology services, the Scottish Parliament's Public Audit Committee called on the Scottish Government to review whether GP numbers are adequate to meet the needs of patients in deprived areas.<sup>47</sup>

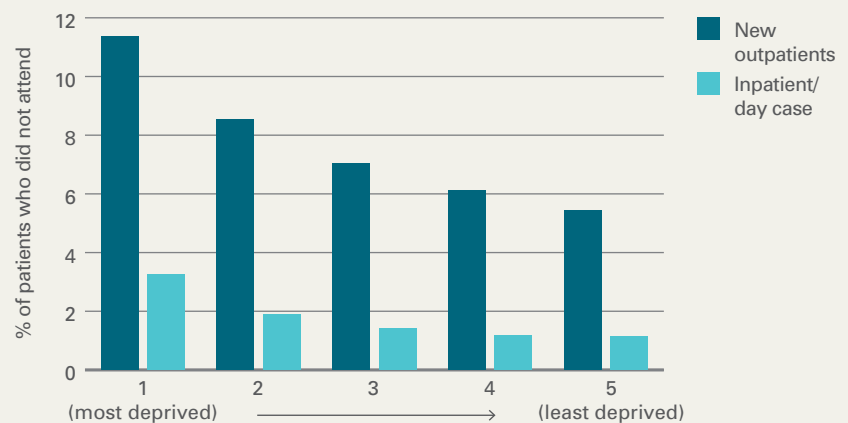
**50.** Other evidence also shows that people in the most deprived areas require greater access to hospital services (Exhibit 17).

**51.** People from deprived areas are more likely to miss hospital appointments. Analysis of waiting times data shows that in 2011/12 the percentage of patients living in deprived areas and failing to attend appointments was three times higher for new outpatients and more than twice as high for inpatients and day cases (Exhibit 18). These differences in missed appointments may be due to a range of factors affecting people in more deprived areas, such as a lack of access to transport.<sup>48</sup>

### Exhibit 18

#### Percentage of patients missing hospital appointments by deprivation, 2011/12

Patients from the most deprived areas are more likely to miss hospital appointments.



Source: Audit Scotland analysis of Information Services Division data, 2012

47 *Cardiology Services*, Scottish Parliament Public Audit Committee, 2012.

48 *Transport for health and social care*, Audit Scotland, 2011.

## Recommendations

The Scottish Government should:

- consider introducing incentives for GPs in the most deprived areas to help increase access to GPs in these areas.

The Scottish Government and NHS boards should:

- review the distribution of primary care services to ensure that needs associated with higher levels of deprivation are adequately resourced
- regularly collect and publish information on the number of whole time equivalent GPs and practice nurses across the various levels of deprivation.

NHS boards should:

- monitor the use of primary care, preventative and early detection services by different groups, particularly those from more deprived areas. If this identifies systemic under-representation of particular groups, take a targeted approach to improve uptake
- monitor the use of hospital services by different groups and use this information to identify whether specific action is needed to help particular groups access services
- review patterns of non-attendance for hospital appointments and target action to improve attendance rates of patients living in deprived areas.

CHPs should:

- involve GPs fully in local approaches to reduce health inequalities.



# Part 4. Effectiveness



Better partnership working is needed to reduce health inequalities. To date, there is limited evidence that strategies and interventions aimed at reducing health inequalities have made a significant impact.

## Key messages

- Reducing health inequalities is challenging and requires effective partnership working across a range of organisations. CPPs need to clarify the roles and responsibilities of local organisations in tackling health inequalities, and ensure they take sufficient ownership of initiatives.
- There is evidence to show that the ban on smoking in public places has improved health, including a reduction in passive smoking and a potential link to decreased rates of premature and low birthweight babies. This may have helped to reduce health inequalities given the link between smoking and deprivation. Other national policies and strategies which aim to improve health and reduce health inequalities have so far shown limited evidence of impact. Changes will only be apparent in the long term but measures of short-term impact are important to demonstrate progress towards policy goals.
- The Scottish Government and CPPs need a more systematic approach to assessing the cost effectiveness of actions to reduce health inequalities. Changes may not take effect for a generation or more making the measurement of success in the short term difficult. However, many initiatives lack a clear focus from the outset on cost effectiveness and outcome measures. This means that assessing value for money is difficult.
- Current performance measures are a mix of process measures, such as the number of

smoking cessation services delivered, and outputs such as the prevalence of smoking among adults. CPPs' reports on delivering their Single Outcome Agreements (SOAs) are weak in the quality and range of evidence used to track progress in reducing health inequalities, and differences among SOAs means that a Scotland-wide picture is hard to identify.

### A range of factors can help to reduce health inequalities

**52.** A significant amount of research has identified a range of factors, including clear priorities and local focus, which can help to reduce health inequalities (*Exhibit 19*).

### Many organisations are involved in trying to reduce health inequalities

**53.** The Scottish Government and CPPs have the lead responsibilities for tackling health inequalities but a wide range of people and organisations are involved (*Exhibit 20, page 30*).

### Better partnership working is needed

**54.** Reducing health inequalities requires effective partnership working across a range of sectors and organisations. However, a number of Audit Scotland reports highlight challenges in joint working across organisational boundaries owing to differences in cultures, priorities, planning and performance management, decision-making, accountability and financial frameworks.<sup>49</sup>

**55.** Our focus groups involving CPP managers, CHP managers and frontline staff identified a range of issues around local partnership working aimed at tackling health inequalities.<sup>50</sup> Managers generally

felt that CPPs had helped to engage a wider range of local organisations to help tackle health inequalities than had previously been the case. CPPs had also provided a focus to link individual organisations' strategies and work towards agreed outcomes.

**56.** In some CPP areas, health inequalities were seen as a high priority, shown by the number of initiatives set up to tackle inequalities and the support received from senior managers. In other areas, however, addressing health inequalities was considered less of a priority owing to health budgets being mainly directed towards hospital care and pressure on funding for health improvement initiatives. There was also a lack of shared understanding among the various local organisations about what is meant by 'health inequalities' which could potentially hinder communication and progress at a local level.

**57.** Our focus groups highlighted the importance of involving individuals and communities in local initiatives aimed at reducing health inequalities, and of helping to engage with people and communities that were least likely to use health services.<sup>51</sup> For example, staff from the voluntary sector have trained former heroin users to engage with current users to encourage them to join a methadone programme. CPPs should work with local organisations to provide opportunities for individuals and communities to contribute to activities which may help to reduce health inequalities.

**58.** CPPs should ensure that they provide strong and supportive leadership to promote effective partnership working at a local level. Local leaders also need to clearly communicate their strategies and priorities to staff responsible for delivering services aimed at tackling health inequalities.

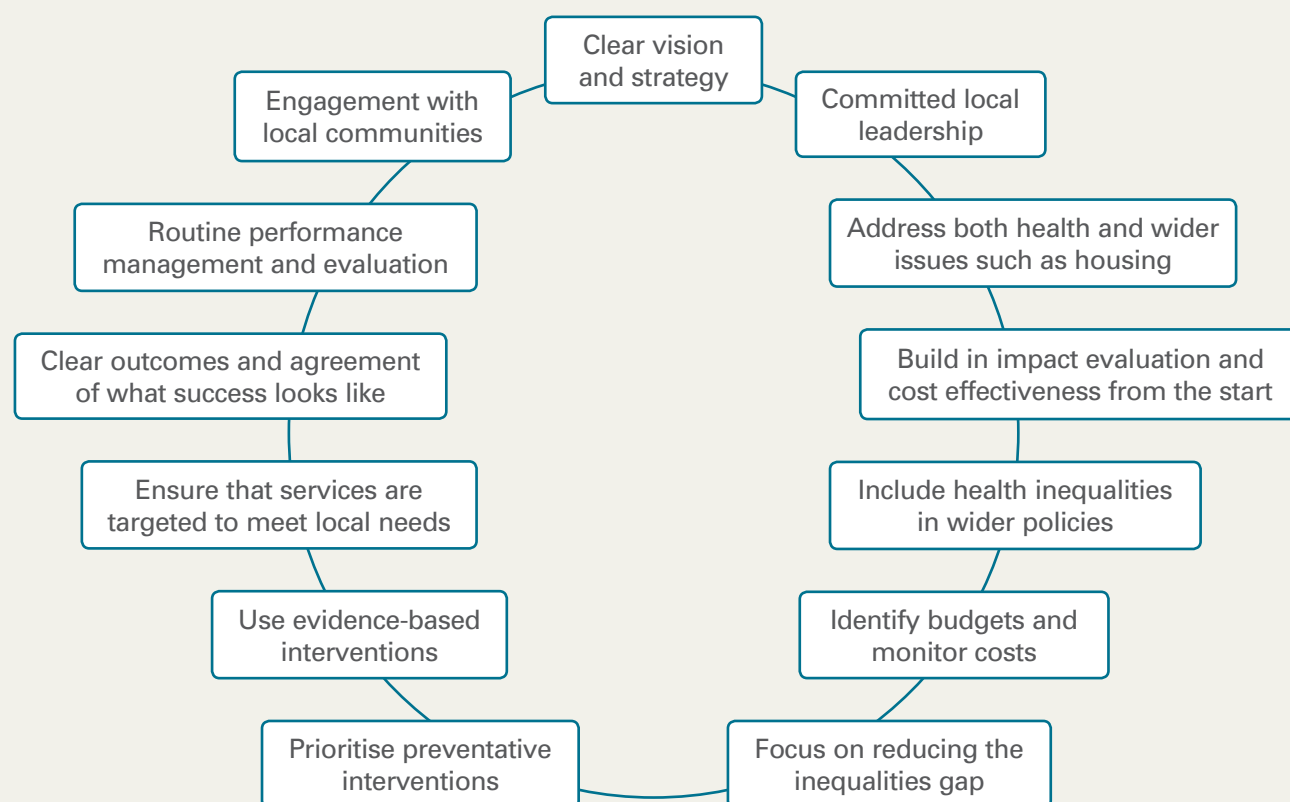
<sup>49</sup> *Review of Community Health Partnerships*, Audit Scotland, 2011; *Transport for health and social care*, Audit Scotland, 2011; *The role of community planning partnerships in economic development*, Audit Scotland, 2011; *Commissioning social care*, Audit Scotland, 2012.

<sup>50</sup> A full report on the focus group findings is available on Audit Scotland's website: [www.audit-scotland.gov.uk/work](http://www.audit-scotland.gov.uk/work)

<sup>51</sup> These 'assets-based' approaches focus on the capacity, skills, knowledge and connections in individuals and communities.

**Exhibit 19**

Factors which can help to improve the effectiveness of initiatives to reduce health inequalities  
A range of factors should be considered when developing initiatives to reduce health inequalities.



Sources: *Inequalities in health in Scotland: what are they and what can we do about them?* S Macintyre, MRC Social and Public Health Sciences Unit, 2007; *Health Inequalities: Progress and Next Steps*, Department of Health, 2008; *Fair Society, Healthy Lives*, Marmot Review, 2010

'Some practitioners and even managers don't know what the CPP is – it's too distant. What's happening at the CPP needs to be filtered down more effectively, in whatever format.'

Frontline staff focus group

### Greater clarity about roles and responsibilities is needed to tackle health inequalities

**59.** The focus groups of CPP and CHP managers commented on the lack of clarity about roles, responsibilities and ownership of services aimed at reducing health inequalities. In some cases, managers considered that a lack of joint working

between CPPs and CHPs led to duplication of services. These views reflect the findings of Audit Scotland's 2011 review of CHPs which found that, in some areas, cluttered partnership arrangements contributed to a lack of clarity and duplication in roles and functions between CHPs and other health and social care partnership arrangements.

'When health inequalities are described as "everyone's business", there's a danger that it can become nobody's business.'

CPP manager

**60.** Participants in our focus groups considered that, although CPPs had helped to promote tackling health inequalities through their strategic frameworks, the NHS was generally expected by other organisations to deliver all health outcomes. CPPs should ensure that NHS boards, councils and other organisations are clear about their respective roles, responsibilities and resources in tackling health inequalities, and develop and publish performance information through the SOA to demonstrate progress in tackling health inequalities in their local areas. CPPs should also ensure that local organisations, both health and non-health, take ownership and shared responsibility for actions aimed at reducing health inequalities.

## Exhibit 20

### Organisations and professionals with key roles in tackling health inequalities

A number of organisations play an important role in addressing health inequalities.

Organisation	Key roles
Scottish Government	<ul style="list-style-type: none"> <li>• Sets overall national policy, introduces legislation, publishes strategies and frameworks</li> <li>• Establishes national indicators and reports progress through the <i>Scotland Performs</i> web page</li> <li>• Agrees Single Outcome Agreements (SOAs) with CPPs</li> <li>• Allocates funding to councils and NHS boards</li> <li>• Reviews performance of NHS boards through annual reviews and performance against national targets</li> </ul>
CPPs	<ul style="list-style-type: none"> <li>• Have lead responsibility for addressing health inequalities at a local level</li> <li>• Bring together various local organisations including NHS boards, councils and voluntary organisations to plan and deliver services for local communities</li> <li>• Are responsible for monitoring and reporting performance through annual SOA reports</li> </ul>
NHS boards	<ul style="list-style-type: none"> <li>• Provide and commission a range of services to improve the health of local populations, including: <ul style="list-style-type: none"> <li>– Health improvement initiatives, such as health protection and health promotion</li> <li>– Primary care services, including general practice, dentists, pharmacists, community nurses and optometrists</li> <li>– Hospital services</li> </ul> </li> </ul>
Councils	<ul style="list-style-type: none"> <li>• Work with local organisations to plan services to help improve health and reduce health inequalities in the local area</li> <li>• Provide a range of services relating to health improvement, including: <ul style="list-style-type: none"> <li>– Services for tackling substance misuse</li> <li>– Education to improve literacy and promote healthy living</li> <li>– Access to resources and services, including housing</li> <li>– Initiatives to improve local economic conditions and employment opportunities</li> <li>– Facilities for recreation and sport to promote physical activity</li> </ul> </li> </ul>
CHPs	<ul style="list-style-type: none"> <li>• Work with local organisations to plan services to reduce health inequalities in local areas</li> <li>• Commission and fund voluntary and community-led activities that promote health and aim to tackle the underlying causes of health inequalities</li> <li>• Provide a range of local services, including: <ul style="list-style-type: none"> <li>– Preventative care</li> <li>– Various actions to improve mental health and well-being</li> <li>– Drug and alcohol services (as part of local Alcohol and Drug Partnerships)</li> </ul> </li> </ul>
General Practices	<ul style="list-style-type: none"> <li>• Provide services which contribute to improving health, including: <ul style="list-style-type: none"> <li>– Immunisation and screening services</li> <li>– Health checks and services such as alcohol brief interventions<sup>1</sup></li> <li>– Referrals to secondary care and to other services</li> </ul> </li> </ul>

Organisation	Key roles
Voluntary sector organisations	<ul style="list-style-type: none"> <li>• Provide a means of engaging effectively with communities and individuals</li> <li>• Deliver a range of services which may help to reduce health inequalities, including: <ul style="list-style-type: none"> <li>– Promoting healthy living to groups of people who may not use mainstream services</li> <li>– Supporting people to access relevant services</li> </ul> </li> </ul>
NHS Health Scotland	<ul style="list-style-type: none"> <li>• Evaluates how well national programmes are tackling health inequalities</li> <li>• Develops outcome-based approaches to planning and monitoring the performance of health improvement activities</li> <li>• Promotes the use of health inequalities impact assessment to ensure that NHS boards' policies and services do not inadvertently exclude or discriminate against groups within the population</li> </ul>
Research institutions (including universities and Glasgow Centre for Population Health)	<ul style="list-style-type: none"> <li>• Produce and collate research on the causes of health inequalities</li> <li>• Evaluate and assess policies and interventions which impact on health inequalities</li> <li>• Review and summarise evidence on the effectiveness and cost effectiveness of interventions to reduce health inequalities</li> <li>• Enhance public and policy understanding of health inequalities by engaging with national and local decision-makers, the media, students and the wider public</li> </ul>

Note: 1. An alcohol brief intervention is a short, evidence-based, structured conversation about alcohol consumption with a patient or client that seeks to motivate and support the individual to think about and/or plan a change in their drinking behaviour in order to reduce their consumption and/or their risk of harm.

Source: Audit Scotland, 2012

Plans for the integration of health and social care are at an early stage, and it is currently unclear how responsibility for tackling health inequalities in local areas will rest between CPPs and the planned Health and Social Care Partnerships.

**61.** Voluntary organisations provide a number of services which contribute to reducing health inequalities. Some participants in our focus groups from the voluntary sector suggested that the introduction of the Change Fund had improved partnership working between voluntary and statutory organisations.<sup>52</sup> Overall, however, frontline staff from the voluntary sector felt excluded from partnership working aimed at tackling health inequalities.

'From a voluntary sector perspective, much of the work into tackling health inequalities goes by without being heard about – we often feel removed from partnership working.'

Frontline staff focus group

### More effective information sharing will help to improve partnership working

**62.** Sharing information among local organisations helps to facilitate joint working. However, a lack of compatibility between information systems, and a lack of clarity about what information can be shared may undermine local initiatives aimed at reducing health inequalities. The Scottish Parliament Local Government and Regeneration

Committee has invited the Scottish Government to provide greater clarity to CPPs on what information can or should be shared, and has recommended that the Government work closely with the Scottish Information Commissioner and consider promoting formal sharing agreements between organisations.<sup>53</sup>

'A pharmacist who is undertaking health checks as part of community-based intervention is not able to email any information to the client's GP. The information has to be printed off and taken to the GP surgery because there is no secure email. This creates more work for the pharmacist and gives them little incentive to continue to carry out health checks in the community.'

Frontline staff focus group

52 The £70 million Change Fund was announced as part of the 2011/12 Scottish budget to help joint working between NHS boards and councils to provide older people's services.

53 *Inquiry into Public Services Reform and Local Government – Strand 1: Partnerships and Outcomes*, Scottish Parliament Local Government and Regeneration Committee, June 2012.

### **Equally Well test sites have improved local partnership working and helped to redesign services**

**63.** In 2008, the Scottish Government established eight *Equally Well* test sites across Scotland to try new and innovative ideas for redesigning public services to help tackle health inequalities. Each test site had a separate theme, such as tackling alcohol misuse, improving mental health, providing early years interventions, and reducing smoking levels. The Scottish Government provided £4 million to fund the sites' activities, and appointed a National Programme Manager to support and coordinate the work of the test sites. It also established a social network site to encourage sharing of lessons learned. The test sites have made some progress in redesigning services to shift the emphasis away from dealing with the consequences of health inequalities towards preventing their occurring. However, there is no evidence that they have helped to reduce health inequalities, or that examples of service redesign have helped to inform spending decisions, either locally or nationally.

**64.** National and local evaluations have reported that all the sites had made some progress in improving local partnership working and sharing lessons learned ([Case study 3](#)). These improvements were due to: ongoing support from senior managers, boards and local politicians; shared understanding of organisations' roles and contributions; engagement with service users and communities; and having clear, shared outcomes.<sup>54</sup>

**65.** There has been considerable shared learning between the test sites, and some effective local approaches have been extended to other parts of Scotland. However, the national evaluation of the test sites

### **Case study 3**

#### **Fife Test Site: Mobile Alcohol Intervention Team**

This local project aims to reduce alcohol misuse among under-16s by increasing their awareness of the consequences of alcohol misuse and providing guidance on responsible drinking. The project started in 2009 and involves a partnership between Clued Up (a voluntary substance misuse organisation which led the project), NHS Fife and the police. The project offers alcohol brief interventions to under-16s drinking on the streets on Friday nights, followed by a further assessment two to three weeks later.

The project started in Kirkcaldy and has since been extended to other parts of Fife. The success of the project relied on effective partnership working, with all organisations having clear roles and responsibilities. Clued Up and NHS Fife produced a training pack for practitioners to deliver alcohol brief interventions to young people, including a DVD showing good and bad practice. NHS Health Scotland plans to extend the use of this training pack across Scotland.

Early results showed that between April 2011 and March 2012, 94 young people received alcohol brief interventions. Of the 64 who engaged with follow-up assessments, 69 per cent said they had followed some of the harm-reduction suggestions, and 41 per cent reported that they had reduced their alcohol use. A third of these participants were retained by Clued Up for further support. The programme is currently undergoing external evaluation.

Source: Fife Equally Well Test Site

reported difficulties in transferring an approach from one area to another.

### **There is limited evidence to date of the impact of national policies and strategies**

**66.** Policies and legislation which introduce regulatory controls can contribute to reducing health inequalities.<sup>55</sup> For example, there is evidence that the 2006 ban on smoking in public places has led to improvements in health. In 1998, almost two-thirds of non-smokers were exposed to second-hand smoke but in 2010 this figure had fallen to a quarter of non-smokers.<sup>56</sup> The ban may have led to decreased rates of premature and low birthweight babies, and in the ten months

following the ban hospital admissions for heart attacks were 17 per cent lower than in the ten months prior to the ban.<sup>57 58</sup> These improvements may have helped to reduce health inequalities given the link between smoking and deprivation. The overall percentage of adults who smoke fell from 25.4 per cent in 2006 to 23.3 per cent in 2011.<sup>59</sup>

**67.** The issues underlying health inequalities are complex and many interventions are long-term, often taking a generation or longer before there are significant improvements. Successive governments in Scotland have introduced a range of strategies which aim to improve health and reduce health inequalities ([Appendix 3](#)). There is a risk that

<sup>54</sup> *Equally Well Test Sites: Evaluation*, NHS Health Scotland, May 2011.

<sup>55</sup> *Inequalities in health in Scotland: what are they and what can we do about them?* S Macintyre, MRC Social and Public Health Sciences Unit, 2007.

<sup>56</sup> *Scottish Health Survey*, Scottish Government, 2011.

<sup>57</sup> *Better Heart Disease and Stroke Care Action Plan*, Scottish Government, 2009.

<sup>58</sup> 'Impact of Scotland's Smoke-Free Legislation on Pregnancy Complications: Retrospective Cohort Study', D Mackay et al, 2012.

<sup>59</sup> *Scotland's People Annual report; results from 2011 Scottish Household Survey*, Scottish Government, 2012.

policies which aim to improve the health of the whole population may widen inequalities, and although it is too soon to assess the long-term impact of these strategies on wider health and their contribution to reducing health inequalities, measures of short-term impact are important to demonstrate progress towards the policy goals. For example, the Scottish Government uses sales data to demonstrate the short-term impact of its alcohol framework.<sup>60</sup>

### The NHS has new targets to reduce health inequalities

**68.** NHS boards report to the Scottish Government on performance through the national performance system for the NHS (HEAT), which includes targets aimed at improving health.<sup>61</sup> Two of the NHS targets due for delivery in 2013/14 – delivering agreed numbers of child healthy weight interventions and smoking cessation services – are specifically designed to help reduce inequalities, as a minimum number of services must be delivered in the 40 per cent most deprived areas. The NHS also has targets for at least 60 per cent of three- and four-year-old children at each deprivation level to receive at least two applications of dental fluoride varnish per year by March 2014, and for at least 80 per cent of pregnant women at each deprivation level to have booked for antenatal care by the twelfth week of pregnancy by March 2015.

### Some specific interventions have reduced health inequalities but better evidence about cost effectiveness is needed

#### There is no evidence to date that targeted national programmes have helped to reduce health inequalities

**69.** *Keep Well* is the main national programme for tackling health

inequalities in Scotland and invites all people aged between 40 and 64 living in areas of high deprivation to attend a health check.<sup>62</sup> These checks include screening for cardiovascular disease and its main risk factors such as high blood pressure, high cholesterol, smoking and poor diet. The programme costs over £11 million a year. NHS Health Scotland has evaluated *Keep Well* to assess the feasibility and challenges of delivering the programme, but there is little evidence yet of the impact of *Keep Well* on health outcomes or life expectancy as these will only be apparent in the longer term (at least ten years).<sup>63</sup> The evaluation did not cover cost effectiveness, and NHS Health Scotland has not yet determined how to evaluate the long-term impact and cost effectiveness of *Keep Well*.

**70.** Two other targeted national programmes have also yet to demonstrate effectiveness in terms of improved outcomes:

- *Childsmile*, introduced across Scotland in 2008, is a national programme designed to improve the dental health of children in Scotland, and reduce inequalities in dental health by targeting children in the 20 per cent most deprived areas. The Glasgow Dental School is overseeing a programme to evaluate the impact of *Childsmile*, including cost effectiveness.
- *Family Nurse Partnership*, introduced initially by NHS Lothian in 2010, offers intensive and structured home visits by specially trained nurses to vulnerable first-time teenage mothers from early pregnancy until the child is two years old. It aims to improve pregnancy outcomes, child health and

development, and parents' economic self-sufficiency. The Scottish Government provided around £5 million to test the programme in two NHS board areas, Lothian and Tayside, and it plans to roll out the programme across the rest of Scotland. Initial evaluation of the programme indicates that there was high enrolment and low drop-out rates, and includes some brief data on changes in behaviours, such as alcohol consumption. The Scottish Government plans to assess changes in parenting behaviours but recognises that it may not be able to determine the direct impact of the programme.

### Small-scale local interventions have demonstrated some impact but a greater focus on outcomes is needed

**71.** Some local initiatives aimed at reducing health inequalities have reported positive outcomes (*Case study 4, overleaf*), but these have only been implemented in small local areas. The Scottish Government and CPPs should ensure that, where appropriate, successful local initiatives for reducing health inequalities are rolled out more widely and receive sufficient funding. It is important to pilot new initiatives to determine whether they are effective but regular introduction of short-term local initiatives can be disruptive and will have limited lasting impact on reducing health inequalities.

**72.** Evaluations have tended to focus on process measures and outputs rather than outcomes, and have not considered cost effectiveness. CPPs need to ensure that robust evaluation, including a clear focus from the outset on cost effectiveness and outcome measures, is an integral part of local initiatives and that staff have the skills to carry out evaluations.

<sup>60</sup> *Changing Scotland's Relationship with Alcohol: A Framework for Action*, Scottish Government, 2009.

<sup>61</sup> The HEAT performance management system covers indicators relating to Health improvement, Efficiency and governance improvement, Access to services and Treatment appropriate to individuals.

<sup>62</sup> In 2012, *Keep Well* was extended to include carers, prisoners, homeless people and people with substance misuse problems.

<sup>63</sup> *Evaluation of Keep Well*, NHS Health Scotland, 2011.

## Case study 4

### Quit4u smoking cessation programme

In 2009, NHS Tayside launched the quit4u programme to increase the take-up of smoking cessation support and quit rates among smokers in deprived areas of Dundee. The programme combined structured behavioural support and drug treatment with financial incentives for each week (up to a maximum of 12 weeks) that participants did not smoke. In May 2012, NHS Health Scotland published an evaluation of quit4u which concluded that, compared with other smoking cessation services and self-quit attempts, the programme was an effective and cost-effective model for engaging and supporting smokers in deprived areas to quit. NHS Tayside extended quit4u to smokers in deprived areas in Perth and Kinross from November 2010, and in Angus from August 2011. It is also currently being tested in Glasgow.

Source: *Evaluation of quit4u: Main report*, NHS Health Scotland, 2012

### Performance measures should provide a clearer picture of progress

**73.** A range of performance information provides an indication of progress in reducing health inequalities. This includes both national and local measures, covering a range of process measures (for example, the number of smoking cessation services delivered) and outputs (for example, the prevalence of smoking among adults). The various national measures provide an indication of overall progress, but there is little detailed analysis to assess the performance of local bodies in reducing health inequalities.

### Single Outcome Agreements do not provide robust evidence of progress in reducing health inequalities

**74.** CPPs prepare Single Outcome Agreements (SOAs) and agree these with the Scottish Government. The SOA sets the strategic priorities and outcomes which councils, NHS boards and other organisations aim to achieve for their local communities.

In *Equally Well*, the Ministerial Task Force stated that accountability for delivering action and change to tackle health inequalities would be through the SOA process.

**75.** CPPs publish annual reports on their performance in delivering their SOAs, including progress against a range of outcome indicators. These indicators include measures relating to health inequalities, such as reducing the prevalence of smoking among the local population and providing services aimed at tackling alcohol misuse. We reviewed all published CPPs' 2010/11 annual reports on their performance in delivering their SOAs ([Exhibit 21](#)).<sup>64</sup> Overall, CPPs' annual reports on performance in delivering the SOA do not provide consistent or robust evidence about how well they are tackling health inequalities in their local areas and differences among SOAs mean that a Scotland-wide picture is hard to identify. CPPs need to ensure that SOAs include clear outcome measures for reducing health inequalities which demonstrate impact, and improve the transparency of their performance reporting to

allow a better understanding of how well they are reducing health inequalities.

**76.** Audit Scotland is currently carrying out audits of three CPPs in Scotland. This work will help to highlight effective practice and look at the progress CPPs are making particularly in relation to SOAs, CPP governance and leadership and the delivery of local outcomes. The audits are being carried out in the context of the 2012 review of community planning and SOAs by the Scottish Government and COSLA which made clear that effective community planning arrangements will be central to public service reform and proposed placing of formal requirements on CPPs and strengthening the duties of individual partners.<sup>65 66</sup>

### The Scottish Government should revise national performance measures to present a clearer picture of progress

**77.** The Scottish Government's long-term indicators of health inequalities present national-level data across deprivation levels. However, to allow a more detailed analysis of progress in reducing health inequalities, the Scottish Government should also publish information at a more local level (for example, by CPP area) and for other factors such as ethnicity.

**78.** The Scottish Government's *Scotland Performs* website presents information on how Scotland is performing against a range of National Indicators. A number of the current indicators, such as reducing death rates among under-75s, improving children's dental health, improving mental wellbeing and reducing the percentage of adults who smoke, aim to promote health improvements for the general population. Other indicators, such as reducing the proportion of individuals living in poverty, and reducing children's deprivation, are linked to the wider

<sup>64</sup> Stirling CPP did not publish a 2010/11 report on its SOA.

<sup>65</sup> *Review of Community Planning and Single Outcome Agreements: Statement of Ambition*, Scottish Government and COSLA, March 2012.

<sup>66</sup> *Review of Community Planning and Single Outcome Agreements: Update*, Scottish Government and COSLA, May 2012.



## Exhibit 21

### Review of CPPs' 2010/11 annual reports on their performance in delivering their SOAs

CPPs' reports do not provide consistent or robust evidence about how well health inequalities are being tackled.

- Many reports were difficult to interpret, and varied widely in their quality and accessibility (for example, some reports were over 200 pages long).
- Reports used different baseline measures, and in some reports the baselines were unclear, making it difficult to establish what progress had been made.
- Some reports included commentary on how local indicators compared with Scotland as a whole but did not include trend data to demonstrate whether local progress had been made.
- How success was defined varied widely across the reports, with some including specific targets while others simply specified a change in direction.
- Some reports did not clearly specify whether targets had been met, or gave no indication of progress.
- Reports were inconsistent in the extent to which they included HEAT targets and national indicators relating to health inequalities.
- Health indicators were often presented for the general population rather than for different population groups.

Source: Audit Scotland analysis of CPPs' 2010/11 annual reports

determinants of health and health inequalities. However, none of the current indicators specifically monitors changes in health-related measures among people in deprived areas. Since reducing health inequalities is a Scottish Government priority, it should introduce appropriate national indicators to monitor progress through *Scotland Performs*.

**79.** The range of performance measures and reporting arrangements relating to health inequalities makes it difficult to establish a clear picture of progress. CPPs need a consistent set of measures to help focus their work on improving health inequalities. The Scottish Government, CPPs

and the constituent organisations should consider ways of aligning and rationalising the current range of performance measures to present a more coherent picture of progress.

## Recommendations

The Scottish Government should:

- develop measures of short-term impact to demonstrate the effectiveness of its strategies which aim to improve health and reduce health inequalities in the longer term
- assess the impact on health inequalities of policies which

aim to improve the health of the whole population

- continue to support shared learning among the *Equally Well* test sites and encourage the transfer of effective local approaches to other areas
- publish information at a more local level than Scotland-wide, and include factors such as ethnicity, to allow a more detailed analysis of progress in reducing health inequalities
- introduce national indicators to specifically monitor progress in reducing health inequalities and report on progress.

The Scottish Government and CPPs should:

- ensure that cost effectiveness is built into evaluations of initiatives for reducing health inequalities from the start
- ensure that, where appropriate, successful local initiatives for reducing health inequalities are rolled out more widely
- align and rationalise the various performance measures to provide a clear indication of progress
- establish a shared understanding of what is meant by 'health inequalities'.

CPPs should:

- provide strong and supportive leadership which helps to promote effective partnership working to reduce health inequalities at a local level
- involve local communities in activities which are aimed at reducing health inequalities
- ensure that all partners are clear about their respective roles,

responsibilities and resources in tackling health inequalities, and take shared ownership and responsibility for actions aimed at reducing health inequalities

- clarify with CHPs (and, over time, with the proposed integrated Health and Social Care Partnerships) the respective roles and responsibilities for reducing health inequalities
- include in SOAs clear outcome measures for reducing health inequalities which demonstrate impact
- ensure that all partners take steps to improve the sharing of information to help joint working aimed at reducing health inequalities
- improve the transparency of their performance reporting to allow a better understanding of how well they are tackling health inequalities
- ensure that robust evaluation, using all available data and including outcome measures and associated costs, are an integral part of local initiatives aimed at reducing health inequalities and that staff have the skills to carry out evaluations.

NHS boards and councils should:

- carry out health inequalities impact assessments when designing new services or redesigning existing services.

# Appendix 1.

## Audit methodology

We reviewed a range of published information to inform our audit, including:

- Scottish Government *Equally Well* documents, annual reports on long-term indicators of health inequalities, national strategies, and National Indicators and HEAT targets
- Community Planning Partnerships' 2010/11 SOA reports
- evaluations of interventions to reduce health inequalities, including *Keep Well*
- NHS Director of Public Health annual reports
- reports by Glasgow Centre for Population Health
- reports by NHS Health Scotland
- academic papers, including the University of Glasgow's GPs at the Deep End series
- other published reports, including the 2010 National Audit Office report, *Tackling inequalities in life expectancy in areas with the worst health and deprivation*.

We reviewed published and unpublished data including:

- NHS Information Services Division (ISD) data
- National Records of Scotland statistics
- Scottish Health Survey data
- ScotPHO data
- Office for National Statistics life expectancy data

- NHS Scotland Practitioner Services Division (PSD) data on community pharmacies.

We issued data requests to the Scottish Government regarding funding allocations in various topic areas. We used this information to compile an overall estimate of the total funding to NHS boards to directly address the problems related to health inequalities.

We commissioned ODS Consulting to carry out focus groups with CPP managers, CHP managers and frontline staff from 12 CPP areas to gather views on how effectively local health inequalities are being tackled. We have published a separate report on Audit Scotland's website.

We carried out our own analysis of ISD published data on QOF payments, matching it with Scottish Index of Multiple Deprivation (SIMD) information. We used this information to explore how recent changes to the GMS contract have affected QOF payments in deprived areas. Additionally, we analysed PSD and ISD data on the distribution of pharmacies and dentists, again matching the data with SIMD information.

We carried out interviews with:

- staff at five *Equally Well* test sites to discuss their progress in improving partnership working and redesigning services
- ISD staff to discuss data, and to request unpublished statistics
- Scottish Government policy staff including the Chief Nursing Officer
- directors of Public Health from six NHS boards

- staff from NHS Health Scotland, Glasgow Centre for Population Health and COSLA

- academics from Glasgow University and Edinburgh University
- representatives from the voluntary sector.

# Appendix 2.

## Membership of the advisory group

Audit Scotland would like to thank the members of the advisory group for their input and advice throughout the audit.

Member	Organisation
Dr Pauline Craig	NHS Health Scotland
Dr Ron Culley	Convention of Scottish Local Authorities
Donald Henderson	Scottish Government
Tim Kendrick	Fife Community Planning Partnership
Susan Manion	Dunfermline and West Fife Community Health Partnership
Dr Kat Smith	University of Edinburgh
Dr Diane Stockton	Information Services Division, NHS National Services Scotland
Dr Drew Walker	NHS Tayside
David Walsh	Glasgow Centre for Population Health

Note: Members of the project advisory group sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

# Appendix 3.

## National strategies for improving health and addressing health inequalities

Strategy	Description and impact
<b>Strategies focused on addressing health inequalities</b>	
Equally Well (June 2008)	<ul style="list-style-type: none"> <li>Considers the evidence for health inequalities in Scotland and how health and other public services might respond to factors that affect people's health.</li> <li>The Ministerial Task Force carried out a review of <i>Equally Well</i> in June 2010. The Task Force did not expect to see changes in health outcomes since the publication of <i>Equally Well</i> as it had not been in place for long. Instead, it reviewed progress against the recommendations in <i>Equally Well</i> and made further recommendations for the Scottish Government and CPPs.</li> </ul>
Child Poverty Strategy for Scotland (March 2011)	<ul style="list-style-type: none"> <li>The main aims of this three-year strategy are to maximise household resources and improve children's well-being and life chances. Expenditure will move more to early intervention and prevention. The Scottish Government plans to introduce a Children's Services Bill and a Sustainable Procurement Bill, both of which may help to drive improvements in child well-being.</li> <li>Progress towards targets is reported in the annual report for child poverty strategy in Scotland. The first annual report was published in March 2012 but contained no evidence of impact to date.</li> </ul>
<b>Strategies aimed at improving health</b>	
The Road to Recovery: A new approach to tackling Scotland's drug problem (May 2008)	<ul style="list-style-type: none"> <li>Sets out priorities and an action plan for prevention, support and recovery.</li> <li>In May 2009, the Scottish Government published <i>The Road to Recovery: One Year On</i> which reported on progress and described future work needed to deliver changes but did not include any information about impact. The Scottish Government provides updates through its <i>Drug and Alcohol Delivery Bulletin</i>. These bulletins have reported some progress, such as a fall in self-reported drug use, and higher levels of testing for blood-borne viruses among injecting drug users, but not specifically linked to the actions in <i>The Road to Recovery</i>.</li> </ul>
Better Cancer Care: An Action Plan (October 2008)	<ul style="list-style-type: none"> <li>Sets out actions to reduce the number of people who develop cancer and to support people with cancer. The Scottish Cancer Taskforce was established to oversee the delivery of the plan.</li> <li>The Scottish Government published a progress report in December 2010 which highlighted separate action plans to reduce smoking, alcohol misuse and obesity, as well as early detection through screening programmes. However, it contained no information about the impact of the Cancer Plan to date.</li> </ul>
Achieving Our Potential (November 2008)	<ul style="list-style-type: none"> <li>Sets out a new approach to tackling poverty in Scotland</li> <li>The Scottish Government published a report in 2011 which considered the evidence around financial capability, affordable housing, education and childcare. The report also included recommendations for future work, but contained no evidence about impact.</li> </ul>
Early Years Framework (December 2008)	<ul style="list-style-type: none"> <li>Seeks to maximise positive opportunities for children and address the needs of those children whose lives are constrained by poverty, poor health, poor attainment and unemployment.</li> <li>The Scottish Government published a progress report in 2011 which outlined progress against a range of short- and medium-term indicators. This described a range of processes and actions since the framework was published but there was little information about outcomes.</li> </ul>

Strategy	Description and impact
Changing Scotland's Relationship With Alcohol: A Framework for Action  (February 2009)	<ul style="list-style-type: none"> <li>• Contains plans to use legislation to achieve shorter-term goals and to effect cultural change for longer-term goals. Actions will involve the health service, local councils, the alcohol industry, police and the voluntary sector.</li> <li>• A monitoring and evaluation group was set up to oversee evaluation of the outcomes. In March 2011, its first annual report described baseline trends for alcohol consumption, affordability and alcohol-related harms. In June 2012, a report on the impact of the quantity discount ban on off-trade alcohol sales found a small decline in off-trade sales in Scotland since the ban, but this reduction was also seen in England and Wales where there was no ban. Further data is required to determine if this is a clear trend. Future annual reports will give further information on impact and relevant trends over time.</li> </ul>
Towards a mentally flourishing Scotland  (May 2009)	<ul style="list-style-type: none"> <li>• In August 2012, the Scottish Government published its mental health strategy for Scotland, which reported on progress towards meeting commitments in <i>Towards a mentally flourishing Scotland: Policy and Action Plan 2009-12</i>. There are 36 specific commitments to be delivered over the period to 2015 covering mental health improvement, prevention, care, services and recovery. The strategy highlights achievements so far including a fall in the number of psychiatric readmissions and in the suicide rate.</li> </ul>
Preventing Overweight and Obesity in Scotland: A Route Map Towards Healthy Weight  (February 2010)	<ul style="list-style-type: none"> <li>• Outlines the various actions which central government, local councils and the NHS will take to prevent and manage obesity in Scotland.</li> <li>• The Scottish Government published an action plan in March 2011 (updated in September 2011) and a set of 16 indicators which it will use to monitor progress in tackling obesity. The plan includes milestones for achieving specific aspects of the strategy, and the Government plans to update the indicators every year.</li> <li>• The Scottish Government established a Joint Obesity Ministerial Group to oversee the implementation of the strategy and report on progress towards milestones and indicators. There is no evidence of impact to date.</li> </ul>
Diabetes Action Plan 2010: Quality care for diabetes in Scotland  (August 2010)	<ul style="list-style-type: none"> <li>• Contains a wide variety of actions, including preventing diabetes, treatment and supporting people to help them to self-manage their condition. There are separate actions aimed at improving the care of people from black and ethnic minorities.</li> <li>• The Scottish Government has yet to report on progress.</li> </ul>

Source: Audit Scotland, 2012

# Health inequalities in Scotland

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ISBN 978 1 907916 81 6      AGS/2012/9

This publication is printed on 100% recycled, uncoated paper







**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 11 June 2013

**BY:** Executive Director (Services for People)

**SUBJECT:** Accounts Commission: Approaches to Reduce Reoffending Report by the Executive Director

**4**

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## **1 PURPOSE**

- 1.1 To inform the Audit and Guidance Committee of the Audit Scotland report: *Reducing Reoffending in Scotland*, and highlight the potential impact this will have on East Lothian Council.

## **2 RECOMMENDATIONS**

- 2.1 Committee is asked to note the contents of the Audit Scotland report and the analysis of findings. If reoffending is to reduce, all agencies should take the opportunities to work closer together and target resources appropriately.

## **3 BACKGROUND**

- 3.1. Audit Scotland's Report titled "*Reducing Reoffending in Scotland*" looked specifically at reducing reoffending. The aim was to assess the efficiency and effectiveness of approaches taken to reduce reoffending on those offenders sentenced in Court. As such, preventative measures and Court diversion measures were excluded. The report focuses on 4 areas:

- reoffending in Scotland
- expenditure on reducing reoffending
- services to reduce reoffending
- effectiveness of current arrangements

- 3.2 The key messages in the report are:

- reoffending is a continuing problem with reconviction rates remaining static over recent years
- more information is needed in relation to how effectively the money being spent on reducing reoffending is being used

- with regard reducing reoffending, there is a mismatch between what is being delivered and what is known to work
- demand for services is increasing, particularly for those serving short sentences
- Community Justice Authorities (CJAs) were established to improve joint working and reduce reoffending. Whilst they have achieved some success in bringing people together, their overall impact has been limited. Inflexible funding arrangements and CJAs lack of operational control limits effectiveness.

### 3.3 Recommendations of the report are:

#### **The Scottish Government** should:

- a) improve funding arrangements so that reoffending is reduced through effective targeting of approaches and increased flexibility in relation to delivering services based on local needs and priorities
- b) improve performance measures to assess the effectiveness of Scottish Prison Service (SPS), CJAs and councils in reducing reoffending
- c) review current arrangements for managing offenders in the community to ensure that:
  - i) clear and shared objectives are in place
  - ii) there is clear accountability as well as the promotion of shared responsibility
  - iii) more flexible service delivery
  - iv) a more coordinated approach to working with the third sector

#### **The Scottish Government, SPS, CJAs and councils** should work together, and with other relevant partners, to ensure that services are:

- i) designed to reduce reoffending
- ii) meet the needs of offenders (particularly those serving short sentences)
- iii) be flexible to, and meet the need of, varying demand
- iv) are based on what works
- v) acknowledge the cost of delivery

**The CJAs and councils** are working together to improve their understanding of the unit costs of different types of work activity and how these relate to the quality of work delivered. This will help inform decisions regarding resource allocation.

### 3.4 Analysis of findings

3.4.1 The Scottish Government has made alterations to the 2013/14 allocations by removing the core/non-core distinction (these equates to statutory/non-statutory work). The intention of this is to increase flexibility so that resources can be allocated according to local priorities and needs. However, grant allocation remains on a year-by-year basis

which creates challenges in supporting and developing long-term strategies.

- 3.4.2 Offender profiling is currently being undertaken by East Lothian Criminal Justice Service, Lothian and Borders CJA and Police Scotland. The aim is to then use this evidence to target resources appropriately within the local area. This will be implemented by 2014/15.
- 3.4.3 The Young People's Protocol was launched in May 2013. This targets young men aged 18 -21 year old sentenced to custody in Polmont Young Offenders Institution and aims to offer throughcare support so that their release is planned, linked to appropriate resources, and ultimately, helps to reduce reoffending on release. This protocol is linked with similar arrangements for 16/17 year olds under the Whole Systems Approach. Careful monitoring of the impact of these protocols is being undertaken.
- 3.4.4 Evidence shows that securing employment is central to reducing reoffending. Links are improving within East Lothian – council and private business – so that consideration can be given to employing people with convictions. This very much promotes to improve opportunities for shared responsibility for managing offenders within the community.
- 3.4.5 Appropriate and accessible accommodation can be problematic for offenders living in East Lothian due to limited resources. **Eviction due** to drug dealing and anti-social behaviour can create problems for the Criminal Justice Service as some of our clients (albeit through their own fruition), will end up homeless. As instability contributes towards reoffending, the Council **needs to** take a shared responsibility for these individuals so that they can be managed safely within the area.
- 3.4.6 The Scottish Government's consultation on *Restructuring the Community Justice System* has taken place. A report was submitted by East Lothian Council supporting 'Option B' which is the local authority model where local authorities would assume responsibility for the strategic planning, design and delivery of offender services within the community. The Scottish Government is due to announce its decision in December 2013, with changes being implemented in 2015. This will have implications for future service arrangements.

#### **4 POLICY IMPLICATIONS**

- 4.1 Criminal Justice, Housing and Adult Well-Being can to work closer together to ensure the marginalisation of clients does not happen. Consequently, we can take this opportunity to work closer together by considering current policy as well as future policy development.

#### **5 EQUALITIES IMPACT ASSESSMENT**

Not required.

## 6 RESOURCE IMPLICATIONS

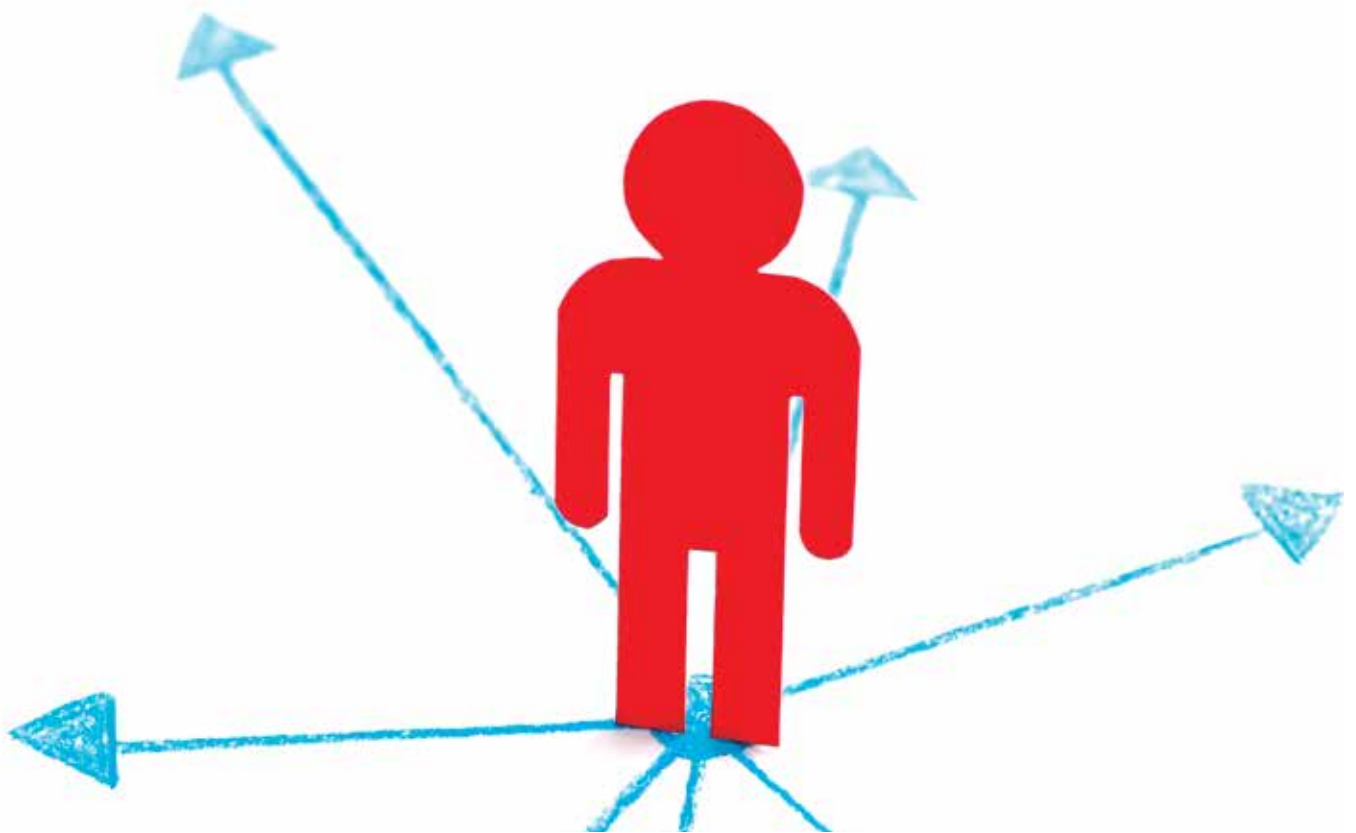
- 6.1 Financial - none
- 6.2 Personnel - none
- 6.3 Other - none

## 7 BACKGROUND PAPERS

- 7.1 Audit Scotland *Reducing Reoffending in Scotland*

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<b>DATE</b>	27 May 2013

# Reducing reoffending in Scotland



Prepared for the Auditor General for Scotland and the Accounts Commission  
November 2012

# Auditor General for Scotland

The Auditor General for Scotland is the Parliament's watchdog for helping to ensure propriety and value for money in the spending of public funds.

She is responsible for investigating whether public spending bodies achieve the best possible value for money and adhere to the highest standards of financial management.

She is independent and not subject to the control of any member of the Scottish Government or the Parliament.

The Auditor General is responsible for securing the audit of the Scottish Government and most other public sector bodies except local authorities and fire and police boards.

The following bodies fall within the remit of the Auditor General:

- directorates of the Scottish Government
- government agencies, eg the Scottish Prison Service, Historic Scotland
- NHS bodies
- further education colleges
- Scottish Water
- NDPBs and others, eg Scottish Enterprise.

## The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, requests 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 45 joint boards and committees (including police and fire and rescue services).

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

# Contents

## Summary

Page 2

### Background

### About our audit

Page 3

### Key messages

Page 4

### Recommendations

Page 5

## Part 1. Reoffending in Scotland

Page 6

### Key messages

Reoffending has been a problem in Scotland for many years

Page 7

Men under 21 are the most likely to reoffend

Page 8

There is a relationship between the type of sentence received and reconviction rates

Page 9

The level of demand is increasing

Page 11

Reoffending is putting an increasing strain on the public purse

Page 12

## Part 2. Expenditure on reducing reoffending

Page 13

### Key messages

In 2010/11, SPS, CJAs and the Scottish Government spent an estimated £128 million on reducing reoffending

Page 14

The current funding for criminal justice social work is inflexible and does not encourage reducing reoffending

Page 15

Further information on costs is required to assess the efficiency of approaches to reduce reoffending

Page 17

### Recommendations

Page 19

## Part 3. Services to reduce reoffending

Page 20

### Key messages

SPS, CJAs and councils need better information on offenders' needs to plan and manage services

Page 21

The geographic spread of people in prison and small numbers in some areas makes managing demand challenging

The availability of and access to appropriate services vary significantly

Page 22

Prisoners serving short-term sentences need better support

Page 24

Improvements are needed in how services to reduce reoffending are planned, designed and delivered

Page 26

### Recommendations

Page 28

## Part 4. Effectiveness of current arrangements

Page 29

### Key messages

CJAs were established to improve joint working and reduce reoffending

CJAs have made progress in bringing people together but there is scope to improve links with local partnerships

Page 30

The way CJAs were set up has limited their effectiveness in reducing reoffending

CJA performance has never been assessed

Page 32

Stronger leadership is required if the level of reoffending is to be significantly reduced

Page 34

### Recommendations

Page 35

## Appendix 1. PAC recommendations to Audit Scotland for reducing reoffending report

Page 36

## Appendix 2. Audit methodology

Page 38

## Appendix 3. Membership of the advisory group

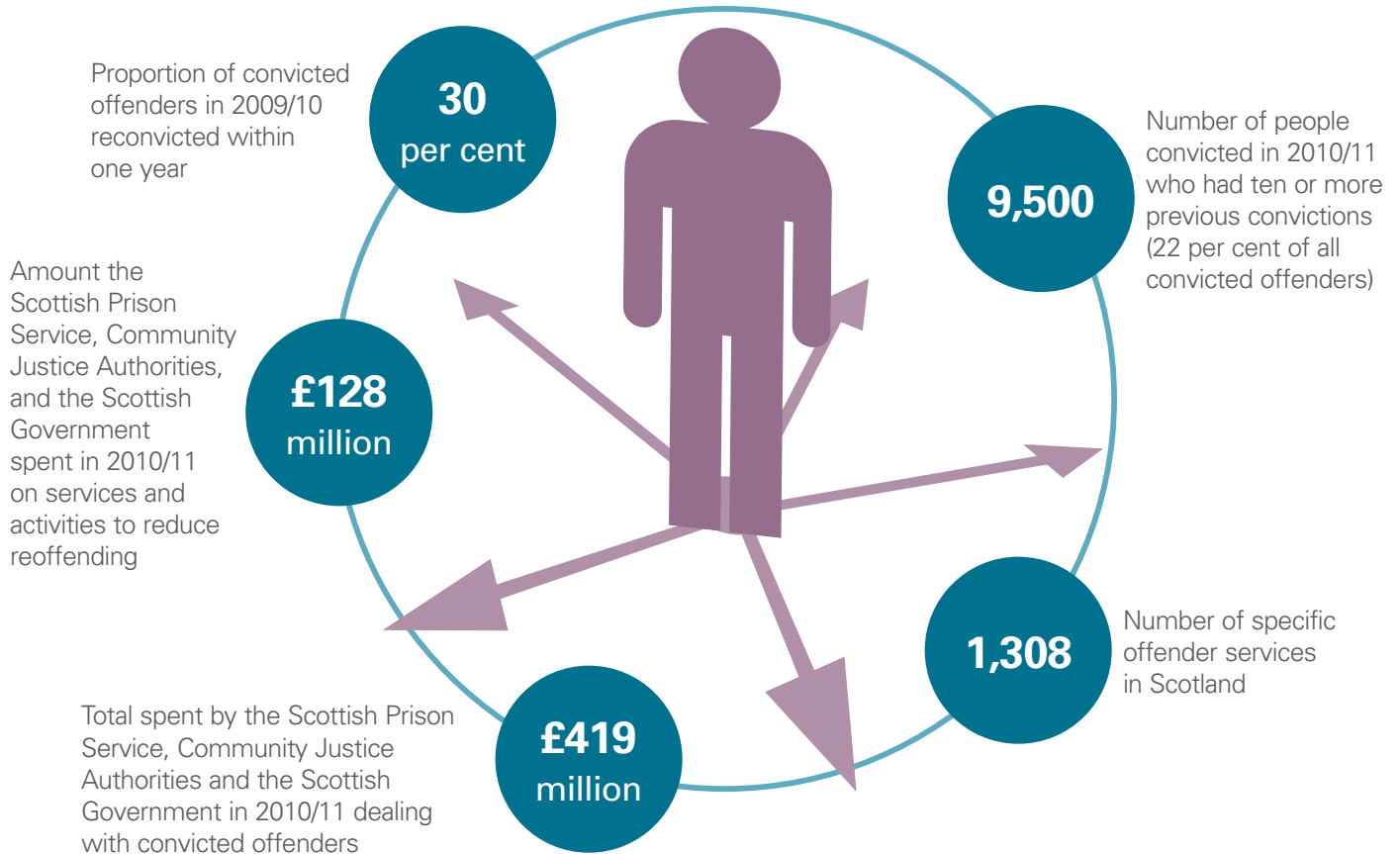
Page 40

## Appendix 4. Questions for CJA board members

Page 41

# Summary

## Key facts





## Background

**1.** In September 2011, Audit Scotland published *An overview of Scotland's criminal justice system*.<sup>1</sup> This highlighted that reoffending is a continuing problem in Scotland. In 2009/10, over 47,000 people were convicted of an offence and 30 per cent (over 14,000 people) were convicted again within one year.

**2.** Criminal justice is about protecting the community, delivering justice for victims and meeting the needs of offenders to reduce the risk of them offending again. What happens to people who offend depends on a number of factors, for example the type of offence committed and the history and personal circumstances of the offender.

**3.** In 2010/11, the Scottish Prison Service (SPS) and Community Justice Authorities (CJAs) – the main criminal justice bodies who deal with convicted offenders - and the Scottish Government spent an estimated £128 million on services and activities aimed specifically at reducing reoffending.

**4.** In addition to these bodies, many other organisations and partnerships work with offenders after they have been sentenced, including the police, NHS boards, Alcohol and Drug Partnerships (ADPs) and over a hundred voluntary or community organisations. Together, they deliver over 1,300 services specifically for people who have offended.

**5.** Two pieces of legislation aimed at reducing reoffending have been introduced since devolution. The Management of Offenders (Scotland) Act 2005 created eight CJAs, established on 1 April 2007.<sup>2</sup>

The Criminal Justice and Licensing (Scotland) Act 2010 introduced Community Payback Orders (CPOs) and a presumption against short-term prison sentences of less than three months. CPOs came into force on 1 February 2011.

**6.** The criminal justice system is demand led, but in *An overview of Scotland's criminal justice system* we identified that understanding the demand is not straightforward. While the number of recorded crimes and offences is falling, the number of people in prison and the number of community sentences are increasing, putting pressure on services to reduce reoffending.

**7.** In June 2011, the Scottish Government established the independent Commission on Women Offenders, specifically to consider what needs to be done to improve outcomes for women offenders. The Commission reported in April 2012 and made 37 recommendations.<sup>3</sup> The Scottish Government accepted 33 of these recommendations and is due to report to Parliament in October 2012 on progress against implementing them. It is still considering four recommendations.<sup>4</sup> Many of the issues raised by the Commission were also identified by us during our fieldwork and are covered in this report.

**8.** In 2007, the Scottish Government set a national indicator to reduce the reconviction rate as part of its National Performance Framework. Reconviction rate was selected as a proxy to measure the effectiveness of policy and legislative changes aimed at reducing reoffending. The Scottish Government set a target of reducing the overall (two-year) reconviction rate by two per cent to 42 per cent

by 2011. This was achieved. In 2011, the Scottish Government changed the indicator to reducing the one-year reconviction frequency rate.

**9.** Following publication of *An overview of Scotland's criminal justice system*, the Scottish Parliament's Public Audit Committee took evidence on the findings and published its own report in February 2012.<sup>5</sup> In that report, the Committee asked Audit Scotland to look at a number of issues related to reducing reoffending in this performance audit. The Committee's recommendations and our findings are included in [Appendix 1](#).

## About our audit

**10.** This audit looked specifically at reducing reoffending. The overall aim was to assess the efficiency and effectiveness of approaches taken to reduce reoffending. The audit focused on what happens to adult offenders sentenced in court. We did not look at preventative work designed to stop people offending in the first place or measures to prevent low-level offenders going to court, such as police warnings or fines imposed by a procurator fiscal.

**11.** We identified the scale and nature of reoffending, the range of options for sentencing and the amount of money spent on reducing reoffending. We also assessed the effectiveness of partnership working, including the role of CJAs. We did not include young people referred back to the children's hearing system by a sheriff.

**12.** Evidence for this audit is based on an analysis of national and local data; information from SPS, the Scottish Government, CJAs and criminal justice social work services; and interviews with a wide range of

1 *An overview of Scotland's criminal justice system*, Audit Scotland, 2011.

2 The eight CJAs are Fife and Forth Valley, Glasgow, Lanarkshire, Lothian and Borders, North Strathclyde, Northern, South West Scotland and Tayside.

3 *Commission on Women Offenders*, Scottish Government, April 2012.

4 The four outstanding recommendations concern a proposal for new sentencing options; a review of services for women with borderline personality disorders; and two proposals to reform the leadership and delivery of adult offender services in the community (which would cover both men and women offenders).

5 *Public Audit Committee, 1st Report, 2012 (Session 4), An overview of Scotland's criminal justice system*, Scottish Parliament, 2012.

people who work with offenders. In addition, we commissioned a series of focus groups to gather views of people currently serving a community or prison sentence; and a review of evidence on levels of reoffending in other countries. This work is published in two supplementary reports available on our website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk). A detailed description of our methodology is provided in [Appendix 2](#) and details of our advisory group in [Appendix 3](#).

**13.** We have developed a series of questions for CJA board members to use to help them improve the effectiveness of the CJA in reducing reoffending. These are included in [Appendix 4](#).

**14.** Our report is in four parts:

- Reoffending in Scotland ([Part 1](#)).
- Expenditure on reducing reoffending ([Part 2](#)).
- Services to reduce reoffending ([Part 3](#)).
- Effectiveness of current arrangements ([Part 4](#)).

### Key messages

- Reoffending is a continuing problem in Scotland. Reconviction rates have remained relatively static over recent years; 30 per cent of people convicted in 2009/10 were reconvicted within one year compared with 32 per cent in 1997/98. In 2010/11, more than one in five people convicted (9,500) had ten or more previous convictions. The Scottish Government estimates that the total economic and social costs of reoffending are about £3 billion a year.
- In 2010/11, SPS, CJAs and the Scottish Government spent an estimated £128 million on services to reduce reoffending and £254 million on restricting the liberty of offenders. The total amount spent by these bodies on dealing with convicted offenders was £419 million. More detailed information on the unit costs and quality of the range of services delivered is needed to make an overall assessment on how efficiently this money is being used. However, variation in the costs of criminal justice social work services indicates there is potential to improve efficiency in this area.
- There is a strong body of evidence on what is effective in reducing reoffending, but there is a mismatch between what is currently being delivered and what is known to be effective. There is an urgent need for a more strategic approach to planning, designing and delivering services at both a national and CJA level. Such an approach needs to be based on an analysis of need, the level of demand, evidence of what works and costs of delivery.
- Demand for services to reduce reoffending is increasing and SPS, CJAs and councils need better information on the needs of offenders to plan and manage services. Access and availability vary across the country and the level of support for prisoners serving short sentences needs to improve, particularly in relation to their housing needs.
- Many bodies are involved in reducing reoffending. They have different governance and accountability arrangements and different geographic boundaries, resulting in a complex landscape. Eight CJAs were established in 2007 to develop a more coordinated approach to delivering services for offenders and reduce reoffending. CJAs have brought people together, but the way they were set up and inflexible funding have significantly limited their effectiveness. They have made little progress with reducing reoffending.
- There needs to be stronger leadership at national, regional and local levels if reoffending is to be tackled effectively. There has been limited progress with many of the problems identified in the 2006 *National Strategy for the Management of Offenders* and these need to be addressed.

## Recommendations

The Scottish Government should:

- improve arrangements for funding community justice to ensure that:
  - the money is targeted towards effective approaches to reduce reoffending
  - there is more flexibility to meet local needs and priorities
  - allocations are more responsive to changes in demand
- improve the range of performance measures to assess the effectiveness of SPS, CJAs and councils in reducing reoffending
- review current arrangements for managing offenders in the community to ensure that:
  - there are clear and shared objectives to reduce reoffending
  - those working to reduce reoffending have appropriate powers
  - there is clear accountability and a mechanism to promote collective responsibility for reducing reoffending
  - arrangements promote and support what works in reducing reoffending and allow flexible service delivery
  - there is a more coordinated and strategic approach to working with the third sector.

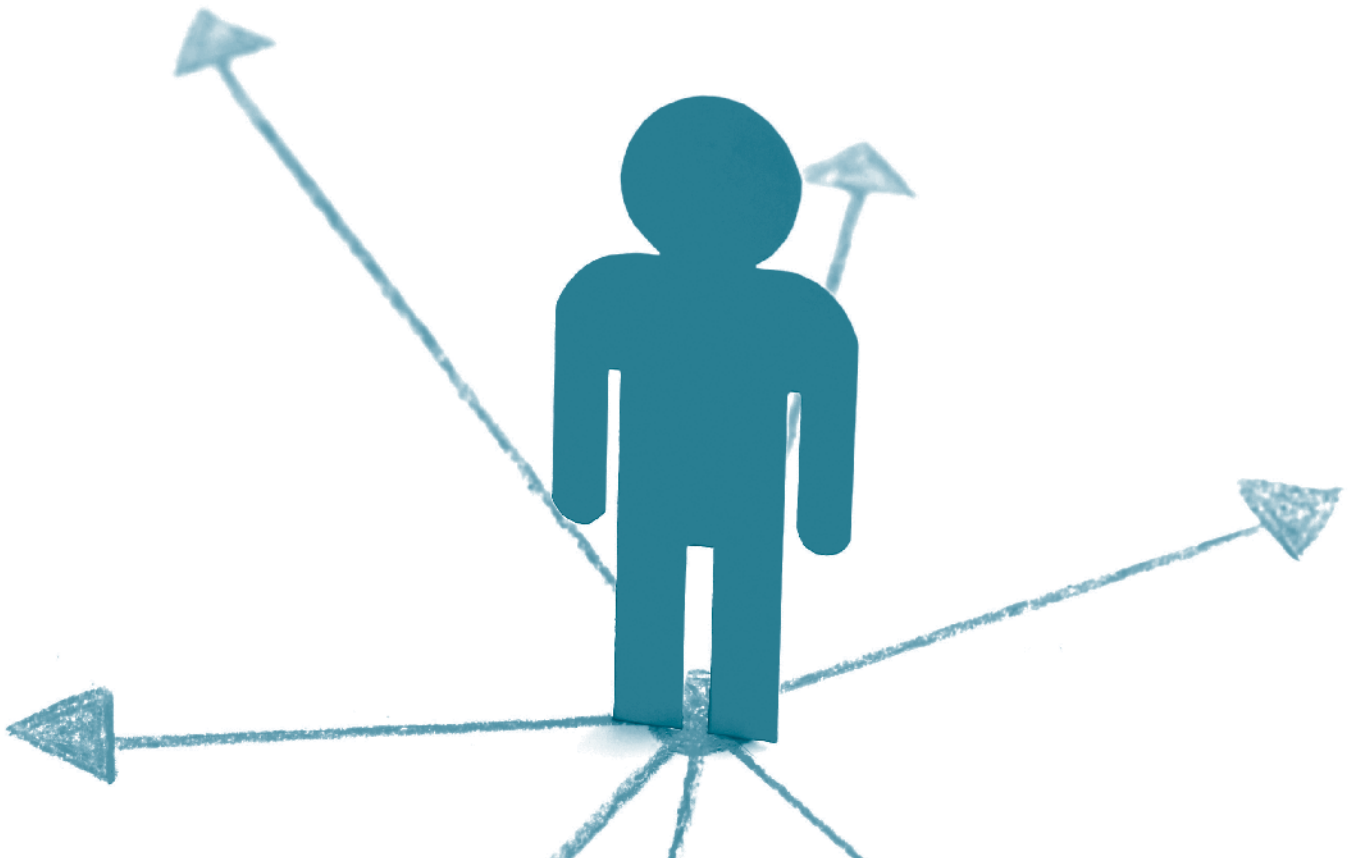
The Scottish Government, SPS, CJAs and councils should:

- work together, and with other relevant public and third sector providers, to improve how services to reduce reoffending are planned, designed and delivered to ensure that they:
  - meet the needs of offenders, in particular those serving short prison sentences
  - recognise the level of demand
  - are based on evidence of what works
  - take into account costs of delivery.

CJAs and councils should:

- work together to improve their understanding of the unit costs of different types of criminal justice social work activity and how these relate to the quality of service delivered. This work should be used to inform decisions on how resources are used and where efficiency could be improved.

# Part 1. Reoffending in Scotland



Reoffending is a continuing problem.

**Key messages**

- Reoffending is a continuing problem in Scotland. Reconviction rates for those reconvicted within one year have remained relatively static over the last 13 years, at 30 per cent in 2009/10 compared with 32 per cent in 1997/98. In 2010/11, more than one in five people convicted (9,500) had ten or more previous convictions.
- The current level of reoffending has significant implications for criminal justice and other public services. The Scottish Government estimates that the total economic and social costs of reoffending are about £3 billion a year.
- The prison population continues to increase and the make-up of the prison population is changing, with more prisoners serving sentences of six months to four years.
- There are different sentencing options available to courts and there is a link between the type of sentence and the likelihood that someone will reoffend. People serving short prison sentences are the most likely to reoffend. Community Payback Orders were introduced in 2011 and were designed to achieve effective justice and reduce reoffending. It is too early to assess whether they have achieved these aims.

**Reoffending has been a problem in Scotland for many years**

**15.** Reconviction rates are the most widely used method of measuring reoffending. Rates have remained relatively static in Scotland over the past 13 years.<sup>6</sup> In 1997/98, 32 per cent of offenders were reconvicted within one year. Reconviction rates increased to 33 per cent in 2002/03 and have declined since then to 30 per cent in 2009/10. Two-year reconviction rates have followed a similar pattern, rising to 45 per cent in 2002/03 and declining to 42 per cent by 2008/09. In 2009/10, 47,336 people were convicted of an offence, and 14,245 were reconvicted within one year. (Exhibit 1).

**16.** Overall reconviction rates only give an overview of the level of reoffending. They do not reflect changes in the nature of reoffending behaviour, such as changes in the seriousness of crimes committed, and there is a time delay in reporting. In order to produce more timely information, the Scottish Government now concentrates on publishing detailed analysis of one-year reconviction rates and one-year reconviction frequency rates. Reconviction frequency rates examine the average number of crimes committed by reoffenders in the year after they were convicted. Data published in September 2012 shows this is decreasing slightly, with

**Exhibit 1**

**Number of convicted offenders and reoffenders in Scotland, 1997/98 – 2009/10**

The percentage of people reconvicted within one and two years has remained relatively static.



Notes:  
 1. The total number of people reconvicted within two years includes people reconvicted within the one-year total.  
 2. The number of people convicted consists of those receiving a non-custodial sentence or being discharged from custody in a particular year.  
 3. The decline in the number of offenders and reoffenders in the early 2000s mirrors a similar trend in recorded crime and offences over that period.  
 Source: Audit Scotland based on *Statistical Bulletin: Reconviction rates in Scotland: 2008/09 and 2009/10 offender cohorts*, Scottish Government, September 2012

6 Reconviction rates are measured by following convicted offenders from the time they are convicted for a period of one or two years to see whether they are reconvicted of any crimes during this period. Due to the time lag between the end of the follow-up period and the data being published by the Scottish Government, the most recent data available for one-year reconviction rates is from the 2009/10 cohort of convicted offenders. Similarly, the most recent data for two-year reconviction rates is from 2008/09.

54 reconvictions per 100 offenders in 2009/10 compared with 59.7 in 2006/07. Reconviction rates are closely related to developments within the criminal justice system more generally, for example how different types of offending behaviour are treated by the courts. Reconviction rates also do not include people who have reoffended after receiving early intervention measures, such as police fixed penalty notices.

**17.** Many other countries experience similar problems with reoffending. We commissioned the Scottish Centre for Crime and Justice Research (SCCJR) to compare Scottish reconviction rates with England and Wales, Northern Ireland, the Republic of Ireland, Norway and New Zealand. This research found that most of these countries experienced similar problems with reoffending. While there are various definitions of 'reoffenders' and 'reoffending', which make direct comparisons difficult, the typical range of reconviction rates is between 30 and 50 per cent.<sup>7</sup>

### Persistent offending is a particular problem

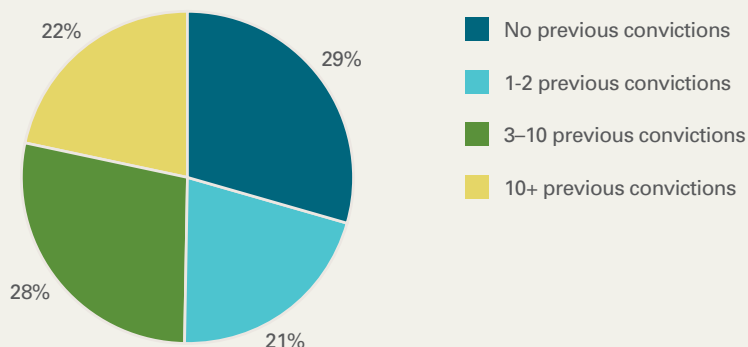
**18.** In 2010/11, 9,500 people (22 per cent of all convicted offenders) had ten or more previous convictions (Exhibit 2). Less than a third, 29 per cent, of people convicted in 2010/11 were convicted for the first time.

**19.** People with many previous convictions are far more likely to reoffend. Of the people convicted in 2009/10 who had no previous convictions, only 13 per cent were convicted of another offence within a year; whereas more than half (57 per cent) of those with ten or more previous convictions were reconvicted.

## Exhibit 2

### Convicted offenders and previous convictions, 2010/11

In 2010/11, more than one in five people convicted (9,500) had ten or more previous convictions.



Note: The data shows previous convictions since 1989.

Source: Audit Scotland based on *Statistical Bulletin: Reconviction rates in Scotland: 2009/10 offender cohort*, Scottish Government, September 2012

**20.** The Scottish Government publishes different sources of data which report the number of previous convictions that offenders have. These data sources are not directly comparable. There is no data currently published that explicitly shows how the number of persistent offenders is changing over time. Robust, transparent and comparable data are needed to support the development of approaches to reduce reoffending and monitor their effectiveness.

### Men under 21 are the most likely to reoffend

**21.** Overall, significantly more men reoffend than women; of the 14,245 people convicted in 2009/10 who were reconvicted within one year, 12,299 were men and 1,946 women, and most people who reoffend are under the age of 30 (Exhibit 3). Offenders originally convicted of crimes of dishonesty, breach of the peace and violent crime

are the most likely people to be reconvicted. Further analysis of the data shows that men under 21 are the most likely to reoffend. Over a third of this group who were convicted in 2009/10 reoffended within one year compared to just over a quarter of men over the age of 30. Women are generally less likely to reoffend than men, and women over 30 are the least likely to reoffend (20 per cent of women over 30 convicted in 2009/10 were reconvicted within one year).

**22.** An analysis of data provided by SPS shows that in March 2012, 40 per cent of all prisoners came from the most deprived areas in Scotland, compared to 15 per cent of the total Scottish population. Almost half (44 per cent) of prisoners also reported being under the influence of drugs at the time of their offence.<sup>8</sup> This profile is similar to reoffender populations in other countries.<sup>9</sup>

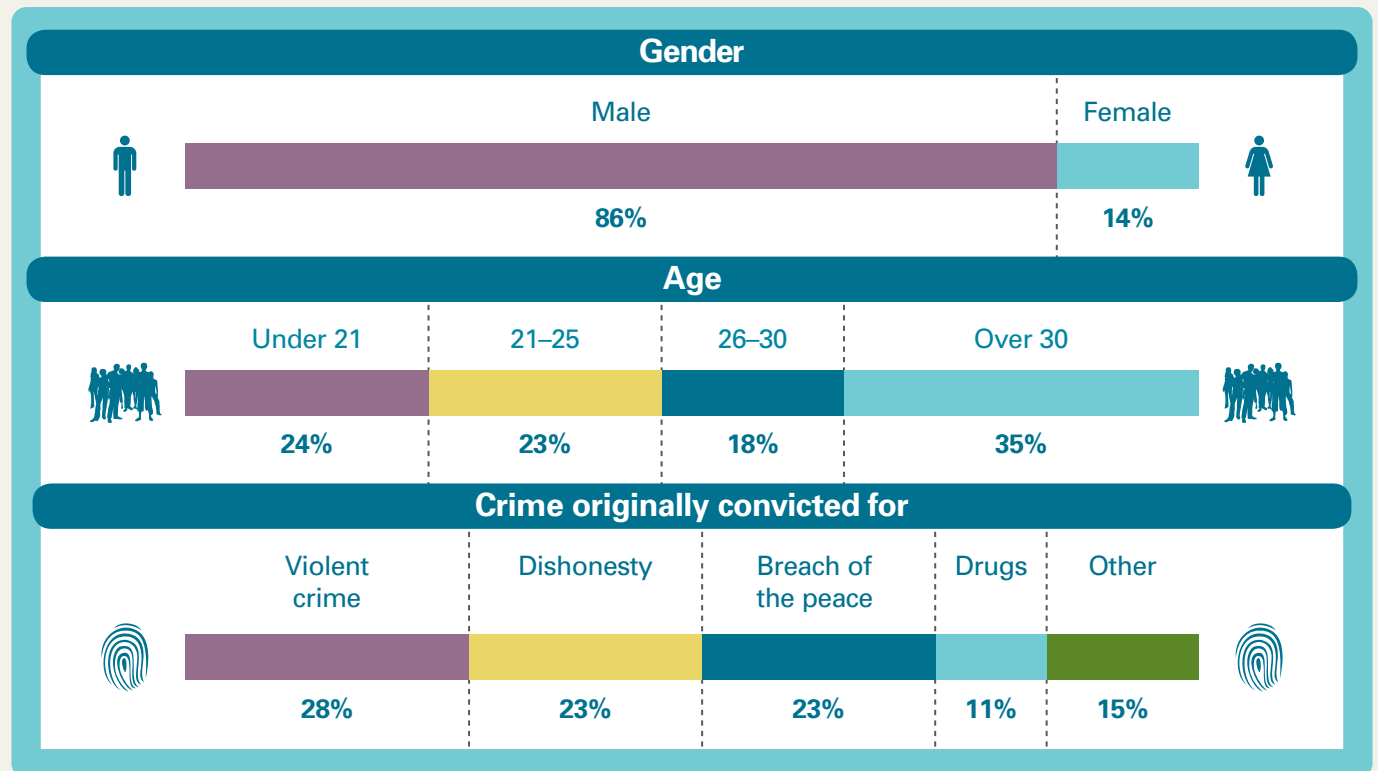
7 *Reducing reoffending: review of selected countries*, Scottish Centre for Crime and Justice Research, May 2012. The exception is Norway which has a reported reconviction rate of 20 per cent but the lower rate is partially a result of a different definition of reconviction.

8 *Prisoner Survey 2011*, Scottish Prison Service, November 2011.

9 *Reducing reoffending: review of selected countries*, Scottish Centre for Crime and Justice Research, May 2012.

**Exhibit 3**

Profile of people convicted in 2009/10 and reconvicted within a year  
The majority of reoffenders are male.



Note: 'Other' includes sexual crimes, damage, and other miscellaneous crimes.

Source: Audit Scotland based on *Statistical Bulletin: Reconviction rates in Scotland: 2009/10 offender cohort*, Scottish Government, September 2012.

### There is a relationship between the type of sentence received and reconviction rates

**23.** There is a range of options available to the courts for sentencing people once they are found guilty, including fines, community sentences and imprisonment. [Exhibit 4 \(overleaf\)](#) summarises the main options and the support available for offenders during and after their sentence.

**24.** The link between type of sentence and reconviction rate is well documented. SCCJR found that in all the countries reviewed, reconviction rates were higher for those leaving

prison than those serving community sentences.<sup>10</sup> In Scotland, 46 per cent of people who left prison in 2009/10 reoffended within a year, compared to 34 per cent of those who received a community sentence.<sup>11</sup> This was also a key finding from the Prisons Commission.<sup>12</sup> This doesn't necessarily mean that community sentences are more effective in reducing reoffending as the two groups of offenders are not directly comparable, for example people in prison are more likely to have longer criminal histories than those on community sentences. However, further research taking these differences into account has shown that people who have served

short prison sentences are more likely to reoffend than those on either community sentences or longer prison sentences.<sup>13</sup>

**25.** The Criminal Justice and Licensing (Scotland) Act 2010 introduced a presumption against short prison sentences of three months or less and brought in Community Payback Orders (CPOs) as a new community penalty. CPOs are designed to deliver both effective justice through offenders doing unpaid work and to reduce reoffending through additional requirements, such as supervision by a criminal justice social worker. CPOs came into force in February 2011, and by the end of March 2012 over

<sup>10</sup> *Reducing reoffending: review of selected countries*, Scottish Centre for Crime and Justice Research, May 2012.

<sup>11</sup> Community sentences includes probation orders, community service orders, and restriction of liberty orders. *Statistical Bulletin: reconviction rates in Scotland: 2009/10 offender cohort*, Scottish Government, September 2012.

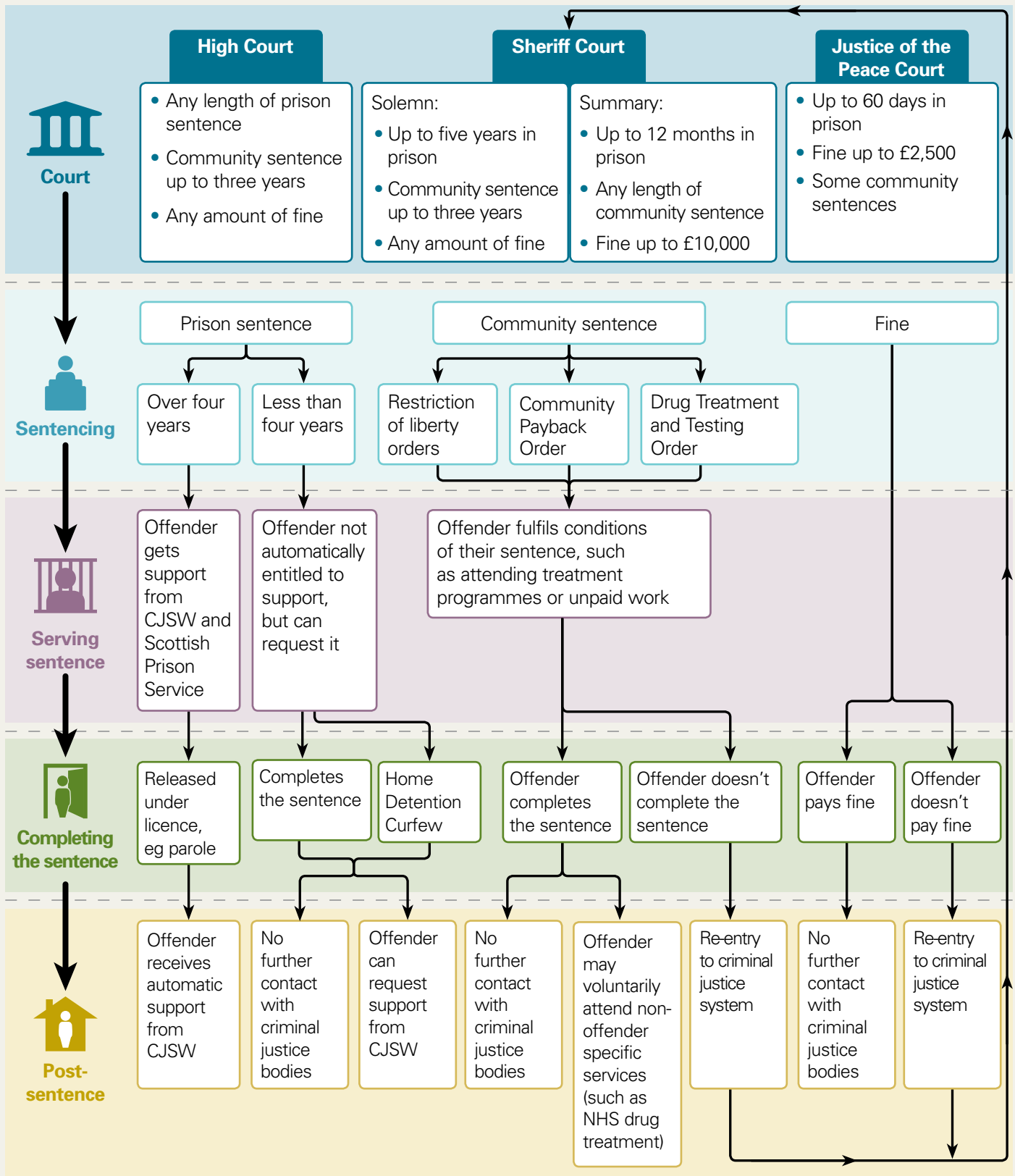
<sup>12</sup> *Scotland's Choice: Report of the Scottish Prisons Commission*, Scottish Government, 2008.

<sup>13</sup> *Reducing reoffending: review of selected countries*, Scottish Centre for Crime and Justice Research, May 2012.

**Exhibit 4**

**Sentencing options and offender pathways**

There is a range of options available to courts which have different consequences for the offender.



Note:

1. CJSW – criminal justice social work.

2. With the exception of sex offenders, all prisoners sentenced to less than four years are released after serving half their sentence.

Source: Audit Scotland



11,000 CPOs had been imposed, the majority by Sheriff courts.<sup>14</sup> However, it is too early to assess their impact on reducing reoffending.

**26.** A sheriff's decision about the type of sentence an offender should receive is entirely independent and based on a number of factors, including:

- the need to protect the public and the impact on victims
- the severity and nature of the offence and what mitigating or aggravating factors were present at the time of the offence
- the nature and number of the offender's previous convictions
- whether the offender has previously received a community sentence which they then breached<sup>15</sup>
- the characteristics of the offender and their motivation to stop offending.<sup>16</sup>

**27.** In our interviews, sheriffs reported that they are aware of the ineffectiveness of short prison sentences in reducing reoffending. However, they feel they are often left with little option but to impose a prison sentence, given the previous offending history or number of breaches of community sentences by a particular offender.

**28.** The Commission on Women Offenders reported evidence to suggest that informed, focused and ongoing engagement between a sheriff and an offender can help in motivating people to comply with community sentences. The higher completion of Drug Testing and Treatment Orders (DTTOs) in Glasgow City and Fife, where there are designated drug courts, supports

this finding.<sup>17</sup> A different approach to sentencing is applied in drug courts, where the sheriff works with other criminal justice bodies to bring about a change in offending behaviour, while maintaining judicial independence. The Commission also noted the importance of courts ensuring the sheriff who passed the sentence also conducts any associated review hearings (for example, CPOs can require progress to be reported to the court). However, moving to this type of sentencing would have significant implications for the Judiciary, the Scottish Court Service and other criminal justice bodies, both financially, as more court time may be required, and professionally, for example, sheriffs may require additional training. Further work is therefore needed to assess its potential cost-effectiveness in reducing reoffending.

### The level of demand is increasing

#### The prison population is continuing to increase

**29.** Scotland's prison population has increased by 27 per cent in the last ten years and is among the highest per head of population in western Europe. In 2011/12, an average of 8,178 people were in prison on any day. The most recent prison statistics project the prison population rising to 9,500 by 2020/21.<sup>18</sup>

**30.** The profile of the prison population has also changed over the past decade. There are now fewer people serving sentences of six months or less (a decrease of 17 per cent between 2002/03 and 2011/12) but more people serving sentences of six months to four years (an increase of 50 per cent). The number of prisoners serving sentences of more than four years has remained constant at around 2,400 people (Exhibit 5, overleaf).<sup>19</sup> Analysis of data provided by SPS shows that at March 2012, two in five

convicted prisoners (2,500 prisoners) had served more than ten previous prison sentences. Almost half of these (1,186 prisoners) had served more than 25 previous prison sentences.

### More community sentences are being imposed

**31.** Before the introduction of CPOs in February 2011, offenders could be given a number of different types of community sentence – community service orders; probation orders; or supervised attendance orders. The number of people on these orders has changed over the years. Between 2004/05 and 2010/11:

- the number of people on community service orders increased by nine per cent (to 5,665)
- the number of people on probation orders and supervised attendance orders decreased by one per cent (to 7,520) and seven per cent respectively (to 2,764).

**32.** Although 11,162 CPOs were issued between February 2011 and April 2012, this does not reflect the number of people sentenced, as some people may receive two concurrent CPOs. In addition, community service orders and probation orders are still being used for offences committed before 1 February 2011. Initial analysis by the Scottish Government indicates that, overall, the number of community sentences being imposed is increasing. Data on the number of people within each council receiving CPOs have been collected since April 2012 and are due to be published late in 2013. This will provide better information on the level of demand for criminal justice social work and other services for people serving community sentences.

14 <http://www.scotland.gov.uk/Topics/Statistics/Browse/Crime-Justice/Datasets/CPOs>

15 Breaching an order is the term used when an offender does not follow the conditions of their sentence.

16 *Denying Responsibility – Sentencers' Accounts of their Decisions to Imprison*, J Tombs and E Jagger, *British Journal of Criminology* (2006), 46, 803-821.

17 *Commission on Women Offenders*, Scottish Government, April 2012.

18 *Scottish prison population projections: 2010-11 to 2019-20*, Scottish Government, June 2012.

19 *Prison Statistics Bulletin 2011/12*, Scottish Government, May 2012.

**Reoffending is putting an increasing strain on the public purse**

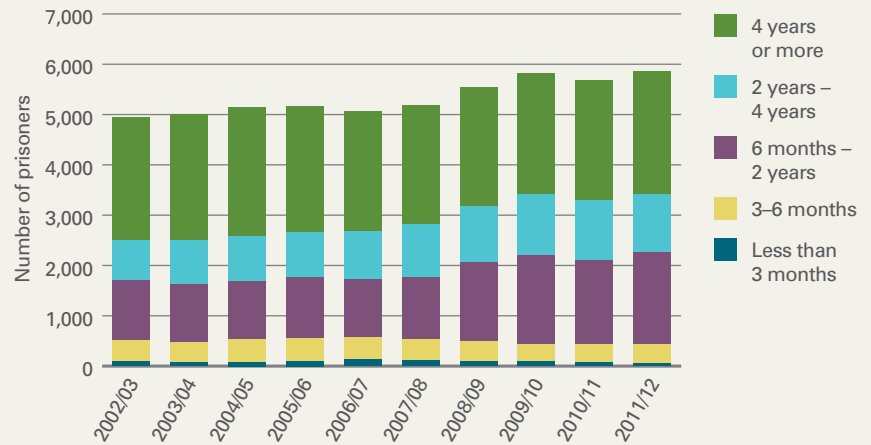
**33.** The current level of reoffending has significant implications for public services. The increase in the prison population and the number of community sentences is placing increasing demands on criminal justice bodies. This is combined with increased demand on other services, such as addiction services provided by the NHS and council housing services.

**34.** The Scottish Government estimates that the total economic and social costs of reoffending are around £3 billion a year.<sup>20</sup> Further research carried out by the Scottish Government estimated the total cost of reoffending by a single cohort of offenders who had three or more previous convictions over a ten-year period was £5.4 billion.<sup>21</sup> This is an under-estimate as it does not include all the costs incurred by bodies outside the criminal justice system.

**Exhibit 5**

**Scottish prison population 2002/03 – 2011/12**

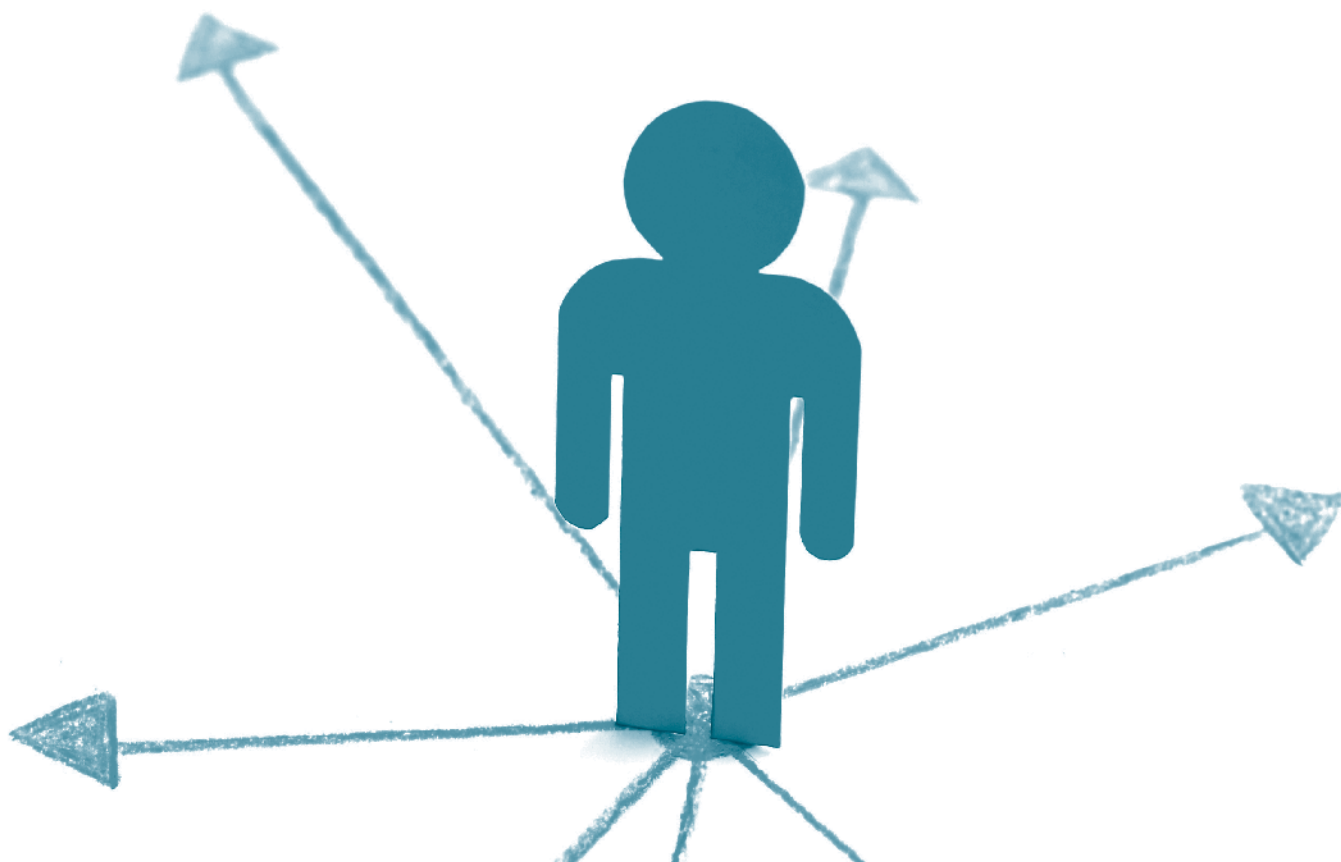
The number of prisoners serving sentences of six months to four years is increasing.



Note: This exhibit excludes prisoners on remand who have not yet been convicted, prisoners who have been recalled from supervision or licence, and fine defaulters.  
 Source: *Prison Statistics Bulletin*, Scottish Government, 2012

20 This figure is derived from unpublished analysis by the Scottish Government. The Scottish Government estimated the total economic and social costs of different types of crime and related this to the proportion people convicted in court who had been previously convicted.  
 21 *The Strategy for Justice: Evidence*, Scottish Government, September 2012

# Part 2. Expenditure on reducing reoffending



£128 million was spent on reducing reoffending, less than a third of the total amount spent on dealing with convicted offenders.

## Key messages

- In 2010/11 SPS, CJAs and the Scottish Government spent an estimated £128 million on services and activities aimed specifically at reducing reoffending and £254 million on restricting the liberty of offenders.
- The current funding for criminal justice social work is inflexible and does not encourage reducing reoffending.
- There is a lack of detailed information on activity costs and quality of services to reduce reoffending; however, the wide variation in unit costs of some criminal justice social work services indicate there is potential to improve efficiency.

### In 2010/11, SPS, CJAs and the Scottish Government spent an estimated £128 million on reducing reoffending

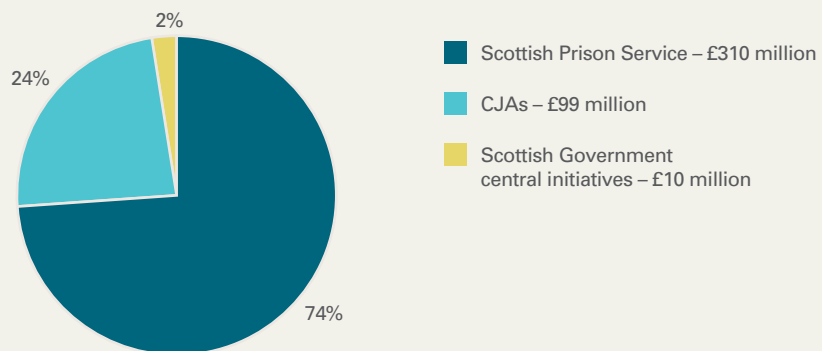
#### A total of £419 million was spent in 2010/11 on dealing with people sentenced in court

**35.** The majority of funding for dealing with offenders after they have been sentenced comes from the Scottish Government and goes to either SPS or the eight CJAs. CJAs do not spend the money themselves, as they do not deliver services; they allocate it to the councils in their area to deliver criminal justice social work services and other initiatives such as drug courts. The Scottish Government Justice Directorate also spends some money directly on people convicted in court, in particular in managing the contract for electronic tagging. In 2010/11, the total spent by these bodies was £419 million ([Exhibit 6](#)).<sup>22</sup>

**36.** Criminal justice is about protecting the community, delivering justice

## Exhibit 6

Expenditure by the main criminal justice bodies, 2010/11  
SPS accounted for the majority of the expenditure.



Source: Audit Scotland, 2012 using data supplied by Scottish Prison Service and Scottish Government, 2012

for victims and meeting the needs of offenders to reduce the risk of them offending again. The *National outcomes and standards for social work services in the criminal justice system* grouped these intended outcomes under four headings (known as the four Rs):<sup>23</sup>

- **Restriction** – punishing the offender for their crime by restricting their movement, eg a prison sentence.
- **Reparation** – the offender paying back to society, either financially or through activities such as unpaid work in the community.
- **Rehabilitation** – rehabilitating the offender to reduce their chances of reoffending.
- **Reintegration** – reintegrating the offender back into society.

**37.** In our 2011 report, *An overview of Scotland's criminal justice system*, we estimated that £81 million was spent on services to reduce reoffending in 2009/10.<sup>24</sup> Since then, the Scottish Government, CJAs, and SPS have identified which elements

of their expenditure contribute to each of the four Rs. It is inevitably a matter of judgement as to the exact split, as some activities will contribute to more than one outcome.<sup>25</sup> The work carried out by the Scottish Government, CJAs and SPS to identify the levels of expenditure within the four categories appears reasonable, although this has not been independently audited. [Exhibit 7](#) shows the spending against each of the aims (four Rs). The Scottish Government and CJAs also identified around £22 million (five per cent) spent on supporting and enabling activities such as writing court reports and training programmes. While important for effective criminal justice processes, these were not considered to contribute directly to either restriction or reducing reoffending.

#### Restricting the liberty of offenders cost £254 million in 2010/11

**38.** The work carried out by the Scottish Government, CJAs, and SPS identified that in 2010/11 the majority of their expenditure was spent on restricting the liberty of offenders (£254 million, 61 per cent). SPS spent most of this (£235.6 million)

<sup>22</sup> Financial information for 2010/11 was the latest available at the time of writing this report. Audited annual accounts for 2011/12 for CJAs are not available until December each year. The £419 million excludes SPS capital expenditure.

<sup>23</sup> *National outcomes and standards for social work services in the criminal justice system*, Scottish Government, 2010.

<sup>24</sup> *An overview of Scotland's criminal justice system*, Audit Scotland, 2011.

<sup>25</sup> The breakdown of expenditure using the four Rs headings is the best available estimate due to the difficulty of allocating expenditure into the four headings. For example, prison sentences are mainly about punishing offenders for their crime, but also have an element of rehabilitation.

keeping prisoners in custody. CJAs spent £12.9 million on services and activities with a restriction element, such as community service, bail and home detention curfews. The Scottish Government spent a further £5.9 million on restriction, including the contract for electronic tagging.

### £15 million was spent on ensuring offenders pay something back to society (reparation)

**39.** Just over £15 million (four per cent of total expenditure) was spent on sentences and services aimed at making offenders pay something back to society. CJAs spent almost all of this (£14.9 million) on funding councils to deliver sentences such as Community Service Orders. The remaining £0.6 million was spent by the Scottish Government on activities with a reparation element, such as a pilot for fiscal work orders.<sup>26</sup>

### £128 million was spent on reducing reoffending

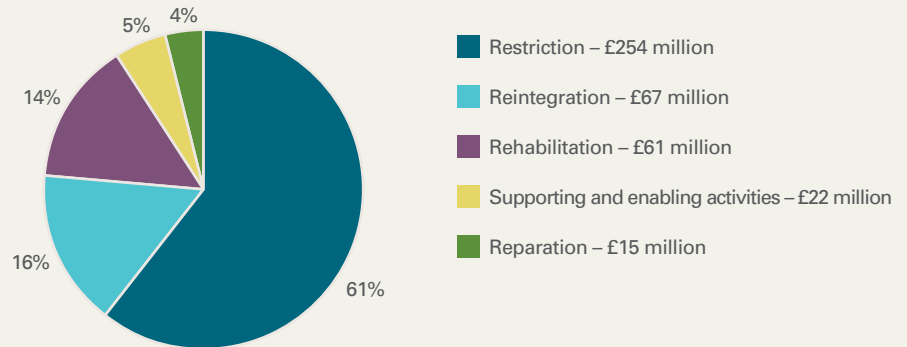
**40.** The Scottish Government, CJAs, and SPS estimated that they spent £128 million on reducing reoffending in 2010/11 (ie rehabilitation and reintegration), less than a third of the total amount spent on dealing with convicted offenders:

- **Rehabilitation** – £60.8 million (14 per cent). The majority of this was spent by CJAs (£37.8 million) on services and activities such as sex-offender programmes and addiction services. SPS spent £21.7 million, mainly on addiction services for prisoners, and the Scottish Government spent £1.3 million, primarily on funding for voluntary organisations that provide rehabilitation services.
- **Reintegration** – £66.7 million (16 per cent). SPS spent most of this (£52.7 million) on services to support prisoners move back into the community, such as help with housing, employability skills and education. CJAs spent £11.9

## Exhibit 7

### Breakdown of expenditure by the main criminal justice bodies, 2010/11

A third of expenditure was on reintegration and rehabilitation which both contribute to reducing reoffending.



Source: Audit Scotland, 2012, using data supplied by Scottish Prison Service and Scottish Government, 2012

million on services and activities such as supported accommodation and employment training. The remaining £2.1 million was spent by the Scottish Government on funding services and activities that contribute towards reintegration, such as the work of voluntary organisations.

**41.** In addition to public sector expenditure, a number of other bodies provide funding for services to support offenders. The two most significant funders are The Robertson Trust and the Big Lottery. The funding is small in comparison to the public sector (for example, £3 million from The Robertson Trust and £9 million from the Big Lottery in the last six years), but is significant to the individual services receiving it.

### The current funding for criminal justice social work is inflexible and does not encourage reducing reoffending

### The Scottish Government provided £99 million to deliver criminal justice social work services in 2010/11

**42.** In 2010/11, the Scottish Government provided CJAs with a grant of £99 million to allocate to

the 32 councils to deliver criminal justice social work services. The grant is mainly calculated using a funding formula and is ring-fenced. Scottish Government funding to CJAs has increased from £90.3 million in 2007/08 – a real-term increase of two per cent over four years. This increase was mainly due to funding provided by the Scottish Government to implement CPOs. This is in contrast to real-term reductions to budgets in the rest of the criminal justice sector and more widely in the public sector.

### Funding arrangements are based on historical activity and local need rather than successful outcomes

**43.** CJA funding is calculated in two ways, called core and non-core funding:

- Core funding is for the delivery of statutory criminal justice social work services such as submitting social work reports to courts and implementing community sentences such as CPOs. It is calculated using a formula introduced in 1999, which was later modified to take account of CJAs. The formula is calculated from a combination of workload

<sup>26</sup> Fiscal work orders were introduced in some pilot areas in 2008. They allow procurators fiscal to introduce unpaid work orders as an alternative to prosecution, when a fiscal fine or court hearing is deemed inappropriate.

and local need. The workload measures are used to determine the relative share of work across all the core services (such as community sentences and social work court reports) averaged over the past three years. Local need is based on the population of unemployed males aged 16–24 in an area and the council's proportion of court business. The total amount available for each service is then divided between the eight CJAs to distribute to the 32 councils, according to the estimated workload and need.

- The level of non-core funding is decided by the Scottish Government, based on national priorities and historic allocations. Non-core funding is further divided into funding for national initiatives that are delivered locally in some areas (known as centrally initiated funding) and funding for services and interventions that the CJA agrees locally (non-centrally initiated funding). Centrally initiated programmes include, for example, the Caledonian domestic abuse programme and pilot projects (such as the Drug Treatment and Testing Order II pilot).<sup>27</sup>

**44.** Although it is important to recognise workload, the formula for deciding the core grant does not encourage CJAs to reduce reoffending. If the number of community sentences imposed in an area falls the CJA may receive less funding in future years. While CJAs have the authority to redistribute both the core and non-core grant to their councils to reflect local need, most follow the allocations based on the historical formula.

**Funding is prescriptive leaving CJAs only £21 million for local initiatives**

**45.** The core funding for CJAs is largely determined by the level of demand arising from convictions at court and non-core centrally initiated

funding is specified by the Scottish Government. This means that CJAs have limited flexibility in deciding how to use the funding allocated to them. In 2010/11, CJAs received a total grant of £99 million:

- **£62 million** – core funding
- **£16 million** – non-core, centrally initiated funding

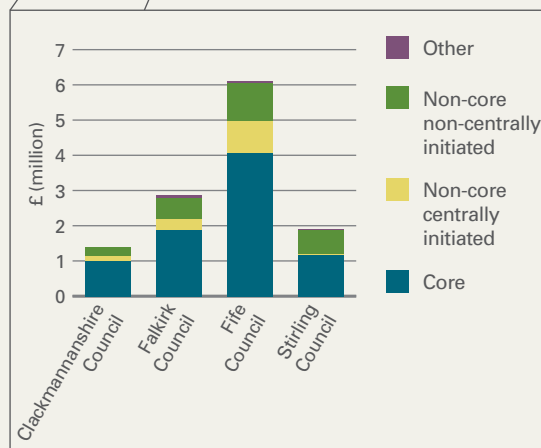
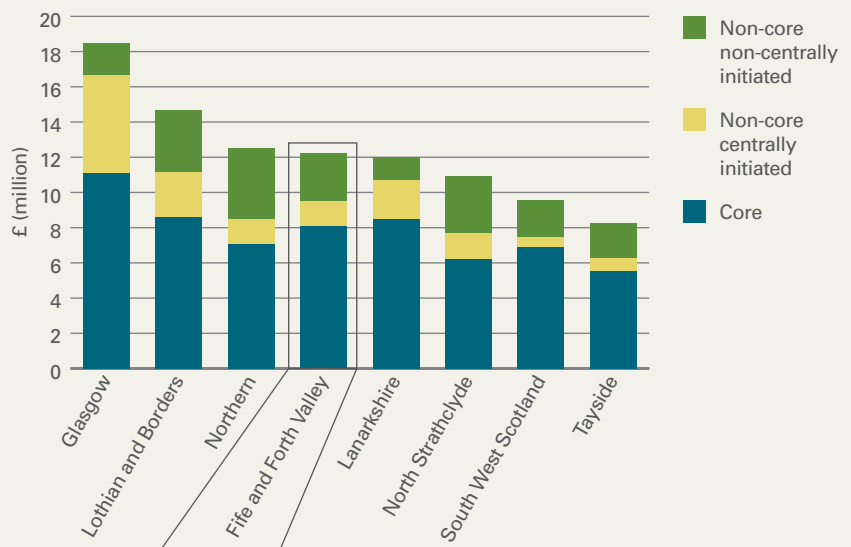
- **£21 million** – non-core, non-centrally initiated funding to deliver local initiatives such as supported accommodation or projects aimed specifically at young offenders.

**46.** The allocation for each of the three areas of expenditure varies by CJA (Exhibit 8). The amount of non-core non-centrally initiated funding available to spend on local initiatives differs significantly, for example, it

**Exhibit 8**

**Grant make-up in each CJA**

The percentage of CJA grant available for locally decided initiatives varies.



Note: Other is one-off funding from the Scottish Government in 2010/11 for the development of new services.  
 Source: Audit Scotland based on CJA Annual Accounts, 2010/11 and Fife and Forth Valley Financial Statements 2010/11

27 Caledonian is a national programme for men who have been convicted of domestic abuse offences. The DTTO II pilot scheme is aimed at lower-level offenders who are in the earlier stages of drug misuse and offending.

makes up 11 per cent of the total grant in Lanarkshire CJA (£1.3 million) compared with 24 per cent in Lothian and Borders CJA (£3.5 million).

**47.** CJAs then allocate the grant to their constituent councils. The lack of flexibility means that some councils receive small amounts of money to spend on local initiatives. **Exhibit 8** uses Fife and Forth Valley CJA as an example to illustrate how it allocates its budget across the four constituent councils and how much is available in each to spend on locally decided initiatives to reduce reoffending. For example, Fife Council received £6.1 million in 2010/11. This was divided into the three main headings – core (£4 million), non-core centrally initiated (£900,000) and non-core non-centrally initiated (£1.1 million). Each of these three headings was then subdivided into a further 25 budget lines, ranging from £6,600 for substance-related offending services to £1.2 million for delivering community sentences.

### Most criminal justice social work departments are spending more than they are allocated by CJAs

**48.** Local financial returns show income and expenditure for each council service area and are returned to the Scottish Government by councils on a yearly basis. Our analysis of these returns shows that in 2010/11, 22 councils contributed a total of £8.6 million in addition to the CJA grant. Fifteen councils (across all CJAs) have subsidised their criminal justice social work departments every year since 2006/07. The amount of subsidy provided by councils in 2010/11 varied widely, for example Moray council contributed £49,000 compared with a contribution of £471,000 from Aberdeen City council.<sup>28</sup>

### Short-term funding affects the delivery of services

**49.** CJAs can experience problems with short-term funding. A recent example of this was in April 2010, when the Scottish Government provided each CJA with £100,000 to spend specifically on services to support women offenders. CJAs reported that they found it challenging to plan, manage and spend this funding because it was provided at short notice and was guaranteed only for a year. The short-term nature of the funding made it difficult to commission services where staff had to be recruited to fill posts and to ensure the funding was spent appropriately. It is difficult to identify how effective this funding has been in reducing reoffending among women. It was spent in different ways, often supplementing existing funding for services for women offenders, there are no consistent measures of performance, and effectiveness needs to be assessed over a longer period.

**50.** During our fieldwork, many of the voluntary and third sector organisations involved in reducing reoffending expressed concern about current funding arrangements. They reported that some funding has to be applied for annually and public sector funders can be late in approving final grants. They said that this can make it difficult to plan services effectively and recruit and train staff or volunteers.

**51.** The Scottish Government has recently reviewed the funding arrangements for managing offenders in the community. Scottish ministers and COSLA are considering the Review Group's proposals and changes in the formula are likely to be introduced from April 2013.

### Further information on costs is needed to assess the efficiency of approaches to reduce reoffending

#### Information on the cost of prison-based services is improving but needs to be linked to levels of service delivery and quality

**52.** Services for offenders are delivered both in prison and in the community. Services delivered in prison are funded in different ways. For example, SPS has national contracts with two colleges to provide educational courses; other prison-based services may be funded jointly by a range of public and third sector organisations, although these will involve indirect costs to SPS, for example through prison officer time in escorting or supervising prisoners.

**53.** SPS paid an estimated £4.7 million in 2010/11 to councils to provide criminal justice social work services for prisoners serving sentences of four years or more. However, there is limited information on the level of service delivered in individual prisons in relation to this expenditure. A 2011 national inspection report on social work services in prisons identified that services varied and that attempts to achieve consistency had been under discussion for ten years.<sup>29</sup> SPS and the Association of Directors of Social Work have still not reached agreement on what criminal justice social work services should be provided and at what cost in each prison.

**54.** The recent work undertaken by SPS to estimate its expenditure on rehabilitation and reintegration services is a good start in improving its understanding of the costs of different services. This information has the potential to identify areas where efficiency can be improved by comparing costs and activities across different prisons. Further information is needed in order to assess the overall effectiveness of this

<sup>28</sup> Local Financial Returns 2010/11.

<sup>29</sup> *Social work services in Scotland's prisons: a national inspection*, Social Work Inspection Agency, 2011.

expenditure. SPS and other relevant bodies need to work together to build a shared understanding of what happens to offenders once they leave prison.

### Costs of criminal justice social work activities vary and there is potential to improve efficiency

**55.** In general, councils have limited information on the unit costs of their activities.<sup>30</sup> In the absence of unit cost information, we analysed councils' 2010/11 expenditure on two specific criminal justice activities and matched this against reported activity in these areas to provide an estimate of unit costs. While we recognise that activity levels will not directly relate to funding streams, this analysis is intended to illustrate the extent of variation in costs between councils and provide a starting point for further work. The two areas we looked at were probation orders and social work court reports. We found that:<sup>31</sup>

- the cost of probation orders ranged from £951 in South Lanarkshire Council to £2,887 in Renfrewshire Council. The Scotland average was £1,613
- submitting social work court reports cost £185 per report in Clackmannanshire Council compared to £599 in Moray Council. The Scotland average was £337.

**56.** There are no apparent links between these costs and the location of the council (ie, rural councils do not necessarily have higher unit costs than urban councils) or with the number of offenders in an area. However, there are likely to be many reasons behind the variation in costs,

for example similar work being done by different grades of staff; different ways of allocating overheads; and some offenders requiring more detailed supervision. There is also likely to be variation in the quality of services delivered. Scrutiny reports published by the Care Inspectorate have identified that the quality of criminal justice social work services varies.<sup>32</sup>

**57.** On the face of it, the range of costs indicates there is potential to improve the efficiency of criminal justice social work activities. Our analysis of the unit costs of probation orders and court reports can be used to illustrate the potential scope for savings. For example, reducing the cost of carrying out probation orders to the Scotland average could release £1.8 million across the country, and reducing the cost of submitting court reports to the Scotland average could release £1.1 million.<sup>33</sup>

**58.** Data on the cost and number of CPOs delivered by individual councils during 2011/12 were not available at the time of our audit. CPOs range from three months to three years and involve different conditions, so estimating their unit costs will be challenging. However, it should be possible to cost the separate elements of the CPO, for example, an hour of supervision or a day of unpaid work.

**59.** Early indications are that councils have taken different approaches to implementing CPOs, which are likely to give rise to variations both in cost and effectiveness. Similar differences arose when Drug Treatment and Testing Orders (DTTOs) were introduced; discussions

with practitioners highlighted a wide variation in contracts between councils and NHS boards, and activities undertaken by different grades of criminal justice social work staff and addiction and health staff. However, there has been no analysis of the cost of these differences or their impact on the effectiveness of DTTOs.

**60.** CJAs and councils need to do further work to understand the costs of different criminal justice social work activities, the reasons behind any variation, and links to quality of service and effectiveness in reducing reoffending. This work should include collecting and analysing information on staffing levels and grades, the time spent on different activities and/or individual offenders, and tracking offenders to assess the effectiveness of the services delivered, where possible.

**61.** This analysis only covers services for offenders delivered by SPS and criminal justice social work. Services to address the needs of offenders are delivered by a wide range of other providers as well, for example support from council housing departments, NHS drug treatment programmes, and education courses run by further education colleges. Many of these services are essential in helping offenders to change their offending behaviour, but it will always be difficult for providers to identify what is spent on this relatively small group of service users. However, there may be potential to estimate costs from an offender's perspective, rather than the provider's.

<sup>30</sup> *How councils work: an improvement series for councillors and officers - using cost information to improve performance: are you getting it right?*, Audit Scotland, May 2012.

<sup>31</sup> This analysis is based on 27 councils. The figures for West Dunbartonshire Council include those for Argyll & Bute Council and East Dunbartonshire Council as they operate in a partnership with West Dunbartonshire Council responsible for the expenditure. The Island councils (Eilean Siar, Orkney, and Shetland) are also excluded from the analysis as they receive a single allocation which is not broken down into individual budget lines and so do not report in detail on their expenditure. The cost per sentence/report was calculated using councils' expenditure on each item divided by the number of sentences/reports in that year. The source for this information was councils' annual financial returns to CJAs and Scottish Government criminal proceedings data for 2010/11.

<sup>32</sup> [www.scswis.com](http://www.scswis.com)

<sup>33</sup> Efficiency savings were calculated by working out the difference between each council's cost per order/report and the Scotland average and then multiplying this by the number of orders/reports carried out.



## Recommendations

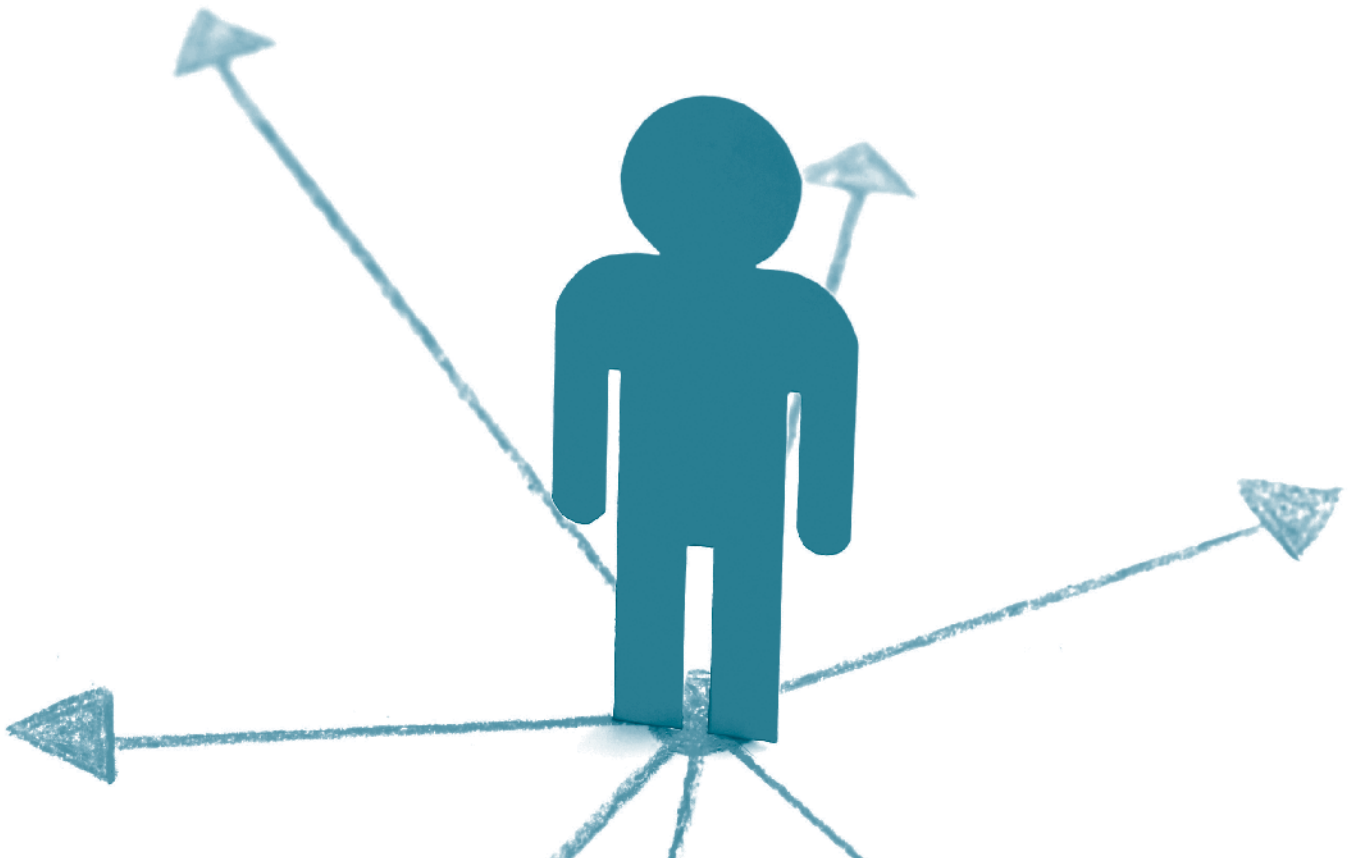
The Scottish Government should:

- improve arrangements for funding community justice to ensure that:
  - the money is targeted towards effective approaches to reduce reoffending
  - there is more flexibility to meet local needs and priorities
  - allocations are more responsive to changes in demand.

CJAs and councils should:

- work together to improve their understanding of the unit costs of different types of criminal justice social work activity and how these relate to the quality of service delivered. This work should be used to inform decisions on how resources are used and where efficiency could be improved.

# Part 3. Services to reduce reoffending



There is a mismatch between the services currently being delivered and what is known to be effective.

## Key messages

- Managing demand for services to reduce reoffending is challenging. The criminal justice system is demand led; demand is increasing and prisoners may be located far from their homes. SPS, CJAs and councils need better information on the needs of offenders in order to plan and manage services.
- Access and availability of services vary across the country and the level of support for prisoners depends on the length of sentence being served. More effective support is needed for prisoners serving sentences of less than four years.
- There is a strong body of evidence on what is effective in reducing reoffending, but this is not being used consistently to design or commission services. There is a mismatch between what is currently being delivered and what is known to be effective.
- There is an urgent need for a more strategic approach to how services to reduce reoffending are planned, designed, commissioned and delivered at both a national and CJA level. This approach needs to start with the needs of offenders and the level of demand, be based on evidence of what works and take into account costs of delivery.

### SPS, CJAs and councils need better information on offenders' needs to plan and manage services

**62.** The statutory responsibility for delivering services to offenders lies primarily with SPS and criminal justice social work services. Both providers have to balance the need for public

safety with support for offenders. SPS is required to deliver a range of custodial and rehabilitation services to those sent to it by the courts across Scotland. Criminal justice social work services have a wide range of responsibilities, including producing social work reports to the courts; implementing CPOs and DTTOs; developing risk management plans for offenders leaving prisons (in particular those serving sentences of four years or more); and supervising offenders on release.

**63.** *An overview of Scotland's criminal justice system* identified that people who offend often have a range of needs, for example they may have health or addiction problems or broken family relationships.<sup>34</sup> Services and interventions designed to reduce reoffending need to be based on a holistic assessment of all the needs of each offender and the level of risk they may pose to communities. Changing the behaviour of people who reoffend is challenging. In our focus groups, offenders recognised that stopping offending takes time and may require addressing a range of different issues.

**64.** Progress is being made in how the needs of individual offenders are identified and met. During 2011, the Scottish Government rolled out a new case management tool, the Level of Service/Case Management Inventory (LS/CMI), to all councils and SPS. This is intended to support criminal justice social workers assess an offender's needs and the risk they may reoffend or cause serious harm, and to decide the most appropriate services or interventions. As all councils are using the same system, this has the potential to improve consistency and information sharing. The roll-out was completed in March 2012.

**65.** Within prisons, NHS staff assess the health needs of offenders, and prison staff assess other needs, such as literacy or behavioural difficulties.

Information from these assessments is recorded for each prisoner on the relevant NHS or SPS system.

**66.** However, these systems are designed primarily to manage the needs and risks of individual offenders, rather than for planning services. As yet, the potential for data from LS/CMI and the prisoner record system to be collated and analysed to provide management information has not been fully explored and is not being used systematically to identify needs. The Risk Management Authority is currently collecting data derived from LS/CMI and developing its use for planning and management purposes. For example, generating local and national risk and need profiles which could then be used to inform local resource allocation and service development. The need for SPS to improve its understanding of the needs of offenders was a recommendation in the 2008 Audit Scotland report *Managing increasing prisoner numbers in Scotland*.<sup>35</sup>

**67.** Without this information, it is not clear how SPS, CJAs and councils can ensure that the range of services required to support an individual offender will be available at the location and time they are needed. Offenders may be given services that happen to be available, rather than those targeted to reduce the risk of reoffending.

**68.** People serving a CPO or a DTTO also need support to reduce their offending behaviour. While there is provision for the courts to impose CPOs with additional requirements, such as treatments for alcohol or drugs or mental health support, these are only being imposed in a small minority of cases. For example, less than five per cent of the CPOs imposed during 2011/12 include a requirement for alcohol treatment, and less than one per cent include a requirement for mental health treatment.<sup>36</sup> It is not clear how or

<sup>34</sup> *An overview of Scotland's criminal justice system*, Audit Scotland, 2011.

<sup>35</sup> *Managing increasing prisoner numbers in Scotland*, Audit Scotland, 2008.

<sup>36</sup> Analysis provided by the Scottish Government, 2012.

whether these are linked to the needs of offenders being sentenced in court.

### The geographic spread of people in prison and small numbers in some areas make managing demand challenging

**69.** The criminal justice system is demand led and service providers have little control over demand once people have been sentenced. Prisons have to accommodate everyone sent for custody and criminal justice social work services have to implement all the community sentences imposed. Demand for services to reduce reoffending is increasing with more people in prison and more community sentences.

**70.** The number of people from different councils who are in prison at any one time varies, and prisoners may be located in prisons away from their home area. We analysed data on the home postcodes of people in prison (excluding those on remand) on one day in March 2012. On that day, every council in Scotland had people in prison, but the numbers varied, and the prisoners were located in prisons across the country. [Exhibit 9](#) shows the numbers of prisoners from the Tayside CJA area and where they were located. This distribution is similar in other CJAs areas.

**71.** [Exhibit 9](#) shows that most people from the Tayside CJA area go to HMP Perth. However, it also shows that there are people from the Tayside area in every prison in Scotland. There are often good reasons for this. For example, people under 21 are sent to HMYOI Polmont so they are separated from adult offenders and can access services tailored to young people; or prisoners may need to be moved for their own safety or that of other prisoners.

**72.** However, the geographic spread and small numbers of offenders in some prisons present challenges to the three councils in the Tayside area. Planning and delivering services for prisoners in HMP Perth may be more straightforward, as it is local and most of the prisoners from each council are based there. However, it will be much more difficult to ensure that appropriate and tailored services are available to prisoners in some other prisons, particularly where there are small numbers (eg, HMP & YOI Cornton Vale) or they are a long distance away (eg, HMP Dumfries).

**73.** The spread of prisoners from all councils in each prison also makes it difficult for SPS to ensure that every prisoner gets access to appropriate services and for prison link centre staff to liaise with staff in all of the 32 councils. SPS is reviewing the population within each prison with a view to placing more prisoners closer to their home. However, given the need for specialist support for some prisoners, there will always be some geographic spread of prisoners.

### The availability of and access to appropriate services vary significantly

**74.** There is a strong body of evidence on what is effective in reducing reoffending. A number of recent reviews identify many of the same critical success factors.<sup>37–41</sup> These include:

- supporting people to find employment, to improve relationships with their families and with the communities they live in and to manage their own lives better (life skills)
- relationships between support workers and offenders that are based on mutual respect

and trust, are flexible and non-judgemental, and sustained in the move between prison and the community

- adopting an holistic approach tailored around individual offenders and their particular needs, recognising that these may change.

**75.** *An overview of Scotland's criminal justice system* found that information on the full range of services available for offenders was limited.<sup>42</sup> The Scottish Government has started to address this by developing a national Directory of Services (the directory), which it launched in April 2012. The directory provides details of all the services available for offenders, both in prison and in the community. It is intended to improve understanding of what services are available locally and help CJAs and their partners plan more effectively in future.

**76.** The directory lists 1,308 specific offender services (743 in prison and 565 in the community) by individual prison, CJA and council area under eight outcome areas.<sup>43</sup> It includes services provided by prisons by criminal justice social work and by a range of voluntary and community organisations. [Exhibit 10 \(page 24\)](#) lists the number of services in each outcome area.

**77.** The directory does not provide a comprehensive picture of all the work that is done with offenders, for example it does not include one-to-one supervision between a social worker and offender. Also, it may not include the full range of activities covered by the more holistic support services, which might include, for example, working with families, building up relationships and improving motivation.

37 *What works to reduce reoffending*, Justice Analytical Services, Scottish Government, October 2011.

38 *Commission on Women Offenders*, Scottish Government, April 2012.

39 *Alternative approaches to reduce reoffending: the impact of work with offenders and their families*, The Robertson Trust, 2011.

40 *Discovering Desistance: An ESRC Knowledge Exchange Project*, Report from Glasgow workshop, 2012.

41 *Reducing reoffending: review of selected countries*, Scottish Centre for Crime and Justice Research, May 2012.

42 *An overview of Scotland's criminal justice system*, Audit Scotland, 2011.

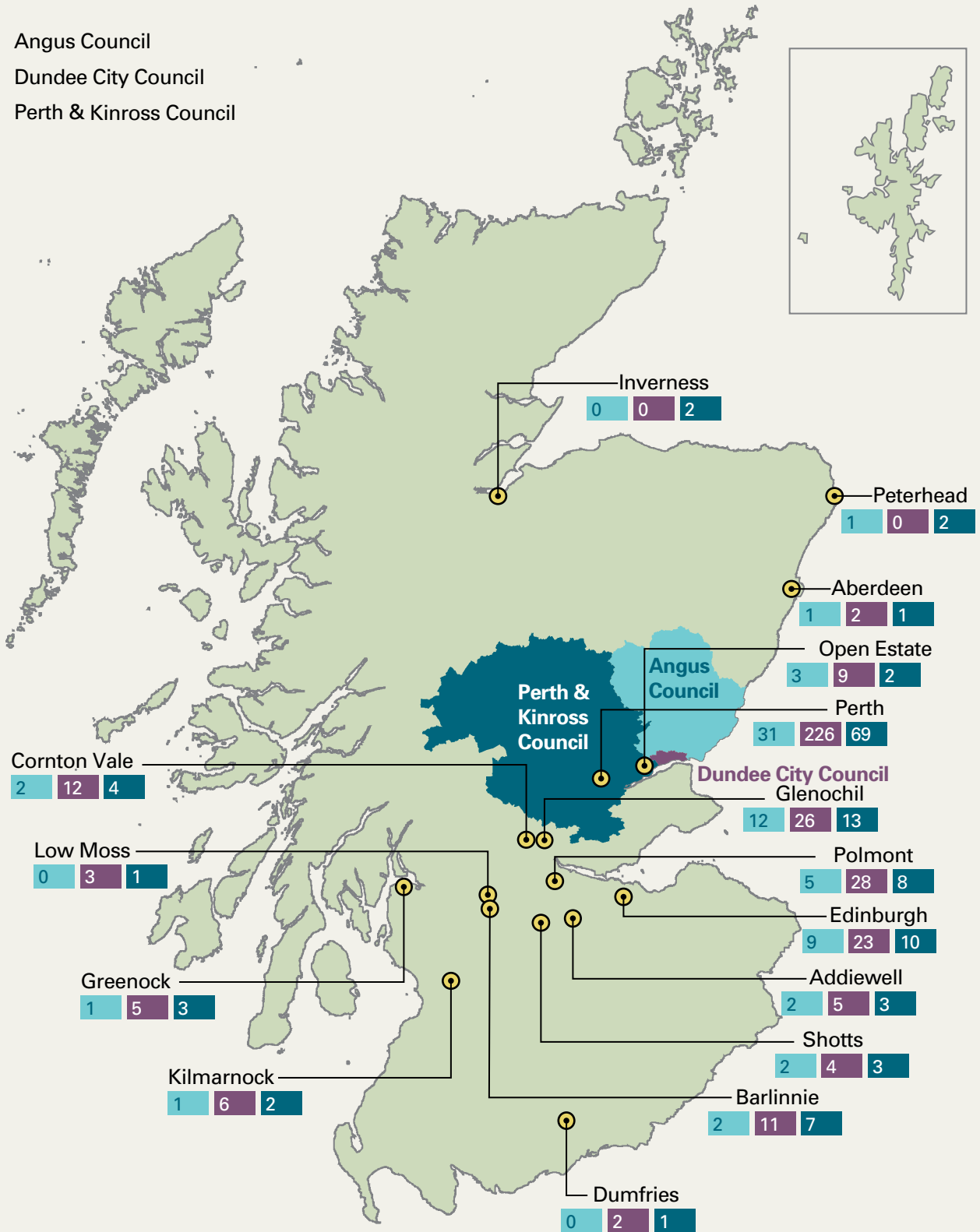
43 Some services may be listed more than once if they are delivered in more than one council area.

### Exhibit 9

#### Distribution of people in prison from Tayside CJA

The number of people in prison varies among councils and some are in prisons a long way from their home.

- Angus Council
- Dundee City Council
- Perth & Kinross Council



Source: Audit Scotland from data supplied by SPS in March 2012.

**78.** However, there appears to be only a limited relationship between the services offered to offenders, what is important to them in reducing reoffending and what is known to be effective. The majority of services cover three outcome areas – employability, health and addictions and influencing thinking and behaviour. Few are provided on money and debt management, motivation or families and relationships. Prisoners in our focus groups cited financial problems as one of the major concerns they had on leaving prison.

“Some guys have to go out with just a carrier bag, it’s all they have in the world.”

Prisoner in our focus group

**79.** There is considerable variation in the availability of services across prisons and council areas. [Exhibit 11](#) continues with the example of Tayside CJA and shows the number of services for each outcome area in the four prisons where most Tayside prisoners are located and the three council areas comprising the CJA.

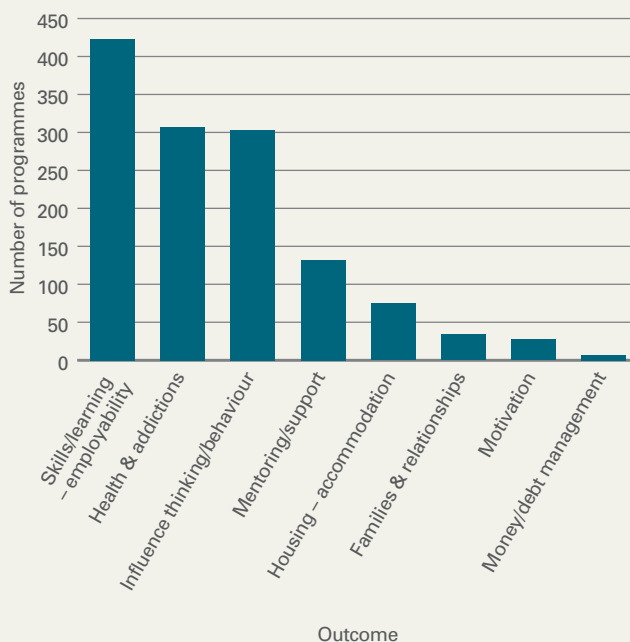
**80.** It shows that most services in Tayside CJA relate to employability, health and addictions and influencing thinking and behaviour, in line with the national analysis. People in our focus groups identified that they would appreciate more support in seeking employment, and supporting people into work is known to be an effective route to reducing reoffending. However, the availability of employability services varies by prison and council, with Perth & Kinross Council only providing one employability service compared to four in Angus; and HMP Edinburgh providing more services than HMP Perth.

**81.** Similarly, helping offenders build better relationships with their families and manage their lives better are also important elements of effective services. Our focus

## Exhibit 10

### Total number of services by outcome area

Most services provided are to improve employability.



Source: Audit Scotland, 2012 from the Directory of Services, Scottish Government

groups highlighted the importance of maintaining family contact. They also identified a real need for advice on money and debt management. However, there are very few services for Tayside offenders in these areas, with only one prison providing support on money and debt management; and two prisons and one council providing family and relationships support services.

**82.** The availability of a programme in a particular prison does not mean that all prisoners may access it. Some of the services delivered in prisons are funded by councils and prisoners’ access to it depends on whether it is funded by the council where they live. This variation in access to services is a significant issue for offenders. Prisoners in our focus groups felt strongly that there should be equitable access to the services they need.

**83.** The directory is a good start, but it does not include information on the number of places available or who is eligible to access a particular

service. The directory also makes no reference to the costs of the services and these are difficult to identify. Many services are commissioned by councils through a tendering process and the cost may be commercially sensitive, other services may be part of a national programme and providers may not be able to identify the cost of delivering it in one prison or council area. This information is important if the directory is to be an effective tool in supporting SPS, CJAs and councils plan and commission services to reduce reoffending.

### Prisoners serving short-term sentences need better support

**84.** Moving from prison back into the community is the time when people are most at risk of returning to their offending behaviour. Offenders have to find accommodation, sort out their benefits, arrange healthcare and access many of the services which were provided to them in prison, for example, training or educational programmes. The support offenders

**Exhibit 11**

The number of services in different outcome areas in prisons and councils where most prisoners from Tayside are located

Most services provided for offenders in Tayside are to improve employability.

Outcome area	HMP Edinburgh	HMP Glenochil	HMP Perth	HMYOI Polmont	Angus Council	Dundee Council	Perth & Kinross Council	Total
Families & relationships	2		-	1	-	1	-	4
Health & addictions	11	11	11	6	4	3	3	49
Housing – accommodation	8	3	4	5	1	2	1	24
Influence thinking/behaviour	4	8	5	14	8	5	6	50
Mentoring/support	11	2	1	2	2	3	-	21
Money/debt management	1		-	-	-	-	-	1
Motivation	-		-	-	-	-	2	2
Skills/learning – employability <sup>1</sup>	34	25	31	31	4	3	1	129
<b>Total</b>	<b>71</b>	<b>49</b>	<b>52</b>	<b>59</b>	<b>19</b>	<b>17</b>	<b>13</b>	<b>280</b>

Note: 1. There are fewer skills, learning and employability services in councils, as most people will attend the local further education college and courses won't be specifically tailored to offenders.

Source: Audit Scotland, 2012 from Directory of Services, Scottish Government

receive when moving from prison to the community is commonly known as 'throughcare'.

**85.** Prisoners serving sentences of four years or more – around 42 per cent of prisoners at March 2012 – receive statutory throughcare. This means that a criminal justice social worker assesses each prisoner's needs and the risks they pose when they leave prison; identifies the range of services needed to address these needs; and liaises with different service providers to ensure the offender receives the appropriate services on leaving custody. People serving longer sentences are less likely to reoffend, and the support they receive may be one of the factors contributing to this.

**86.** People serving a sentence of less than four years are also entitled to support from social work. However, prisoners must specifically request this and take-up is low. The shorter the sentence, the less likely it is that a prisoner will receive adequate support. It is not unusual for prisoners who have served a short sentence to leave prison with just a page of contact numbers and referrals, which they are expected to chase up themselves. Without appropriate support, there is an increased risk that prisoners will return to the communities and lifestyle which led them to offend. In our focus groups, prisoners expressed concern about the issues they will face when they leave prison, in particular housing, financial support and employment.

**87.** CJAs and their partners recognise the importance of providing good support for all prisoners, irrespective of the length of sentence, and are starting to address this. For example, pilot initiatives have recently been introduced in both HMP Barlinnie and HMP Perth to improve support for people serving short-term sentences. The pilot in HMP Barlinnie is being delivered jointly by Glasgow Community and Safety Services and SPS. The project team works with the prisoner at the pre-release stage to identify their needs and develop a plan for support. [Case study 1 \(overleaf\)](#) demonstrates the success this approach has had for one persistent offender.

**88.** Bridging and mentoring services, which start in prison and continue supporting prisoners when they return to their community, are also delivering some positive results. [Case study 2](#) describes a bridging and mentoring initiative in Renfrewshire and its effectiveness on reducing reoffending. However, as with all services, access varies depending on whether they are offered in a particular prison and funded by the prisoner's home council. [Exhibit 11 \(page 25\)](#) shows that bridging and mentoring services are not provided across the whole Tayside area. The Scottish Government has announced that some of the Reducing Reoffending Change Fund will be spent on bridging and mentoring services.

#### Access to housing is a particular issue for people leaving prison

**89.** Focus groups with prisoners identified housing as one of the biggest problems they faced, both when they arrive and when they leave prison. When someone is sentenced to custody, prisoners find it difficult to get appropriate advice and support, for example on how to give up their tenancy and where to store their belongings. On leaving custody, prisoners believed there was little chance of them securing tenancies in the areas they were returning to, and many had experience of homelessness.

**90.** As most prisons have prisoners from almost all council areas, it is hard for link-centre staff to develop good working relationships with all of the housing providers across Scotland. Prison staff also report that housing support for offenders is not consistent across Scotland. Some CJAs have recently developed housing protocols, similar to service level agreements, between the prison and local housing departments in order to improve housing services. These outline the responsibilities of each partner in providing services to offenders, but only apply to prisoners being housed in nearby councils. It is

too early to assess the impact these have had on reducing reoffending in those areas.

#### The Work Programme is having an impact on how people leaving prison are supported into employment

**91.** The Welfare Reform Act 2012 introduced a number of changes to the benefits system, including the Access to Work Programme.<sup>44</sup> This programme is having a significant impact on how people leaving prison are supported into employment or training. The full impact of these changes have yet to take effect but third sector organisations

report that councils have started to withdraw funding for their specialist employability services. For example, Apex Scotland, which provides employability courses for offenders, reported a drop in funding from councils for this type of work of 37 per cent in 2011/12.

#### Improvements are needed in how services to reduce reoffending are planned, designed and delivered

**92.** A more strategic approach to how services are planned, designed and delivered is needed if the individual needs of offenders are to be met in a cost-effective manner, irrespective

### Case study 1

#### HMP Barlinnie short-term prisoner pilot

Scott is 24, and was serving a six-month sentence for two shoplifting offences and a breach of the peace conviction. Over the past seven years, he has committed 36 offences and had 11 periods in prison. In the year up to April 2012, he had committed 15 offences with eight prison sentences (some running concurrently), the longest of which was six months.

Scott was keen to change his life. He has three children and was worried about the effect his offending was having on them. He blamed alcohol for many of his problems, said he was bored and often drank just for something to do. Scott had never previously looked for any support on leaving prison and none had been actively offered before this pilot approach was introduced.

Prior to his most recent prison sentence, Scott had moved into a flat, but he had no money to buy furniture. While Scott was in prison, his support worker arranged a meeting with his social housing provider, who agreed to keep his tenancy going during his sentence. When Scott was released, his support worker provided practical support by arranging emergency food packs, negotiating a payment plan to pay back rent arrears, assistance in appealing a Community Care Grant decision and accessing other funding to furnish his flat. Apex Scotland supported Scott in applying to college for a plastering course starting in early 2013.

Scott was released in April 2012 and has not had any convictions since then. The support to purchase furniture and kitchen appliances means he has more contact with his children who now stay with him regularly. While he still consumes alcohol occasionally, this is controlled – he is drinking socially rather than with the aim of getting drunk. He is still working towards his goal of securing employment, but he now structures his day around his family, sport and exercise.

Note: Scott's name has been changed to protect his identity.  
Source: Audit Scotland

44 Everyone applying for, and receiving, Jobseeker's Allowance is required to attend the programme to prepare them for employment.



of where they live, the length of sentence being served or where they are serving it. This is needed at both a national level, led by the Scottish Government, and within individual CJAs. The legislation should enable CJAs to adopt a more strategic approach to deciding what services are needed and how they should be delivered (for example, whether directly by criminal justice social work or purchased from voluntary or community-based organisations). However, the lack of flexibility in their funding and the way they were set up has constrained this.

**93.** The opening of HMP Low Moss has provided an opportunity to develop a more strategic approach to planning and commissioning programmes in that prison. The initiative is being coordinated by North Strathclyde CJA and Glasgow CJA, and involves SPS, councils in the local area (and other councils when required), the third sector and relevant funding bodies working together in partnership to plan and deliver services to reduce reoffending. (Case study 3, overleaf).

**94.** Our recent report on commissioning social care emphasises the importance of service users, third sector providers and commissioning bodies working in partnership to deliver cost-effective care.<sup>45</sup> The report also demonstrates how strategic commissioning can add value; the case studies reported include collaborative working in Clyde Valley for specialist foster care services and the national contract for secure care.

**95.** Until recently, the views of offenders were rarely considered in developing services to address offending behaviour. There are few examples of CJAs involving offenders or ex-offenders in their planning meetings. Prisoners who took part in our focus groups stated they were generally not asked for their views

## Case study 2

### Examples of initiatives to support offenders leaving prison

Moving On Renfrewshire is a mentoring service managed by Action for Children and delivered in partnership with a range of bodies including Fairbridge, SPS and Renfrewshire Council.<sup>1</sup> The project aims to improve the long-term outcomes for young male offenders leaving HMYOI Polmont by providing them with a mentoring service based on a youth work approach to support them and link them to services during and after their time in custody. Staff initially ensure that basic needs are met, such as housing benefits and healthcare. They then work to address issues known to be relevant to offending such as low self-esteem, poor communication skills and anger management. A recent evaluation shows that 90 per cent of eligible young people engaged with the project in prison, 87 per cent have continued to engage with it after release, and 74 per cent of clients had not returned to custody within two years, compared with only 50 per cent of young offenders with similar characteristics not on the programme.<sup>2</sup> Participants value the support they receive:

“This should be for the whole of Scotland, go in and see them, get your CVs done, sign up to the football and get your qualifications looked at. They talk to you like you are normal, they don’t look down on you and they aren’t born with silver spoons in their mouths. They are open and honest with you and more like big brothers. I have never had this type of support and anyone who needs it should be entitled to it.”

#### Notes:

1. The project has been funded by The Robertson Trust since 2008.

2. ‘Moving on’: *Throughcare for young male offenders in Renfrewshire. A report on outcomes.* The Robertson Trust, 2011.

Source: Audit Scotland, 2012

about service provision nor had they been involved in discussions on designing services or identifying what has worked for them. South-West Scotland is the only CJA where someone who has experienced the criminal justice system as an offender regularly attends board meetings.

**96.** This is beginning to change. Positive Prison? Positive Futures is a new organisation in Scotland representing ex-offenders, which is involved with the second phase of the Scottish Government’s Reducing Reoffending Programme. A number of voluntary or community-based services are increasingly involving ex-offenders in delivering their services, in particular mentoring and support services, eg Routes out of Prison.

### The third sector has an important role in delivering services to reduce reoffending but faces increasing challenges

**97.** Many services and programmes for offenders are delivered by a range of voluntary or community organisations (the third sector), often jointly funded by a combination of public and other funders, such as charitable trusts. Of the programmes identified in the directory, 107 third sector organisations provide 30 per cent of the services listed.

**98.** Traditionally, third sector organisations have directly approached prisons if they wish to work with prisoners. This has led to a patchwork of services being delivered by different organisations with no clear link to the needs of offenders

in the prison. In 2010, Lothian and Borders CJA published the results of a two-year programme to improve the coordination between third sector services and criminal justice bodies.<sup>46</sup> This proposed a more structured framework for planning and delivering services, based on identified need which is now being rolled out across all prisons and CJA areas.

**99.** A number of the interventions delivered by the third sector have been independently evaluated and shown to be successful in reducing reoffending. A recent review found the success of the third sector's contribution to reducing reoffending was due to five main characteristics – responsiveness and flexibility; capacity to develop innovative approaches to working with offenders; strong roots in local communities; its focus on partnership working and ability to bring different agencies together; and its commitment to developing strong relationships with offenders, build on mutual respect and trust.<sup>47</sup> These characteristics clearly link to the factors known to be successful in changing offending behaviour.

**100.** In September 2011, the Scottish Government announced a £7.5 million Change Fund (over three years) for reducing reoffending. The fund is drawn from the Scottish Government's Justice Directorates and Third Sector Directorate budgets. The aim of the Change Fund is 'to expand the coverage and impact of those interventions with a proven track record in reducing reoffending' and for this work to 'take account of the particular contribution that can be made by third sector providers'. The Scottish Government has stated that all the interventions receiving funding from the Change Fund will be subject to rigorous evaluations to ensure that they are based on what works and achieving their specific objectives.

### Case study 3

#### Planning and commissioning of services in HMP Low Moss

Since March 2012, North Strathclyde CJA in partnership with Glasgow CJA, the Scottish Prison Service and Turning Point Scotland has been working with over 30 public and third sector organisations to plan a new throughcare service for HMP Low Moss. The service is being developed as a Public Social Partnership (PSP) and will provide mentoring support to short-term prisoners being released from prison.

A small development team has been mapping prisoners' needs, holding focus groups with prisoners, ex-prisoners, prison staff and third sector providers and mapping existing community support services. Key issues for offenders have been identified as accommodation, substance misuse, unemployment, learning disability, relationship issues, parenting support and poor physical and mental health.

There is often a strong interrelation between these issues and the PSP aims to address them in a consistent and coordinated service model which it is anticipated will lead to a reduction in reoffending. The final service model will work closely with the range of statutory and voluntary organisations that already exist, and these bodies have agreed that their services would be more effective if they were part of a wider more coordinated throughcare pathway.

The PSP has bid for funding from the Scottish Government's Third Sector Division Exemplar PSP Fund, for a two-year pilot period to enable an evaluation of its ability to deliver the high-level outcomes of reducing reoffending and re-imprisonment amongst the short-term prisoner population. Thereafter the service will be subject to competitive tendering.

Source: Audit Scotland from information supplied by North Strathclyde CJA

### Recommendations

The Scottish Government, SPS, CJAs and councils should:

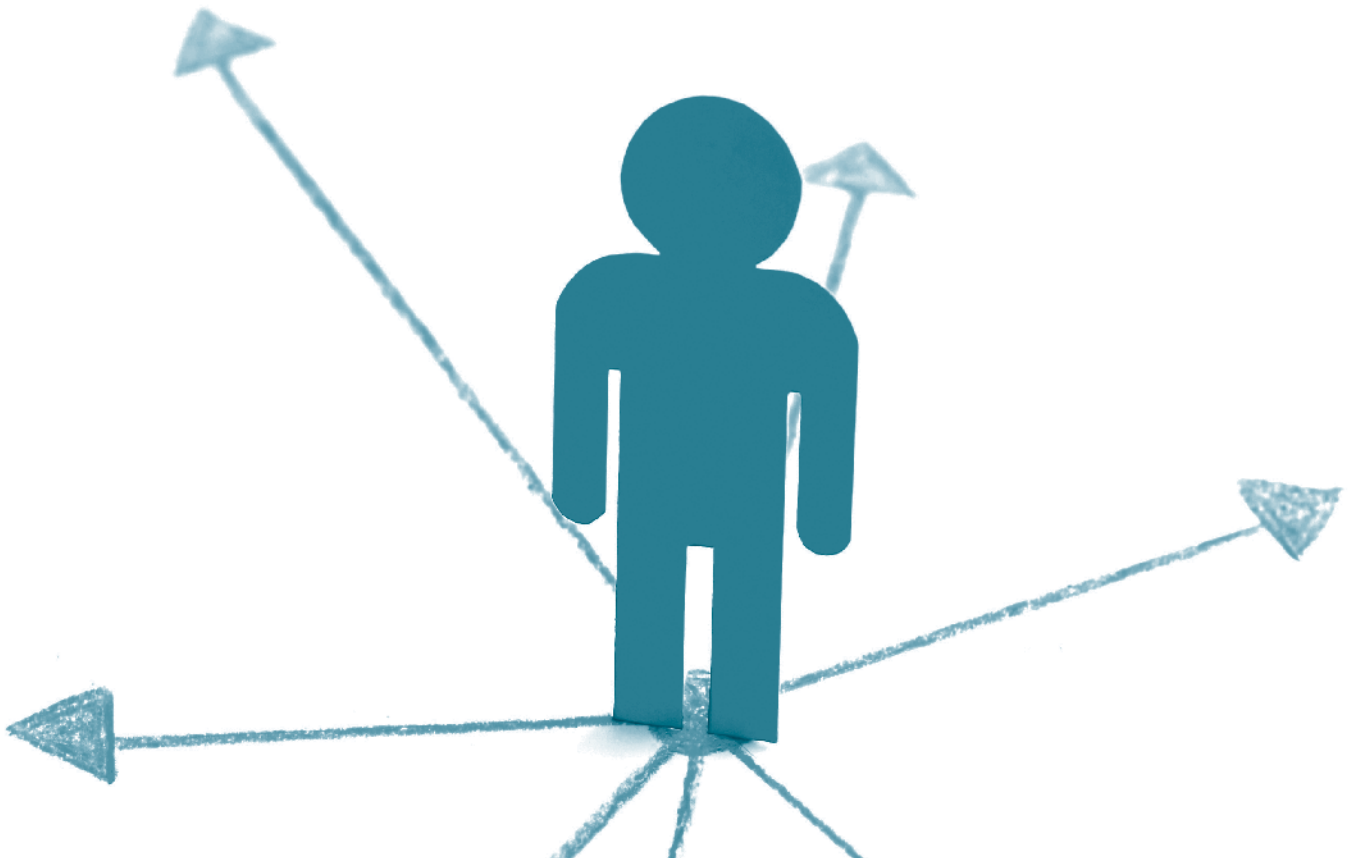
- work together, and with other relevant public and third sector providers, to improve how services to reduce reoffending are planned, designed and delivered to ensure that they:
  - meet the needs of offenders, in particular those serving short prison sentences

- recognise the level of demand
- are based on evidence of what works
- take into account costs of delivery.

<sup>46</sup> *Towards a model framework for third sector criminal justice services*, Partnership Development Initiative, 2010.

<sup>47</sup> *Why involve the third sector in reducing reoffending?*, Scottish Third Sector Research Forum, 2012.

# Part 4. Effectiveness of current arrangements



CJAs have brought people together but the way they were set up has limited their effectiveness in reducing reoffending.

## Key messages

- CJAs were established to improve joint working and reduce reoffending. They have made progress in bringing people together but have had little impact on reducing reoffending. The way they were set up has significantly limited their effectiveness, and there are no nationally-agreed measures to assess their performance.
- The range of bodies involved and the structure of the public sector in Scotland creates a complex landscape. There is limited alignment between the priorities of CJAs and those of other local partnerships such as Community Planning Partnerships and Alcohol and Drug Partnerships.
- Stronger leadership is required if reoffending is to be significantly reduced. There has been limited progress on many of the problems identified in the 2006 *National Strategy for the Management of Offenders* and these need to be addressed.

### CJAs were established to improve joint working and reduce reoffending

**101.** Many different bodies are involved with people who offend. In addition to SPS, CJAs and councils, other bodies include the Crown Office and Procurator Fiscal Service, the Scottish Court Service, the police, NHS boards, professional individuals (such as procurators fiscal and members of the judiciary) and third sector organisations.

**102.** In recognition of the need for better joint working in dealing with offenders, the Management of Offenders (Scotland) Act 2005 (the Act) created eight statutory CJAs. CJAs are the only bodies within the criminal justice system with a specific

responsibility to reduce reoffending. Their statutory functions are to:

- prepare, in consultation with other bodies responsible for the delivery of services, a plan for reducing reoffending in their area
- report annually to Scottish ministers on delivery of services in compliance with the plan
- distribute money provided by the Scottish Government to council criminal justice social work services; and ensure that it is being used effectively
- monitor and report on the performance and effectiveness of joint working among bodies responsible for the delivery of these services
- support better information-sharing and the sharing of good practice.

**103.** The Act places a duty on SPS and councils to cooperate with CJAs, and defines the police, NHS boards, Scottish Court Service, Crown Office and Procurator Fiscal Service, Victim Support Scotland and third sector organisations receiving funding over £100,000 a year as statutory partners.

**104.** CJAs were formally established on 1 April 2007. They are independent bodies, accountable to ministers, with boards made up of elected members from constituent councils. CJAs are small, each employing between three and four staff. The number of councils covered by CJAs varies, ranging from one in Glasgow to seven in Northern. The number of prisons within each CJA area also varies. [Exhibit 12](#) shows how council boundaries fit into CJA areas, and the location of individual prisons and sheriff courts.

### CJAs have made progress in bringing people together but there is scope to improve links with local partnerships

**105.** CJAs have made progress in bringing people involved with dealing with offenders together within their local area. This has been welcomed by many of the practitioners and managers we interviewed. It has improved collective understanding of the roles and responsibilities of the range of organisations involved with offenders and increased awareness of the programmes and interventions available locally.

**106.** Councils and SPS have a duty to cooperate with the CJA and both are consistently represented at board meetings. For councils, this is usually through the head of criminal justice social work or the chief social work officer. SPS initially employed four CJA liaison managers who shared attendance at CJA board meetings between them. CJA liaison managers reported directly to SPS headquarters, but did not have any operational responsibility, limiting their ability to directly influence the use of resources.

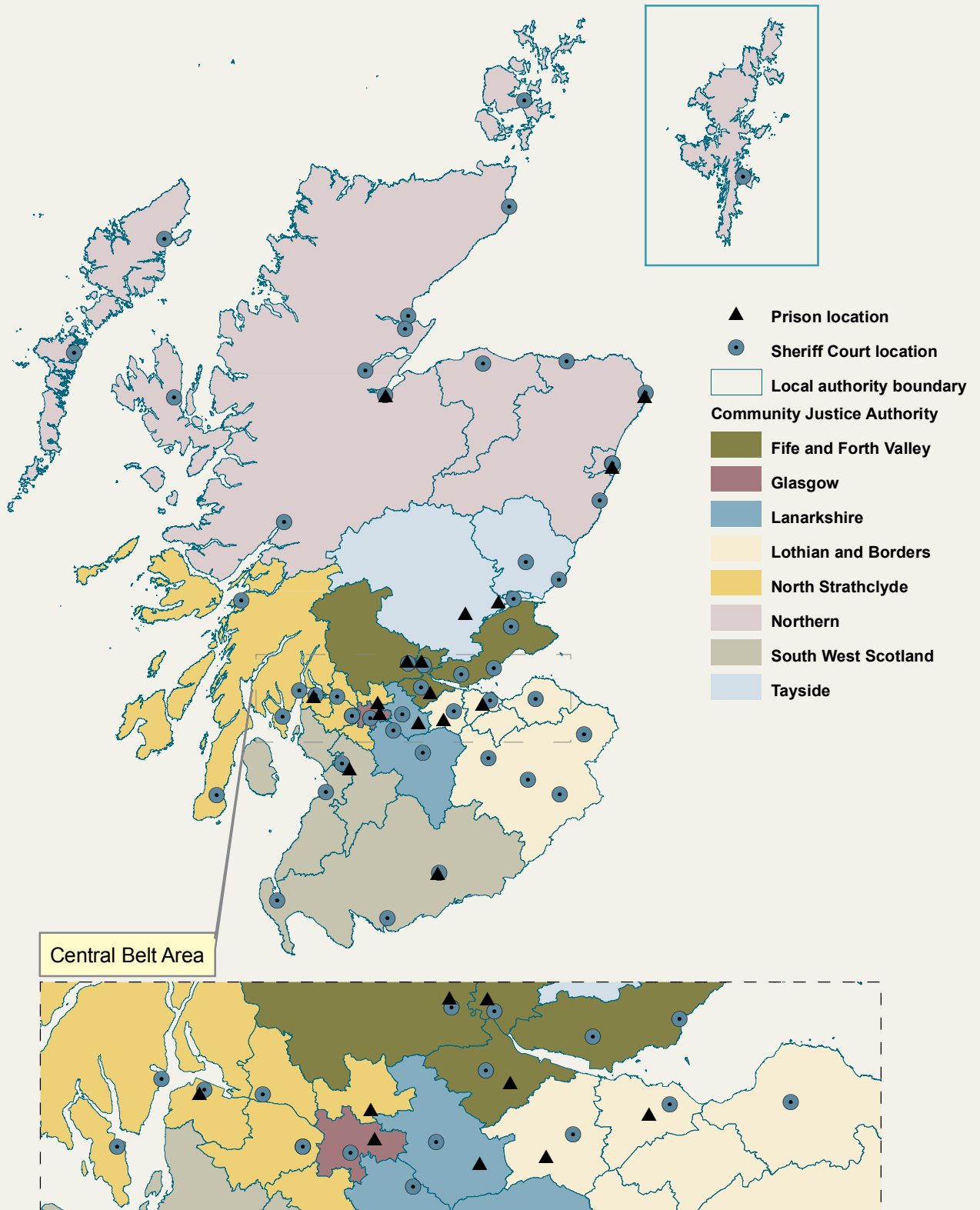
**107.** However, attendance by some of the other statutory partners at CJA board meetings is variable. During our fieldwork, some interviewees told us that attending meetings was not always a good use of their time. We also found confusion about CJAs' role in reducing reoffending and delivering community justice.

**108.** CJAs have sometimes found it difficult to engage with local NHS boards, despite the importance of improving health and dealing with addictions in reducing reoffending. In November 2011, responsibility for prisoner healthcare was transferred from SPS to NHS. CJAs report that this has helped to increase awareness and involvement with criminal justice issues in those NHS boards where there are prisons.

**Exhibit 12**

**Councils, CJA boundaries and location of prisons and sheriff courts in Scotland**

There are different numbers of councils and prisons in each CJA.



Note: © Crown copyright and database rights 2012, Ordnance Survey licence number 0100050061.  
Source: Audit Scotland

**109.** We found limited engagement between CJAs and local sheriffs. While it is important to retain judicial independence, engagement with the CJA could help improve sheriffs' awareness and understanding of offender needs and the options available locally to address them. There is scope to improve communication and build a shared commitment to reducing reoffending between sheriffs and CJAs.

### Links between CJAs and other local partnerships are limited

**110.** Reducing reoffending is not just a problem for criminal justice bodies, but a concern for communities and the wider public sector. In addition to organisations directly involved with CJAs, there are a number of other partnerships whose work overlaps with them, in particular Alcohol and Drug Partnerships (ADPs) and Community Planning Partnerships (CPPs).

**111.** The extent to which these partnerships' priorities are aligned locally varies. There is scope for better alignment of plans and outcomes between CJAs and CPPs. For example, out of 32 Single Outcome Agreements, only nine make reference to reducing reoffending. Six refer to criminal justice social work and four include references to the ADP. Links between CJAs and ADPs are improving, with two-thirds of ADP strategies referring to work with the CJA.

**112.** The potential savings that might be achieved across the public sector demonstrate the importance of generating wider ownership for dealing with the current levels of reoffending. For example, an analysis of the Persistent Offender Project in Glasgow by the Scottish Government in 2011 identified that for every £1 spent on the project, there were benefits of up to £14 in the form of reduced economic and social costs, leading to a total net benefit of £10 million over three years.<sup>48</sup>

### The way CJAs were set up has limited their effectiveness in reducing reoffending

**113.** The boards of CJAs consist entirely of councillors from constituent councils. The level of engagement and understanding varies among board members, as does the level of scrutiny and challenge. Councillors can find it difficult to separate their responsibility to the CJA and to their council, and do not always consider issues from a CJA perspective. This has limited CJAs' ability to move funds between constituent councils in order to meet the needs of local offenders within the CJA area.

**114.** Full CJA meetings involve many people from a range of organisations with different accountabilities. Our analysis of the minutes of CJA board meetings shows they are typically attended by around 20–25 people from the range of statutory partners, often with apologies from another 10–15 people. [Exhibit 13](#) shows typical attendance at the board of South West Scotland CJA (25 people from 18 organisations). The number of people around the table and the different accountabilities mean that meetings are often not an efficient or effective use of time. We found that councillors did not feel empowered to scrutinise performance or ask challenging questions. None of the statutory partners is accountable to the CJA, so the board cannot hold them to account if they do not deliver against agreed CJA priorities.

**115.** CJA effectiveness has also been limited by their lack of operational control. CJAs do not deliver services – these are delivered by councils' criminal justice social work teams. Although the legislation gave CJAs powers to intervene if council criminal justice social work services were not delivering agreed priorities, this has never happened. The close

link between CJA board members and their councils, and the dual accountability criminal justice social work services have to both the CJA and the council, has limited CJAs' ability to ensure local priorities are being achieved.

**116.** CJAs only employ three or four staff each. This limits their capacity to undertake the full range of work they are required to do, for example collecting and analysing data on local offenders, monitoring how effectively allocated funds are being spent by constituent councils or planning appropriate offender services in their areas. It is also challenging for those CJAs with several constituent councils to liaise effectively with all the different criminal justice social work teams and other local partners in their area.

### CJA performance has never been assessed

**117.** CJAs have delivered against their statutory functions for planning and reporting to the Government on delivery. They produce three-year area plans, action plans and annual reports summarising their activity, which are approved by the Scottish Government. In general, the annual reports describe activities that the CJA has undertaken, rather than include data on the effectiveness of this work on reducing reoffending, which is one of their statutory responsibilities. The Scottish Government reviews the area plans and reports, and provides limited comments to each CJA, for example, on the quality of objectives.

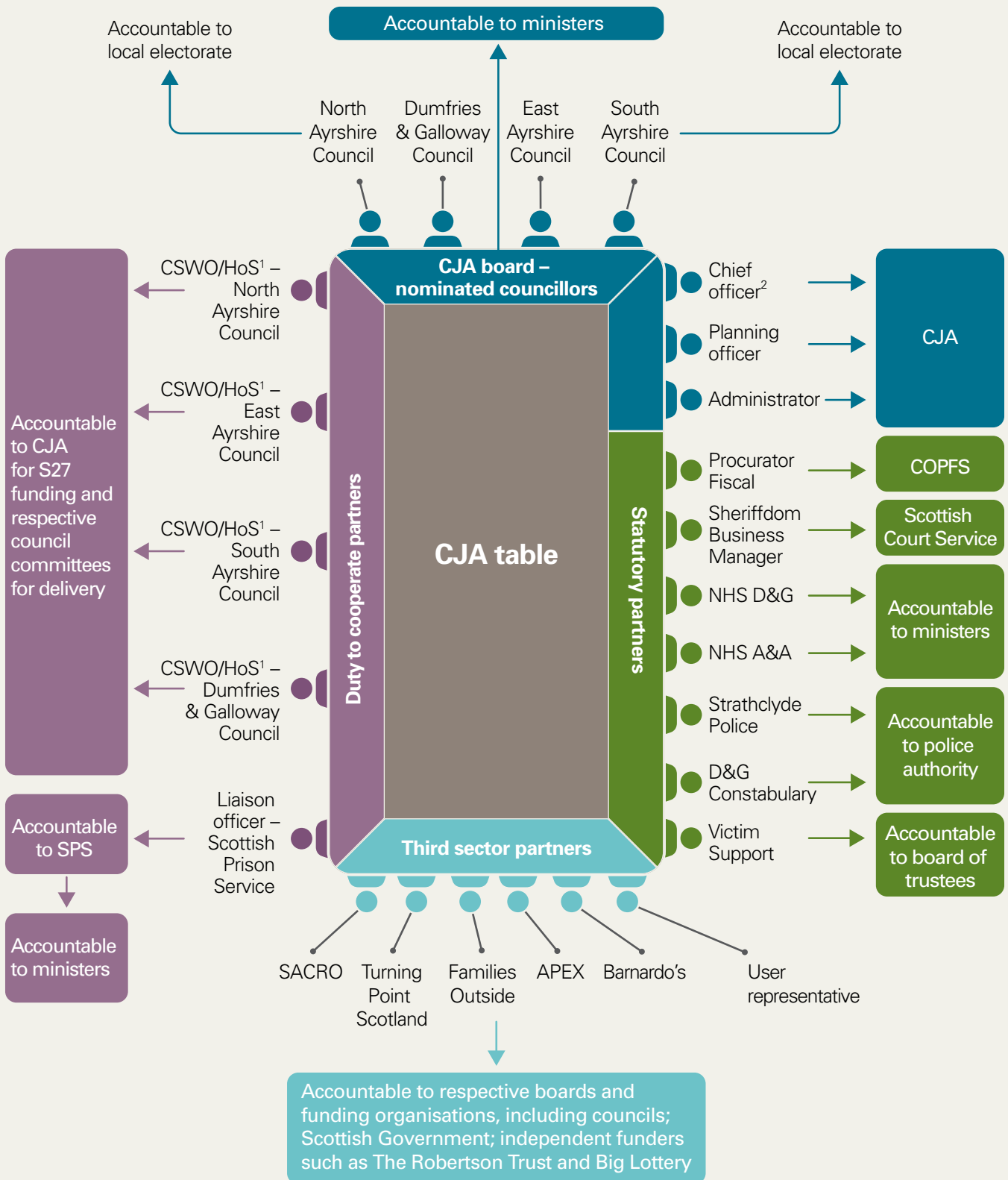
**118.** However, the effectiveness of CJAs in reducing reoffending locally has never been systematically assessed. The Scottish Executive published a *National Strategy for the management of offenders* in 2006. The strategy listed seven outcomes for communities and nine outcomes

<sup>48</sup> The Persistent Offender Project is a project run by Glasgow Addiction Services and Strathclyde Police to identify substance – misusing persistent offenders and offer them intensive support and treatment.

**Exhibit 13**

**Example CJA board and partner organisations**

There are a large number of organisations attending CJA board meetings.



Note:

1. CSWO/HoS – Chief Social Work Officer/Head of Service.
  2. The CJA Chief Officer is also separately accountable to Scottish ministers.
  3. South West Scotland CJA is the only CJA where a user representative regularly attends board meetings.
- Source: Audit Scotland

for offenders.<sup>49</sup> These were intended to provide a performance framework to assess the progress of CJAs, but the relevant data has never been collected, either by CJAs or nationally, to enable performance to be measured.

**119.** In 2007, the Scottish Government set a national indicator to reduce the two-year reconviction rate. However, as we highlighted in *An overview of Scotland's criminal justice system*, this information cannot be used to determine the impact of local projects or interventions as it does not reflect recent changes in the frequency or level of reoffending.<sup>50</sup>

**120.** As the 2006 strategy identified, success in reducing reoffending does not have to be measured only by reconviction rates. There are intermediate outcomes for people who have offended that reflect positive developments in their lives and reduce the risk of reoffending, for example continued attendance at a training course, improved relationships with their families or a reduction in alcohol use. The Scottish Government is currently consulting on the development of a performance framework to assess progress in reducing reoffending which is likely to reflect some of these intermediate outcomes.

### **Stronger leadership is required if the level of reoffending is to be significantly reduced**

**121.** As Part 1 of this report demonstrates, reoffending has been a problem in Scotland for many years. The 2006 *National strategy for the management of offenders* identified that the system at the time lacked a sense of direction, it was struggling to cope with high volumes

of demand, service provision was inconsistent and not joined-up, the focus was too often on the service rather than the offender, and lines of accountability were not clear. In our view, the strategy has had limited impact on addressing these issues.

**122.** In 2008, the Scottish Government established the Reducing Reoffending Programme. This was a wide-ranging policy initiative looking across the whole criminal justice system, aimed at tackling reoffending. The focus of Phase 1 of the programme (which was completed in 2011) was the introduction of Community Payback Orders.

**123.** Phase 2 of the Reducing Reoffending Programme started in April 2012 and includes five areas of work:

- overhauling performance management
- a funding review
- improving services for throughcare
- improving responses for women who offend
- a cross-cutting work stream on community justice structures.

**124.** Given the findings of this audit, improvements are required in all of these areas. Overall, a more coherent approach at national, regional and local levels is required, with a shared commitment to reduce reoffending among all the bodies who work with offenders, including criminal justice bodies, councils, the judiciary, the NHS and the third sector.

**125.** The Scottish Government published a new strategy for justice in

August 2012.<sup>51</sup> One of the priorities in the strategy is to reduce reoffending. In implementing this priority, it is important that:

- the individual needs of offenders are understood by all those who are working with them
- there is a strategic approach to planning, designing and delivering services for offenders – to ensure they are cost-effective, meet the needs of offenders and communities, are focused on reducing reoffending and offenders are appropriately involved in discussions
- the funding mechanism supports delivery of successful outcomes for offenders, can respond to changes in demand and offers flexibility to allow those planning and delivering community justice services to meet the individual needs of offenders in their local area
- there is a clear framework for managing performance and assessing progress in reducing reoffending at both national and local levels
- there are clear lines of accountability and a mechanism to ensure collective responsibility for reducing reoffending among all criminal justice and other bodies who work with offenders
- there is a more coordinated and strategic approach to working with the third sector which reduces their administrative burden in working with the public sector and recognises the additional resources and different skills they can contribute to reducing reoffending.

<sup>49</sup> **The seven outcomes for communities were:** Increased community safety and public protection through a consistent approach to managing offenders; Increased public confidence in the effectiveness of work with offenders; Improved understanding of community disposals; Improved understanding of the role of prisons; Improved satisfaction for victims, sentencers and beneficiaries of work by offenders; Appropriate care of victims; Timely information and, where appropriate, involvement for the families of offenders.

**The nine outcomes for offenders were:** Sustained or improved physical and mental well-being; The ability to access and sustain suitable accommodation; Reduced or stabilised substance misuse; Improved literacy skills; Employability prospects increased; Maintained or improved relationships with families, peers and community; The ability to access and sustain community support, including financial advice and education; The ability to live independently if they choose; Improvements in the attitudes or behaviour which lead to offending and greater acceptance of responsibility.

<sup>50</sup> *An overview of Scotland's criminal justice system*, Audit Scotland, 2011.

<sup>51</sup> *The strategy for justice in Scotland*, Scottish Government, 2012.



## Recommendations

The Scottish Government should:

- improve the range of performance measures to assess the effectiveness of SPS, CJAs and councils in reducing reoffending
- review the current arrangements for managing offenders in the community to ensure that:
  - there are clear and shared objectives to reduce reoffending
  - those working to reduce reoffending have appropriate powers
  - there is clear accountability and a mechanism to promote collective responsibility for reducing reoffending
  - arrangements promote and support what works in reducing reoffending and allow flexible service delivery
  - there is a more coordinated and strategic approach to working with the third sector.

# Appendix 1.

## PAC recommendations to Audit Scotland for reducing reoffending report

Recommendation	Report reference
<p>The Committee would also wish Audit Scotland to include an analysis of changes in one-year and two-year reconviction rates for the past decade together with analysis of the scale and nature of reoffending in Scotland in its performance audit report.</p>	<p>Reconviction rates are the most widely used method of measuring reoffending. These have remained relatively static in Scotland over the past 13 years. In 1997/98, 32 per cent of offenders were reconvicted within one year. Reconviction rates increased to 33 per cent in 2002/03 and have declined since then to 30 per cent in 2009/10. Two-year reconviction rates have followed a similar pattern, rising to 45 per cent in 2002/03 and declining to 42 per cent by 2008/09. In 2009/10, 47,336 people were convicted of an offence, and 14,245 of them were reconvicted within one year. In 2010/11, 9,500 people had ten or more previous convictions.</p> <p>See Part 1 for more detail.</p>
<p>The Committee seeks confirmation from the Scottish Government of when it anticipates that this outcome framework will be implemented.</p> <p>The Committee also invites Audit Scotland to comment upon the appropriateness of the different outcomes measures identified in the framework for assessing reoffending rates.</p>	<p>The Scottish Government consulted on proposals for a draft framework early in 2012. The consultation has closed and a stakeholder group has been formed to analyse responses and take forward work to develop the framework further as part of the Reducing Reoffending Programme Phase 2.</p>
<p>The Committee would welcome an update from Audit Scotland in its performance audit report on the progress made by the Scottish Government in improving data collection; and the performance information and management process.</p>	<p>Progress is being made in developing information systems to identify the needs of individual offenders. During 2011, the Scottish Government rolled out the case management tool – Level of Service/Case Management Inventory (LS/CMI) to all councils and SPS. This is primarily intended to support criminal justice social workers assess an offender’s needs and the risks they pose to communities, but it also has potential to provide management information to support the planning and design of services locally. However, as the roll-out was only completed in March 2012, this potential has not yet been explored.</p>

Recommendation	Report reference
<p>The Committee would seek an update from Audit Scotland, in its performance audit report, on the value for money of the £100,000 provided in 2010/11 and 2011/2012 to each CJA and on the distribution of the Reducing Reoffending Fund of £7.5 million.</p>	<p>CJAs reported that they found it challenging to plan, manage and spend the funding because it was provided at short notice and was guaranteed only for a year. It is difficult to identify how effective this funding has been in reducing reoffending among women. It was spent in different ways, often supplementing existing funding for services for women offenders, there are no consistent measures of performance and effectiveness needs to be assessed over a longer time (see Part 2 for more detail).</p> <p>Details of how the money was spent was provided to the PAC and is available on the Scottish Parliament's website (<a href="http://www.scottish.parliament.uk/S4_PublicAuditCommittee/Inquiries/justiceoverview_CJA.pdf">http://www.scottish.parliament.uk/S4_PublicAuditCommittee/Inquiries/justiceoverview_CJA.pdf</a>).</p> <p>The Scottish Government announced in October 2012 that it was awarding funding of £1.5 million to 23 organisations working across Scotland from the Reducing Reoffending Change Fund. The funding is being spent on mentoring schemes, which provide support to offenders, for example, when they leave prison or if they problems with drugs and alcohol.</p>
<p>The Committee would also welcome further information from Audit Scotland, in its performance audit report, on the effectiveness of short-term prison sentences in reducing reoffending, compared with community justice programmes.</p> <p>and</p> <p>The ease or otherwise of offenders moving from offender services within the Prison Service to those in the community, upon release.</p>	<p>In Scotland, 46 per cent of people who left prison in 2009/10 reoffended within a year, compared to 34 per cent of those who received a community sentence. In general, people serving a prison sentence of one year or less have higher reconviction rates than those serving longer prison sentences. The SCCJR report commissioned for this audit also found that in all the countries viewed reconviction rates were higher for those leaving prison than those serving community sentences.</p> <p>Moving from prison back into the community is the time when people are at most risk of returning to their offending behaviour (see Part 3 for more detail). Prisoners serving sentences of four years or more receive statutory support from criminal justice social work. People serving less than four years are also entitled to support but this is voluntary and prisoners must specifically request it. The report identifies that more support is required for people leaving prison after serving short sentences.</p> <p>Bridging and mentoring services have been shown to have positive results in reducing reoffending. However, access varies. The Scottish Government has announced that some of the Reducing Reoffending Change Fund will be spent on these types of services.</p>

# Appendix 2.

## Audit methodology

The focus of our work was on what happens to adult offenders sentenced in court and the approaches taken to reduce the likelihood they will reoffend.

Our audit methodology had six main components:

- In-depth fieldwork with four CJAs and interviews with a range of organisations involved in reducing reoffending.
- Desk-based research of existing information relating to reducing reoffending in Scotland and document review from key bodies.
- Analysis of existing and original data including Scottish Government reconviction data and SPS data.
- Financial analysis of the costs involved in reducing reoffending and delivering community sentences.
- Commissioning SCCJR to analyse reconviction data from other countries, including England and Wales, New Zealand, Northern Ireland, Norway and the Republic of Ireland
- Commissioning Reid Howie consultants to carry out focus groups with offenders currently serving a prison or community sentence.

### In-depth fieldwork and interviews

We conducted in-depth fieldwork in four CJAs – Fife and Forth Valley, Northern, North Strathclyde, and Tayside – during March/April 2012. In each CJA, we interviewed the chief officer and planning officer, the convener and elected members of the CJA board, criminal justice

social work managers for each constituent council of the CJA, and other partners, including the Scottish Court Service, the Crown Office and Procurator Fiscal Service, NHS, police, Victim Support, and the voluntary sector, including APEX, Turning Point Scotland, and SACRO. We also interviewed a CJA liaison officer from SPS as a representative for all CJAs.

We visited four prisons and interviewed the Governor, Outcomes Manager, and link centre staff in each. We observed various CJA board meetings and planning events.

We also interviewed other key stakeholders involved in reducing reoffending:

- Centre for Justice Innovation
- all Community Justice Authority Chief Officers
- Director of Judicial Studies
- Independent funding organisations – The Robertson Trust and the Big Lottery
- Lord President and Lord Justice General
- Members of the judiciary, including the Sheriffs' Association
- Positive Prisons, Positive Futures
- Risk Management Authority
- Scottish Government – Justice Directorate
- Scottish Prison Service
- Voluntary sector Chief Executives, including APEX, SACRO, and Turning Point Scotland.

### Desk-based research

We researched existing information to examine areas such as the role of the voluntary sector and other organisations in reducing reoffending, and the costs of reoffending to society. We also examined all 32 Single Outcome Agreements to identify any discussion of reoffending.

We reviewed documentation from the Scottish Government, CJAs, and SPS relating to their role in reducing reoffending, including strategies and programmes, performance management, and CJA local area plans and action plans.

### Data analysis

We analysed existing data on reoffending in Scotland and original data provided by the Scottish Prison Service. We examined data published by the Scottish Government including reconviction data, data on the Scottish prison population and criminal proceedings data to identify the scale and nature of reoffending in Scotland. We also analysed data provided by SPS on the prisoner population on one day in March 2012 to identify where prisoners were from in Scotland and the profile of the prison population in terms of number of previous prison sentences. We used this information to produce GIS maps for inclusion in the report.

We also analysed the Scottish Government's Directory of Services to identify the number and type of services in each council, and CJA area.

### Financial analysis

We used work undertaken by the Scottish Government, SPS, and CJAs in 2012 to estimate the proportion of their expenditure spent on reducing reoffending. Based on the four Rs (restriction, reparation, reintegration, and rehabilitation), they calculated

the amount spent on each element. We then combined this analysis to identify the overall expenditure by the three bodies on the four Rs . We used expenditure on rehabilitation and reintegration as the basis for identifying expenditure on reducing reoffending.

We analysed financial returns from councils to CJAs and national statistics to calculate the unit costs of community sentences and social work court reports and identify variation across the country.

We also analysed CJA accounts to identify overall levels of funding and expenditure for CJAs between 2007/08 and 2010/11. We also used local government financial returns to examine council's income and expenditure on criminal justice social work. However, there are limitations to the local government financial return data. There are variations in context and accounting practice in councils and returns are often not completed on a consistent basis.

### International research

We commissioned SCCJR to analyse and compare existing data on reconviction rates in Scotland, England and Wales, Northern Ireland, the Republic of Ireland, Norway and New Zealand. SCCJR looked at the justice system in these countries, reoffending trends recidivism by different variables (such as gender and type of disposal), and drew conclusions as to the factors affecting reoffending. The full report from SCCJR is available separately on the Audit Scotland website.

### Focus groups

We commissioned Reid Howie Associates to undertake focus groups with offenders serving community or prison sentences. The locations of the groups were chosen to coincide with the in-depth fieldwork areas. Although the offenders were a cross-section of those held in their respective establishments or undertaking community sentences, they were not intended to be representative of all offenders. All participants were volunteers.

Focus groups were held in four prisons – HMYOI Polmont; HMP Aberdeen; HMP Low Moss; and HMP Perth. A total of 27 prisoners took part in these focus groups

Four focus groups with offenders on community sentences were undertaken in four council areas – Aberdeenshire, Falkirk, Fife, and Renfrewshire. A total of 22 offenders took part in these focus groups.

The full report from Reid Howie Associates is available separately on the Audit Scotland website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

# Appendix 3.

## Membership of the advisory group

Audit Scotland would like to thank members of the advisory group for their input and advice throughout the audit.

Member	Organisation
Dr Sarah Armstrong	Scottish Centre for Crime and Justice Research
Inspector Andy Bell	Association of Chief Police Officers Scotland
James Fowlie	COSLA
Joe Griffin	Acting Deputy Director for Community Justice, Scottish Government
Howard Llewellyn	Chief Officer, Tayside Community Justice Authority
Michelle MacLeod	Head of Policy, Crown Office and Procurator Fiscal Service
Gill Ottley	Deputy Director, Care Inspectorate
Jane Richardson	Assistant Director for Strategy, Scottish Prison Service
Yvonne Robson	Manager for Transformational Change, Association of Directors of Social Work
Prof. Alec Spencer	Scottish Consortium for Crime and Criminal Justice
Alan Staff	Chief Executive, Apex Scotland

Note: Members of the project advisory group sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

# Appendix 4.

## Questions for CJA board members

These questions are primarily intended to be used by CJA board members to support their governance role. They may also be of use to CJA officers and their partners in improving the planning and delivery of services to reduce reoffending. They are grouped into four themes: strategic direction, planning, monitoring performance and working effectively as a board.

	Key questions
Strategic direction	Do you have a good understanding of the strategic context the CJA is working within? In particular, are you aware of: <ul style="list-style-type: none"> <li>• how the criminal justice system works in Scotland?</li> <li>• the national policy context and relevant performance frameworks?</li> <li>• the options available for sentences and services?</li> <li>• what is effective in reducing reoffending?</li> <li>• the level of demand for community justice services in your area?</li> <li>• the profile of offenders and reoffenders in your area?</li> <li>• the overall financial context and how funding arrangements work?</li> <li>• the organisations and partnerships involved in reducing reoffending both locally and nationally and their roles and responsibilities?</li> </ul>
	Has the board agreed: <ul style="list-style-type: none"> <li>• clear priorities for the CJA?</li> <li>• the outcomes you want to achieve?</li> <li>• what needs to be done to achieve them?</li> </ul>
	Are these priorities based on evidence of local need and demand?
	Have users been involved in discussions about reducing reoffending in your area?
	Has your CJA effectively engaged with local partners and partnerships in terms of: <ul style="list-style-type: none"> <li>• developing a shared strategic approach for reducing reoffending?</li> <li>• ensuring the CJA's priorities are reflected in partner organisations' strategic and operational plans?</li> <li>• ensuring the CJA's priorities are reflected in other partnerships' strategic and operational plans?</li> </ul>
	Has the board agreed an evidence-based strategic plan, based on your agreed priorities? Is this supported by an action plan which clearly describes what the CJA is going to do to reduce reoffending in the area?

	Key questions
Planning	Is the CJA's approach to planning informed and driven by agreed priorities?
	Has the CJA identified all the information needed to plan services in your area?
	Does this information include: <ul style="list-style-type: none"> <li>• the numbers and characteristics of offenders in your area?</li> <li>• an estimate of future levels of demand?</li> <li>• the range of support available across the CJA for offenders?</li> <li>• the capacity of different services and support arrangements – is there a gap between current provision and predicted demand?</li> <li>• the level of funding available?</li> <li>• costs of different criminal justice social work activities and other relevant services?</li> <li>• the relative effectiveness of different services and support mechanisms in achieving agreed outcomes and reducing reoffending?</li> </ul>
	Has the board taken appropriate decisions to ensure that the money allocated to it is distributed to constituent councils according to agreed priorities?
	Is the board aware of other resources available within constituent councils and relevant local partnerships for reducing reoffending?
Monitoring performance	Does the board receive the information it needs to scrutinise performance effectively?
	Is the information presented in a way that helps you challenge and question performance? For example, does it <ul style="list-style-type: none"> <li>• clearly identify where you are achieving improved outcomes and where performance needs to improve?</li> <li>• include relevant information on costs and spending?</li> <li>• enable you to assess whether you are achieving value for money?</li> <li>• include comparative information (eg with other areas or over time) to enable you to draw conclusions on what needs to improve?</li> </ul>
	If the CJA is not achieving the desired outcomes for offenders, has the board explored the reasons for this taken steps to address any barriers to improvement?



	<b>Key questions</b>
<b>Working effectively as a board</b>	Are you clear about your own role and responsibilities as a member of the CJA board?
	Are you clear about the board's role and responsibilities in reducing reoffending?
	Are you clear on your partners' roles and responsibilities?
	Do board members have the right mix of skills and experience to assess and challenge performance? If there are gaps, what is being done to fill them?
	Do the people attending CJA meetings have the right level of seniority to make decisions?
	Do you think the number of people attending board meetings is manageable or too unwieldy? If too many people attend, have you considered how to address this?
	Has the board considered who all the stakeholders are and the best way of engaging with them? Does it have a plan for stakeholder engagement?
	Do you think board meetings are run effectively? Do you always know why different topics are being discussed, what decisions are being made and what will happen as a result of those decisions?
	<p>Have you assessed your own performance as a board? Did you consider:</p> <ul style="list-style-type: none"> <li>• how you could be more effective, both at a personal level and as a board?</li> <li>• whether the board is sufficiently open and transparent about the decisions it makes and how it works?</li> <li>• whether the CJA is sufficiently open to learning and sharing your experience with other CJAs and other boards?</li> </ul>

# Reducing reoffending in Scotland

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ISBN 978 1 907916 78 6      AGS/2012/8

This publication is printed on 100% recycled, uncoated paper



**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 11 June 2013

**BY:** Executive Director (Support Services)

**SUBJECT:** Major Capital Investment in Councils (Audit Scotland, March 2013)

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**5**

## **1 PURPOSE**

- 1.1 To provide Audit and Governance Committee with a summary of the Audit Scotland report, '*Major Capital Investment in Councils*'.

## **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Committee notes the report and the actions that East Lothian Council is taking to improve the effectiveness of the management of its capital investment programme.

## **3 BACKGROUND**

- 3.1 Audit Scotland published its report '*Major Capital Investment in Councils*' in March 2013 suggesting that it provides the first comprehensive review of major capital investment within councils. The study focused on major capital projects over £5 million each and assessed how well councils direct, manage and deliver capital investments. The report draws upon a number of information sources including the following:

- An initial survey of all 32 councils to establish the total number of major capital projects, both recently completed and currently in progress.
- A review of 63 recently completed major capital projects in councils with a combined cost of £2.9 billion, assessing how they performed against cost and time targets and other aspects.
- A review of 15 major capital projects in progress in nine councils at April 2012, with a combined estimated cost of £919 million.

- Interviews with 21 senior council staff and nine elected members and a review of papers to assess project and programme management in nine councils.
- Published good practice in project and programme management.

3.2 The report highlights a number of **key messages** based upon the audit work undertaken.

- Since 2000/01, councils have invested £27 billion in real terms in building and maintaining assets and infrastructure – more than any other part of the public sector. This includes £23 billion from the capital budget and £4 billion using private finance methods such as Private Finance Initiative and Non-Profit Distributing contracts.
- Councils increased borrowing in recent years to maintain investment, during a period of wider public spending reductions and constraints. Where plans are available, councils anticipate they will spend less on capital investment in future years, although borrowing will remain the main source of finance for investment.
- Accurate cost estimates are important from the outset of major projects. Weak estimating can undermine the successful delivery of a project and the potential to achieve value for money.
- Councils have improved governance structures for investment decision making in recent years. However, we identified weak processes for developing and using business cases and that monitoring information is insufficient. Improvements in these areas are important to support scrutiny and decision-making.

3.3 The report also makes a number of **recommendations** suggesting that all council's should:

- Develop and confirm long-term investment strategies to set out the needs and constraints for local capital investment.
- Assess the overall appropriateness of using borrowing and private finance within the investment strategy.
- Actively look for opportunities for joint working with other councils, community planning partnerships and public bodies to improve the efficiency of their capital programmes.
- Improve the quality of capital project and programme information that is routinely provided to members.
- Carry out early assessments of risk and uncertainty to improve the accuracy of early-stage estimating of the cost and timescale of projects

- Consider developing a continuing programme of training for elected members on capital issues, using independent external advisers if necessary
- Collect and retain information on all projects including explanations for cost, time and scope changes and lessons learned.
- Develop and use clearly defined project milestones for monitoring and reporting.

### **The East Lothian Position**

- 3.4 Elected Members will be fully aware that as part of its revised Financial Strategy, East Lothian Council has taken a proactive stance to managing its capital investment programme taking into account many of the issues highlighted in this report. In addition to this, efforts have also been made to establish more robust asset management arrangements with an appropriate strategy now in place with officer oversight provided by the Capital Asset Group that is chaired by the Chief Executive.
- 3.5 A report was recently published in the Members Library Service that reflected upon both the Audit Scotland report and a number of specific completed capital projects in East Lothian. From this work a series of ten improvement points were identified, a copy of which is attached to this report. Through the Corporate Asset Group, further work will continue to implement and monitor this improvement plan over the coming months and years.

## **4 POLICY IMPLICATIONS**

- 4.1 The Audit Scotland report has identified a number of key findings and made related recommendations on how local authorities in Scotland can improve the management of their capital investment programmes. Partly informed by this report, the Council already has in place an improvement programme that will contribute to this objective.

## **5 EQUALITIES IMPACT ASSESSMENT**

- 5.1 This report is not applicable to the wellbeing of equalities groups and an Equalities Impact Assessment is not required.

## **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – there are no direct financial implications of this report although it is anticipated that the Council will achieve greater value for

money and efficiencies by securing the planned improvements identified within this report.

6.2 Personnel - none.

6.3 Other – none.

## **7 BACKGROUND PAPERS**

7.1 Major Capital Investment in Councils; Audit Scotland, March 2013.

7.2 Review of Capital Programme Management; Report to Members Library Service, 31 May 2013.

<b>AUTHOR'S NAME</b>	Jim Lamond
<b>DESIGNATION</b>	Head of Council Resources
<b>CONTACT INFO</b>	01620 827278
<b>DATE</b>	31 May 2013

Number	Findings	Recommendations
1	Capital budget allocations are set before there is sufficient design and cost detail.	Outline Business Case (OBC) to be produced at the project’s initial approval stage – and before inclusion in the budget. The OBC provides clarity about the overall value and purpose of the project, its contribution to business goals and the optimum balance of cost, benefit and risk for its effective delivery. The OBC will include contingency allowance for design development and risk which will be refined as the project develops. Budgetary allowance to be made for ICT and costs associated with relocation, furniture removals etc. This is essential given the lead-in times required for responses to Planning Applications where costs are provided for S75 agreements and there is insufficient time for development of client requirements, design development and consequent cost certainty.
2	ICT costs not fully considered when Outline Business Cases are being developed.	An ICT Asset Plan will be produced detailing where the Council is likely to face additional ICT requirements as a result of capital projects.
3	Project briefs and client requirements are insufficiently developed before budgets are set.	Full Business Case Project Description and Brief to be developed to a greater level of detail to ensure that requirements and outcomes are clear. Formal stage approvals for design and cost to contain sufficient detail to enable client departments to understand the proposals
4	Delay and additional costs associated with Utilities: electricity, gas, water and BT with ever more onerous requirements for load capacity assessments and upgrading of utility infrastructure, paid for by the Council. In addition there is a lack of options offered for consideration, often fragmented and unreliable records of the existing infrastructure held by the Utility companies, delays to providing quotations/connections /	Continuing engagement with utilities to ensure good relationships and timely communication: utilities to be highlighted as cost and programme risk within cost plans and capital budgets until risk is closed.

	disconnections, fragmented business groups within utility organisations which do not adequately communicate with one another.	
5	Programme management and control could be improved throughout project stages.	A staffing review is underway within the Project Team. One of the objectives of the review is to enhance the resource available for project management – monitoring and managing the risks and costs throughout the project and escalating to the Corporate Asset Group where it is not practical to contain risk or cost.
6	Officers and Elected Members are unclear on how the process of initiating, managing and finalising capital projects is intended to work within East Lothian Council	A Process Map will be developed linking the initiation of a project (Outline Business Case), the management of the process, the role of the Corporate Asset Group and the project’s final reporting.  Briefing for Elected Members and Officers on the capital planning/monitoring process.
7	In the current economic climate there is a risk that contractors are submitting tenders which are often at the margins of profitability. They then seek to recoup costs/generate profit through aggressive claims and exploitation of contract conditions, e.g. extensions of time with costs.	Review of Forms of Contract in use and consider use of other contractual arrangements including formal partnering contracts where the partnering contractor is involved as part of the delivery team from an early stage. Allocate increase resource to ensuring that all information is finalised at pre-tender stage and adequate allowance is made to cover unforeseen risks, e.g. for refurbishment / alteration works.
8	There can sometimes be a lack of clarity about who is responsible for the financial management of the various capital projects.	Each capital project will be allocated an East Lothian staff member who is responsible for the financial management of the capital project until completion. This member of staff will be responsible for all aspects of the spending on the project – including ancillary budgets such as furniture and IT fit-out and will maintain sufficient records to



		identify the current and forecast position on the project. Monthly project valuations are prepared from each project and the Projects, Estates and Asset Manager will report on variances in budget or programme to the Corporate Asset Group.
9	Capital overspends are often highlighted late in the development of the project meaning that remedial/offsetting action cannot be taken.	Lead Project Officers to monitor project expenditure to ensure that risks are highlighted at an early stage and adjustments are made to make savings elsewhere to compensate. These reports are to be produced to timetable and be escalated to the Corporate Asset Group as required. These reports to form one of the building blocks for the quarterly reports to Cabinet with the same High/Medium/Low financial risk assessments carried out.
10	In the past the Council has failed to learn lessons from previous capital budget over-runs.	This report is the first step in improving some of the processes and procedures in management of capital budgets. Going forward the Council should aim to complete post-project reviews on all significant capital projects i.e. those costing more than £500k. These reports would highlight whether anticipated benefits have been realised, whether the project has been delivered within cost and timescale and what lessons can be learned.

# Major capital investment in councils



 ACCOUNTS COMMISSION

Prepared by Audit Scotland  
March 2013

# The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, requests 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 45 joint boards and committees (including police and fire and rescue services).

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

# Contents

## Summary

Page 2

Background

About this audit

Page 3

Summary of key messages

Key recommendations

Page 4

## Part 1. Capital investment in councils

Page 6

Key messages

Since 2000/01, councils have spent £23 billion in real terms on capital investment

Councils have spent around half of total public sector investment each year

Councils have increased borrowing in recent years to maintain investment

Page 7

Councils have procured £4 billion of investment through private finance contracts

Page 8

Councils have completed 121 major capital projects worth £3.5 billion since 2009

Page 9

## Part 2. Delivering major capital projects within cost and time targets

Page 12

Key messages

There are significant gaps in the availability of cost and time information

Page 13

Councils delivered most projects since 2009 within or close to contract cost, despite early estimates being too low

Page 14

Most projects were delayed compared to initial estimates

Page 16

School projects perform better to cost and time targets

Some major projects in progress have increasing costs and delays

Recommendations

Page 17

## Part 3. Managing capital projects and investment programmes

Page 20

Key messages

In recent years, councils have improved governance structures for investment decisions

Page 21

Councils' investment and financing plans are uncertain

Page 24

Councils have weak processes for developing and maintaining business cases

Page 25

Councils do not have enough information to scrutinise effectively

Councils do not review all completed projects to learn lessons

Page 26

There is limited evidence of collaboration in capital investment planning

Page 27

Recommendations

Page 28

## Appendix 1. Audit methodology

Page 30

## Appendix 2. Methods of financing and funding capital investment in councils

Page 31

## Appendix 3. Sixty-three completed projects analysed in our audit

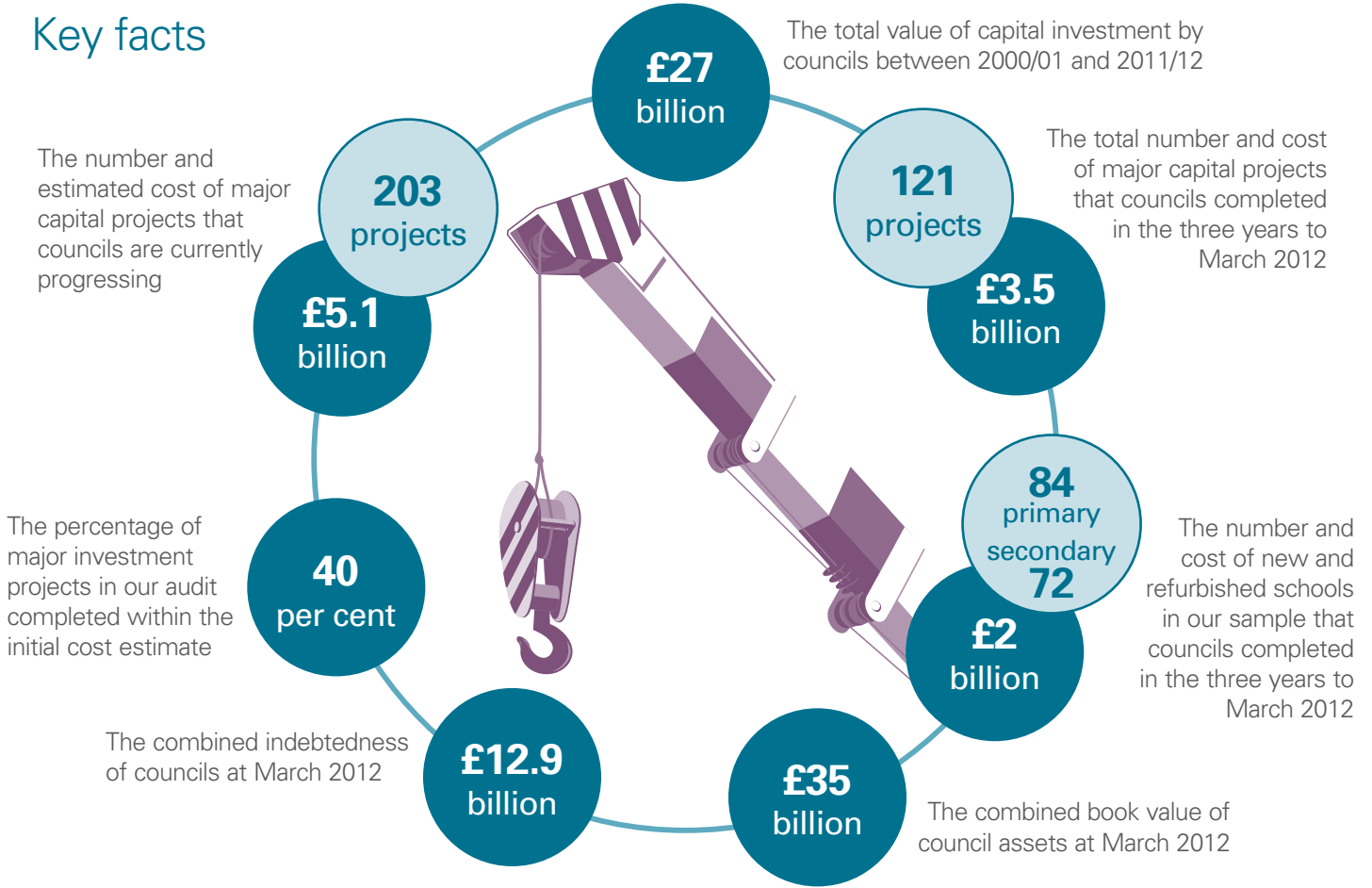
Page 33

## Appendix 4. Project advisory group members

Page 36

# Summary

## Key facts



Councils' capital investment involves spending on property and other assets that councils will use over many years to provide public services

## Background

**1.** Councils' capital investment involves spending on property and other assets that councils will use over many years to provide public services. It includes spending on new buildings such as new and refurbished schools, social housing, sports and community centres and care homes for older people. As well as new facilities, councils must also invest to maintain and repair their existing property assets such as local roads, schools and social housing.

**2.** The 32 councils in Scotland spend significant amounts of money on capital investment every year and this has increased steadily in real terms – that is, allowing for the effects of inflation – since 2000/01. In 2011/12, they spent £2.4 billion on capital investment, in addition to their £18 billion revenue spending that year – that is, spending on the day-to-day cost of providing services. Capital investment in 2011/12 was the highest in real terms in any year since 2000/01.

**3.** Improving facilities and other assets can help councils deliver services more efficiently and effectively and enhance people's experiences of council services. Councils' capital investment can help to:

- sustain and improve public services and achieve service plans and local outcomes – that is, the local priorities that councils have agreed to deliver
- improve the overall efficiency of how councils manage their properties and reduce costs in the long term (this includes reducing carbon emissions and helping to contain the effect of rising energy prices)

- boost economic growth and stimulate economic recovery, by providing employment opportunities in construction and engineering and wider commercial opportunities for local and national businesses

- achieve a wide range of other goals and objectives, in accordance with local priorities.

**4.** Councils make their own decisions about capital investment and must ensure their spending plans are prudent, affordable and sustainable. Planning capital investment requires a long-term and strategic outlook. Councils must also select, design and deliver individual investment projects to a high standard. Elected members are important decision-makers for capital investment and have a fundamental role in ensuring that councils deliver investment plans successfully. Effective governance arrangements that manage, challenge and scrutinise how programmes are delivered, and strong financial, project and risk management are all important to ensure that investment provides value for money.

**5.** Councils pay for capital investment from a range of sources. Mainly they borrow for capital investment, so that the cost spreads over many years. They also pay for investment through Private Finance Initiative (PFI) and Non-Profit Distributing (NPD) contracts, which also allow the costs to be spread over a longer time.<sup>1</sup> Central government grants are the second main source of funding for investment and the Scottish Government therefore has a strategic role in shaping and supporting councils' investment, particularly for schools, housing and transport infrastructure. Councils also use money transferred from revenue budgets and income from selling

property for capital investment. But these and other sources provided less than a fifth of the total capital investment by councils in 2011/12.

**6.** Over the two years to 2014/15, the public money available for capital investment across the public sector is forecast to decrease significantly and the position in later years is expected to face similar reductions. It will be vital for elected members and council officers to set clear priorities and provide strong leadership and effective management to ensure value for money from their capital investment programmes.

## About this audit

**7.** Audit Scotland has reported previously on some major capital projects and initiatives in councils.<sup>2</sup> We have also reported on the management of major capital projects in other parts of the public sector.<sup>3</sup> However, this audit provides the first comprehensive review of major capital investment within councils. It focuses on major capital projects over £5 million each and assesses how well councils direct, manage and deliver capital investments. In doing so, it reviews the level, type and financing methods of investment spending in councils. It also examines how well councils manage their investment spending as a programme and their performance in delivering major capital projects against time and cost targets.

**8.** The report has three parts:

- Capital investment in councils ([Part 1](#)).
- Delivering major capital projects within cost and time targets ([Part 2](#)).
- Managing capital projects and investment programmes ([Part 3](#)).

<sup>1</sup> These methods do not involve using a council's capital budget. Instead, the council meets the cost of providing each project over typically 25 to 30 years or more through ongoing revenue payments to the providers over the life of the contract. These payments cover the costs of construction as well as service and maintenance costs. For accounting purposes, PFI projects are now usually reflected in council balance sheets.

<sup>2</sup> In particular, in recent years, *Commonwealth Games 2014 – position statement* (2012 and 2009), *Edinburgh trams interim report* (2011), *Maintaining Scotland's roads – a follow-up* (2011), *Improving the schools estate* (2008).

<sup>3</sup> *Management of the Scottish Government's capital investment programme* (2011); *Review of major capital projects in Scotland* (2008).

**9.** In Part 1, we detail how much councils spend on capital investment, what it delivers and how it is funded and financed. Part 2 focuses on councils' performance in delivering individual major capital projects to cost and time, based on our examination of recently completed projects and projects currently in progress.<sup>4</sup>

Part 3 assesses councils' broader capital planning and management capabilities, including areas where councils need to make improvements to help achieve value for money from their capital investment.

**10.** We have also published a good practice guide as part of the *How councils work* series to help councils make improvements where necessary.<sup>5</sup>

**11.** The report draws on a number of sources including the following:

- An initial survey of all 32 councils to establish the total number of major capital projects, both recently completed and currently in progress.
- A review of 63 recently completed major capital projects in councils with a combined cost of £2.9 billion, assessing how they performed against cost and time targets and other aspects.<sup>6</sup>
- A review of 15 major capital projects in progress in nine councils at April 2012, with a combined estimated cost of £919 million.
- Interviews with 21 senior council staff and nine elected members and a review of papers to assess project and programme management in nine councils.
- Published good practice in project and programme management.

**12.** In this audit our primary focus was on how councils direct major capital projects costing £5 million or more. Councils' capital investment also includes projects costing less than £5 million and major programmed maintenance work in areas such as roads and social housing. The latter may cost more than £5 million but comprises large volumes of relatively routine work such as roads maintenance or replacing kitchens or bathrooms. Our audit did not examine these other types of investment in any depth.<sup>7</sup>

**13.** Appendix 1 provides more information on our methodology.

### Summary of key messages

- Since 2000/01, councils have invested £27 billion in real terms in building and maintaining assets and infrastructure – more than any other part of the public sector. This includes £23 billion from the capital budget and £4 billion using private finance methods such as Private Finance Initiative and Non-Profit Distributing contracts.
- Councils increased borrowing in recent years to maintain investment, during a period of wider public spending reductions and constraints. Where plans are available, councils anticipate they will spend less on capital investment in future years, although borrowing will remain the main source of finance for investment.
- Accurate cost estimates are important from the outset of major projects. Weak estimating can undermine the successful delivery of a

project and the potential to achieve value for money. For most of the completed major capital projects we reviewed, councils' early estimates of the expected costs and timetable have proved to be inaccurate. Estimating improved significantly as projects advanced, plans became clearer and contracts were awarded. Estimating for schools projects is more accurate than for non-schools projects.

- Councils have improved governance structures for investment decision-making in recent years. However, we identified weak processes for developing and using business cases and that monitoring information is insufficient. Improvements in these areas are important to support scrutiny and decision-making.

### Key recommendations

Councils should:

- develop and confirm long-term investment strategies to set out the needs and constraints for local capital investment and consult with stakeholders, such as service users and suppliers, as they develop these strategies
- assess the overall appropriateness of using borrowing and private finance within the investment strategy. The strategy should balance the costs, risks and rewards of using these methods to ensure plans are financially sustainable and help each council achieve value for money

4 This report does not consider the Edinburgh trams project or projects relating to the 2014 Commonwealth Games. As noted, these projects have been subject to separate Audit Scotland reports.

5 *Major capital investment in councils: Good practice guide* is part of the Accounts Commission's *How councils work* series. The guide can be downloaded from our website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

6 The projects we examined represented 82 per cent of the £3.5 billion cost of all 121 major capital projects completed by councils in the three years ending March 2012.

7 Audit Scotland will publish a report on housing in Scotland later in 2013.

- actively look for opportunities for joint working with other councils, community planning partnerships and public bodies to improve the efficiency of their capital programmes. This should cover joint projects, sharing resources such as facilities and staff, sharing good practice and taking part in joint procurement
- improve the quality of capital project and programme information that is routinely provided to members. Information should cover:
  - annual financial performance against the capital budget
  - project and programme level performance against cost, time and scope targets
  - risk reporting (including identification, likelihood, financial impact and actions taken)
  - an assessment of intended and realised benefits
- carry out early assessments of risk and uncertainty to improve the accuracy of early-stage estimating of the cost and timescale of projects
- consider developing a continuing programme of training for elected members on capital issues, using independent external advisers if necessary
- collect and retain information on all projects including explanations for cost, time and scope changes and lessons learned. Report this information publicly to improve transparency and scrutiny of project delivery and share lessons learned across services and other councils
- develop and use clearly defined project milestones for monitoring and reporting. This should include a clear process for preparing and approving business cases as a key part of decision-making and continuous review of all major capital projects.



# Part 1. Capital investment in councils



Since 2000/01, councils have invested £27 billion in real terms in building and maintaining assets and infrastructure – more than any other part of the public sector

## Key messages

- Since 2000/01, councils have invested £27 billion in real terms in building and maintaining assets and infrastructure – more than any other part of the public sector. This includes £23 billion from the capital budget and £4 billion using private finance methods such as Private Finance Initiative and Non-Profit Distributing contracts. This investment was needed to address a long-term decline in councils' assets and to develop new infrastructure.
- Councils increased borrowing in recent years to maintain investment, during a period of wider public spending reductions and constraints.
- Most recently, in the three years ending March 2012, councils have completed 121 major capital projects worth £3.5 billion. A further 203 major projects are in progress with a combined value of £5.1 billion. Most of the completed projects (£2.5 billion) were for improving schools and school properties. This area remains a priority with 82 schools projects worth £2 billion in the current programme.

### Since 2000/01, councils have spent £23 billion in real terms on capital investment

**14.** Since 2000/01, councils have spent £23 billion in real terms on capital investment. This has paid for building and developing many types of investment projects including new schools, care homes and sports facilities. It has also paid for significant elements of maintaining and

refurbishing councils' infrastructure such as housing repairs and road maintenance.

**15.** Councils' capital spending almost doubled in real terms from £1.2 billion in 2000/01 to just below £2.4 billion in 2008/09. Following the onset of the recession, capital spending fell by 11 per cent between 2008/09 and 2010/11 but increased again to £2.4 billion in 2011/12 owing to additional borrowing. Councils' capital spending between 2000/01 and 2011/12 increased at a higher rate than revenue spending in the same period. Capital spending almost doubled in real terms whereas revenue spending increased by almost 50 per cent.

**16.** This growth in capital investment spending reflects priorities councils set individually and is consistent with the spending plans of the Scottish Government, reflected in successive local government financial settlements. In general terms, more investment was needed to address a long-term decline in councils' assets, to develop new infrastructure and (in later years) to stimulate the economy. An Audit Scotland report in 2009 found that many council assets were in poor condition and unsuitable for the services being delivered from them.<sup>8</sup>

### Councils have spent around half of total public sector investment each year

**17.** Between 2008/09 and 2011/12, councils have provided almost half of public sector capital investment ([Exhibit 1, overleaf](#)). Total public sector investment includes spending on areas such as national transport infrastructure (mainly rail services and motorways), prisons, colleges and hospitals. In 2011/12, councils spent £2.4 billion (56 per cent) on capital investment compared to transport's

spending of £755 million (17 per cent) and the NHS' £488 million (11 per cent).<sup>9</sup> Together, other areas spent £672 million (16 per cent).

**18.** Between 2008/09 and 2010/11, almost a third of councils' capital investment was on housing, with schools and transport, including road maintenance, each accounting for around a fifth of the total.<sup>10</sup> Central services, such as office accommodation, and culture services such as leisure facilities and museums, together accounted for just under a fifth of overall capital spending.

### Councils have increased borrowing in recent years to maintain investment

**19.** Councils fund capital investment from a range of sources, including:

- borrowing from the UK Government<sup>11</sup>
- capital grants from the Scottish Government
- receipts from selling assets
- transfers from revenue budgets.

**20.** Increasingly, councils have borrowed to finance capital investment, allowing them to spread the cost over many years. The level of annual capital investment has almost doubled in real terms since 2000/01 and the proportion financed by borrowing has increased by about a half during the same period.

**21.** Councils have increased their use of borrowing since prudential borrowing was introduced in 2004. ([Exhibit 2, page 9](#)). This allowed councils greater flexibility to borrow for capital investment without specific consent from the Scottish Government. In doing so, each council

<sup>8</sup> *Asset management in local government*, Audit Scotland, May 2009.

<sup>9</sup> Councils' figures are taken from annual accounts. Other figures are taken from Scottish Government draft budget documents 2008-12. Owing to changes in the Scottish Government portfolio structure it is not possible to provide trend analysis from 2000/01.

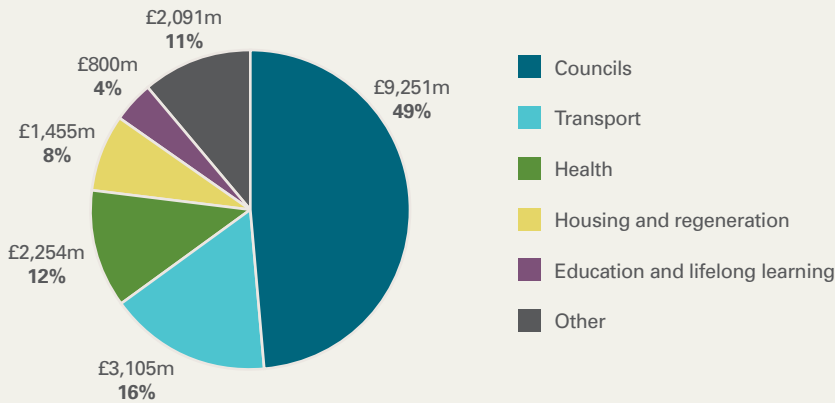
<sup>10</sup> *Scottish Local Authority Capital Expenditure 2010-11*, Scottish Government, April 2012.

<sup>11</sup> Borrowing is mainly from the National Loans Fund and distributed by the Public Works Loan Board (PWLB). The PWLB is part of the UK Debt Management Office and is a non-ministerial UK government department.

## Exhibit 1

### Public sector capital spending by area 2008/09 to 2011/12 (real terms)

In the last four years, councils spent almost £9.3 billion on capital investment, about half of total public sector capital investment.



Note: Transport, Education and lifelong learning, and Housing and regeneration figures relate to central government spending. 'Other' includes Justice, Scottish Water loans, Rural affairs and the environment, and Enterprise, energy and tourism  
Source: Audit Scotland

must decide and keep under review the amount of money it can afford to borrow for capital investment, with reference to the Prudential Code.<sup>12</sup> The requirements of the code are intended to ensure that councils apply proper care and prudence regarding investment decisions. Until 2011/12, councils received support from the Scottish Government towards the financing costs of borrowing. In the final year, this amounted to £305 million, representing just over a quarter of borrowing in that year. From 2011/12, this support was replaced by grant and included as part of the General Capital Grant.

**22.** Scottish Government grants have been the second main source of funding for councils. These comprise grants for specific projects and General Capital Grant, which can be used at councils' discretion. Although

councils make their own decisions about capital investments and priorities, since 2000/01 the Scottish Government has provided £5.8 billion capital grant funding to councils in real terms. This is an average of about £480 million a year. The level of grant funding available to each council is an important factor in deciding how much borrowing they need to fulfil capital investment plans. Grant levels reached a peak of more than £820 million in 2009/10 but they have since declined in both cash and real terms.

**23.** Councils also use money transferred from revenue budgets and income from selling property to help fund capital investment. These and other sources provided less than a fifth of councils' total capital investment in 2011/12. Councils attribute the reduction in financing from asset sales to the significant

general decline in property market values and activity across the Scottish and UK economy.<sup>13</sup>

**24.** Recent investment has contributed to an increase in the value of councils' total property assets reported in their annual accounts by 35 per cent, from £26 billion in 2007/08 to £35 billion in 2011/12.<sup>14</sup> The main sources of finance for investment in this period have been borrowing and the use of Private Finance Initiative (PFI) or Non-Profit Distributing (NPD) projects. Councils' combined debt levels have increased by 39 per cent from £9.3 billion in 2007/08 to £12.9 billion in 2011/12.<sup>15</sup> With further borrowing and private finance investment planned over the next few years, overall debt levels may continue to rise.

### Councils have procured £4 billion of investment through private finance contracts

**25.** Councils have financed significant capital investment using PFI and NPD contracts. Under these contracts, the council appoints a contractor who is responsible for designing, building, financing and operating the new building over a contract period of around 30 years. The council does not have to meet the up-front costs of the new building or asset from its capital budget and does not pay for the investment directly from borrowing or other sources. Instead the council pays the contractor an annual charge for constructing the asset and any related services, for example building maintenance services, over the contract life.<sup>16</sup>

**26.** Councils have more NPD and PFI contracts in place than any other part of the public sector in Scotland. Since 2000/01, councils have procured almost £4 billion worth of capital investment in real terms using PFI

<sup>12</sup> This is a professional code of practice developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) to help councils with decisions that relate to affordability, sustainability and prudence.

<sup>13</sup> For example, in evidence to the Scottish Parliament's Finance Committee in autumn 2012, Registers of Scotland reported that over the previous 12 months it had recorded just under £1.8 billion in commercial property sales in Scotland compared to the high of £6.3 billion during 2006/07.

<sup>14</sup> Some of this growth is attributable to annual asset revaluation.

<sup>15</sup> This is net external debt (total borrowing less any investments).

<sup>16</sup> Buildings provided through PFI and NPD contracts have since 2010/11 been treated as assets on councils' balance sheets and some of the contract payments made to the PFI and NPD providers are treated as financing charges.

and NPD (Exhibit 3). This represents 58 per cent of total public sector NPD and PFI commitments in Scotland, compared to about 20 per cent in both health and central government. About half of these commitments were made in two years, 2006/07 and 2007/08, adding an extra 50 per cent worth of investment in those years and pushing the total investment to over £3 billion a year. Since then, councils have added £130 million of PFI and NPD investment.

**27.** The high levels of investment reflect previous Scottish Government policy, which encouraged councils to consider using PFI contracts for investment where councils judged it to provide value for money. Councils used PFI contracts for very large-scale major capital projects rather than smaller, more routine elements of capital spending. In 2008, the Scottish Government decided to adopt NPD as its preferred model for private finance projects.<sup>17</sup>

**28.** Thirty-eight projects for new or completely refurbished schools account for 95 per cent of the total value of councils' PFI and NPD commitments. Seven other PFI projects, including waste, IT and road projects, account for the other five per cent of these types of contracts.

**29.** Further information about methods of financing investment in councils is in Appendix 2.

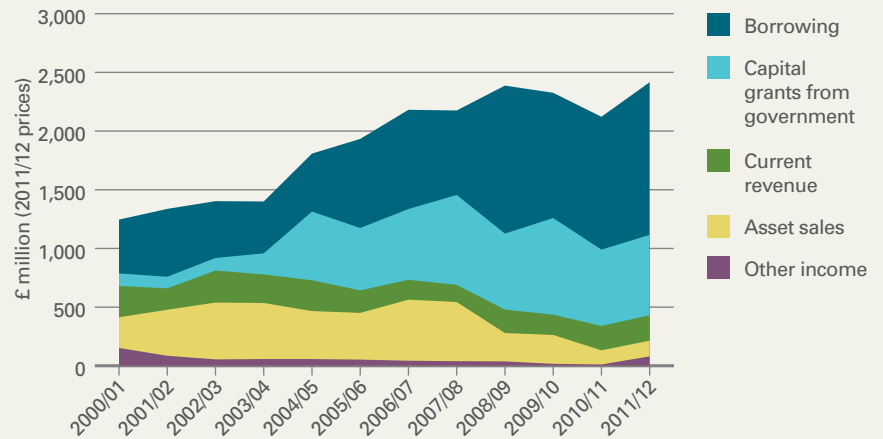
**Councils have completed 121 major capital projects worth £3.5 billion since 2009**

**30.** Each council must keep records of its capital projects. Annual accounts detail total capital investment spending each year. However, information was not available on all planned, ongoing or completed major projects across councils in Scotland. We therefore surveyed all 32 councils to get this information. We

**Exhibit 2**

**Sources of financing for councils' annual capital expenditure, 2000/01 to 2011/12 (real terms)**

Since 2000/01, councils have increasingly used borrowing and government grants, with a significant reduction in financing from receipts from asset sales.

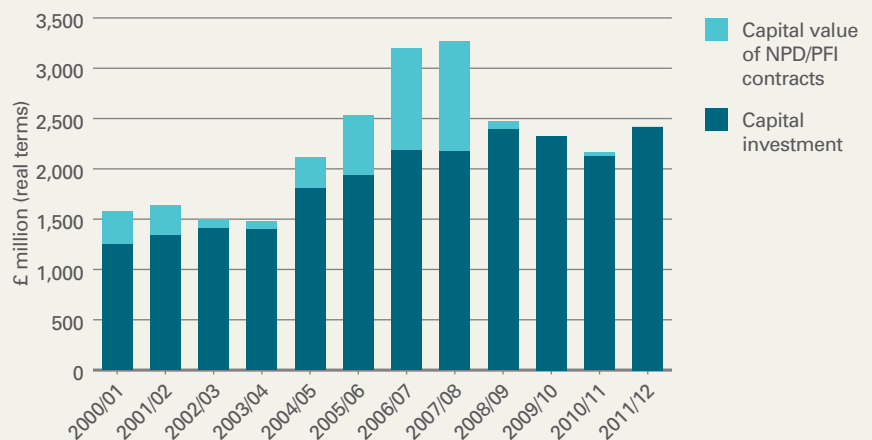


Source: Audit Scotland

**Exhibit 3**

**Annual capital spending by councils and the capital value of signed PFI and NPD contracts in the same year**

Since 2000/01, councils have spent £23 billion in real terms on capital investment. In addition, they have signed £4 billion worth of PFI and NPD contracts.



Source: Audit Scotland

<sup>17</sup> Under the NPD method there is a partnership with a private sector company, who pays up-front construction costs and ongoing maintenance costs. The public sector pays an annual charge to this company over the life of the asset from its revenue budget. NPD contracts impose a limit on the profits that the private sector company may retain and any surplus profit is reinvested in the public sector.

concentrated on recently completed projects – that is, projects that were physically completed in the three years to the end of March 2012 – and projects that were in progress at the time of our survey in April 2012.

**31.** Councils reported that since 2009 they had completed 121 major capital projects with a combined value of £3.5 billion. Another 203 projects, worth £5.1 billion, were in progress at April 2012 ([Exhibit 4](#)).

**32.** Our analysis of completed projects shows the following:

- Most – 52 – with a combined value of £2.5 billion (71 per cent of the total cost of all projects) were for new or redeveloped schools.
- Thirteen were sports facilities, which accounted for £218 million (six per cent).
- Ten were road and other transport-related projects costing £124 million (four per cent), and four were arts projects costing £130 million (four per cent). These included the new Riverside Museum in Glasgow and the refurbishment of the Usher Hall in Edinburgh, costing £85 million and £25 million respectively.
- Eight were office accommodation projects costing £163 million (four per cent). These included Aberdeen City Council's new corporate headquarters (£68 million) and new office accommodation for Dundee City Council (£35 million).
- Three were flood prevention schemes costing £87 million (two per cent). The City of Edinburgh Council's scheme at Braid Burn (£43 million) was the largest of these.
- The remaining 31 projects, costing £320 million (nine per cent), included social housing, care homes and shared service facilities. West Lothian Council's Civic Centre (£47 million) was the largest of these projects.

**33.** Although only 16 of the 121 completed projects were PFI projects, they were higher-value projects with a combined value of almost £2 billion, 56 per cent of the value of all projects completed in the period. All PFI projects were for school buildings and property improvements.

**34.** Councils' investment in maintaining social housing can be significant but only a small proportion is in the form of major projects. Housing projects are typically valued at less than £5 million or are rolling programmes of maintenance and repair rather than new, one-off, projects. For example, in 2011/12, Aberdeen City Council spent £18 million replacing kitchens and bathrooms as part of its annual housing modernisation programme.

#### **Councils have about 200 major projects in progress worth almost £5.1 billion**

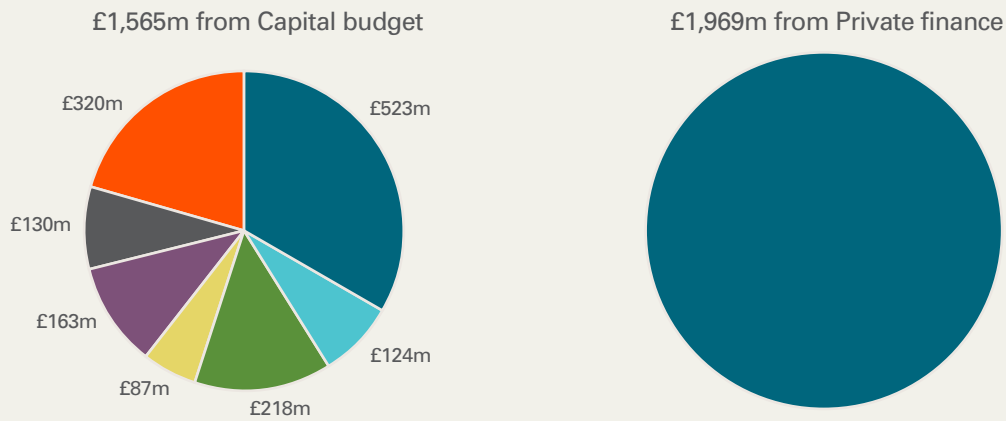
**35.** At the time of our audit, councils reported they had 203 major capital projects in progress with a combined value of almost £5.1 billion. This includes projects that are in the early planning stages through to projects where contracts have been signed and construction is under way.

**36.** Investing in school buildings and property will continue to represent the highest spending area in councils' capital investment plans. Projects in progress include 82 school projects with a combined value of £2 billion (40 per cent). Councils will fund most of these schools projects from their capital budgets.

**Exhibit 4**

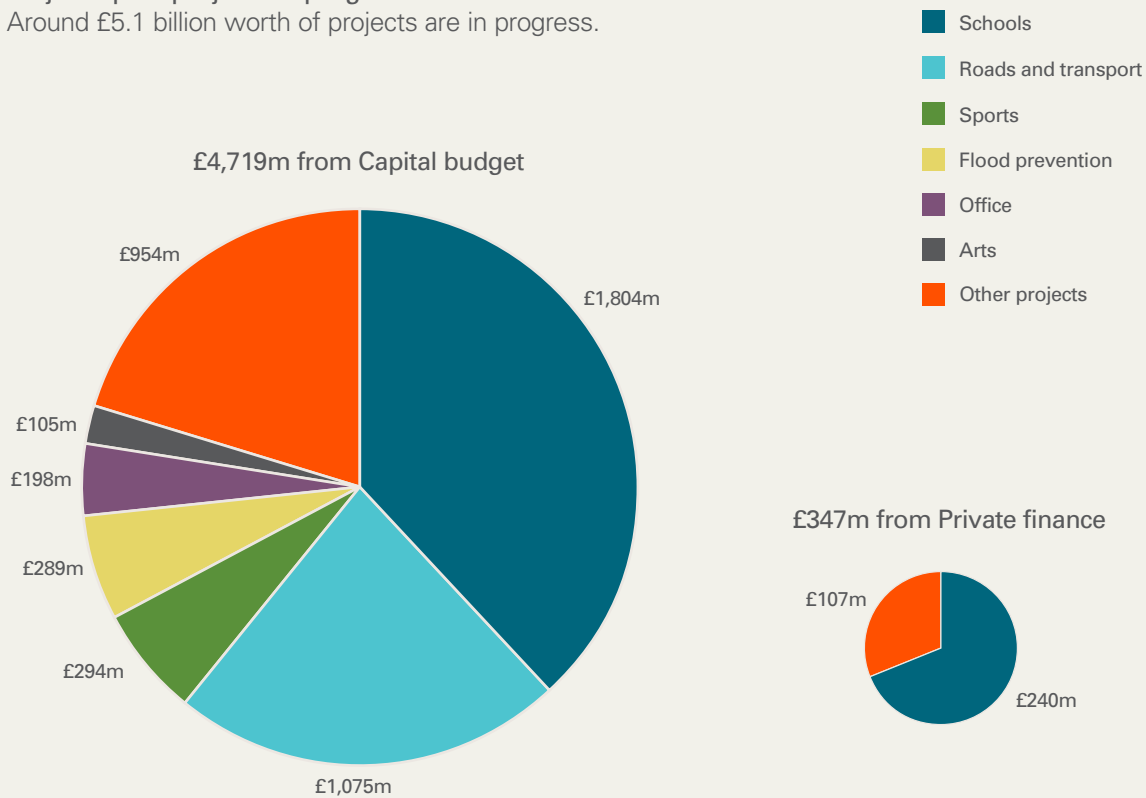
**Completed major capital projects (2009–12)**

Councils completed £3.5 billion of major projects between 2009 and 2012.



**Major capital projects in progress**

Around £5.1 billion worth of projects are in progress.



Note: 'Other projects' include housing, waste treatment, care homes, community centres, regeneration and ICT projects.  
Source: Audit Scotland

# Part 2. Delivering major capital projects within cost and time targets



Councils delivered most projects since 2009 within or close to contract cost, despite early estimates being too low

## Key messages

- For most major projects completed within the last three years, councils' early estimates of the expected costs and timetable have proved to be inaccurate. For example, councils completed only two-fifths of these projects within the initial cost estimates. As expected, estimating improved significantly as projects advanced, plans became clearer and contracts were awarded.
- Estimating for school projects was better than for other projects. A seventh of completed school projects in our sample cost five per cent or more than the contract award estimate. This compared to almost half of non-school project estimates at the same stage. Similarly, a fifth of school projects were completed at least two months later than the contract award estimate, compared to just over half of non-school projects.
- Good practice requires strong control over costs and timescales of major projects. However, there are some significant gaps in the information that councils have to measure as to whether projects are completed to budget and on time.
- Councils' estimating of cost and time targets for a sample of current major projects is also inaccurate. Of 15 projects in progress reviewed, seven have cost estimates that are higher than initial estimates. Likewise, nine of these 15 projects have estimated completion dates that are later than initial estimates.

**37.** We have previously reported on how major public sector capital projects perform against time and cost targets. In 2008, our report *Review of major capital projects in Scotland* found that at project approval stage, the early estimates of cost and time were too optimistic for many major projects in health and central government. In 2011, our report *Management of the Scottish Government's capital investment programme* found that the accuracy of cost estimating had improved since our 2008 report but cost increases and slippage continued to affect many projects.

### There are significant gaps in the availability of cost and time information

**38.** Good project management increases the likelihood that projects will meet time, cost and scope targets.<sup>18</sup> Key features of good practice include the importance of well-defined project plans with carefully calculated and realistic estimates of timescales and costs from the outset. Good practice requires strong control over the expected costs and timetable at each stage of the project from inception through to completion and operation. Each project should pass through several key stages ([Exhibit 5, overleaf](#)).

**39.** We examined the latest reported costs and completion time compared to earlier estimates for a sample of 63 completed major capital projects. These 63 projects accounted for over half of all projects completed by councils. They had a combined cost of £2.9 billion (82 per cent of the combined cost of £3.5 billion of completed projects). Summary information about the sample of projects is in [Appendix 3](#). We have published separately on our [website](#) further information about the 63 individual projects in our sample.

**40.** In particular, we assessed the performance against two milestones:

- **Initial approval stage:** At this stage the following features of the project need to be clear:
  - Overall value and purpose.
  - Contribution to business goals.
  - The best balance of cost, benefit and risk for delivering it effectively.
- At this stage, accurate cost and time estimates contribute to effective decision-making. There should be a formal outline business case. However, there is no legal commitment as a contract has not been awarded. Where we refer to initial costs we are referring to estimates at this stage.
- **Contract award stage:** The estimate just before awarding the contract is vital because it provides a basis for confirming value for money before the main financial commitment (the construction or service contract) is accepted. Once a contract price is agreed, significant changes to a project are likely to be costly, disruptive and may jeopardise value for money.
- **41.** There are some significant gaps in the availability of cost and time information. For one in five projects, the relevant council could not provide a cost estimate at the initial approval stage, either because project costs were not estimated at this time or data were unavailable (records could not be retrieved). Similarly, 20 out of 63 (32 per cent) could not provide a time estimate at the initial approval stage.

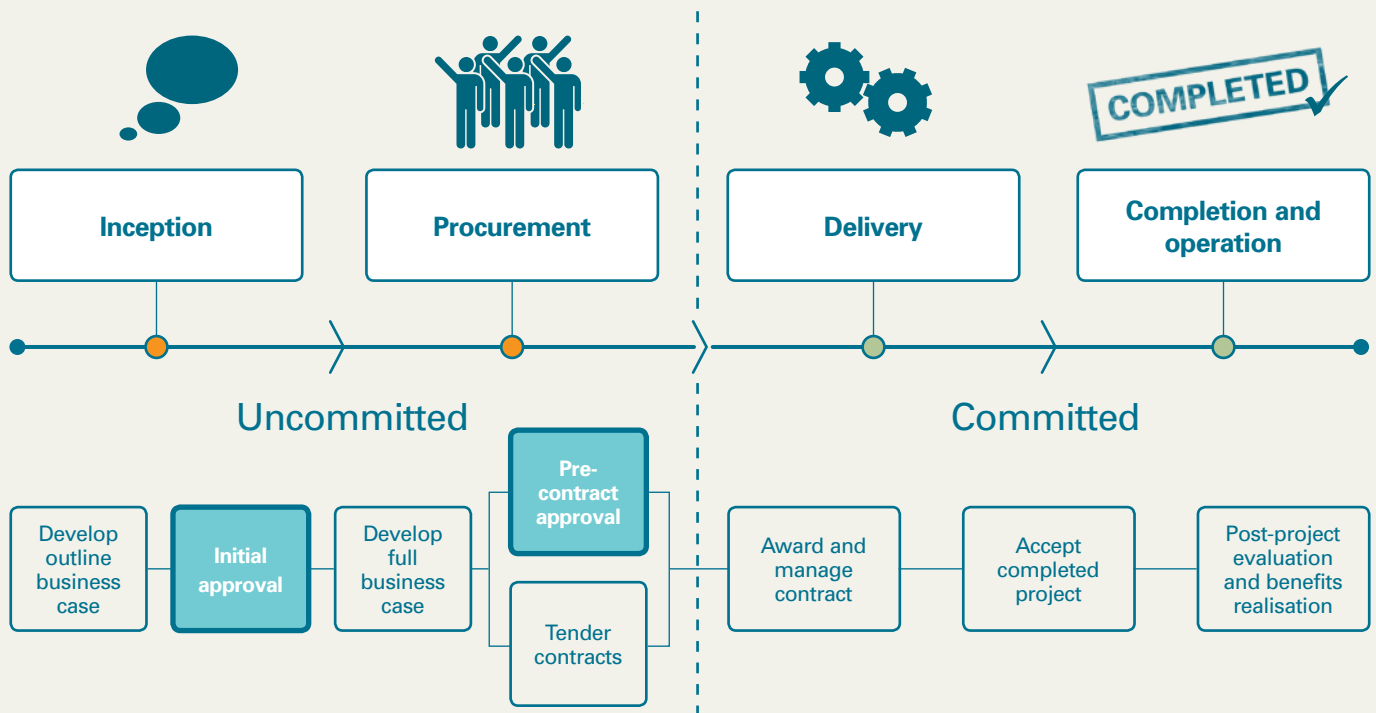
<sup>18</sup> Examples of scope targets include measurements such as space per pupil (schools) or number of beds (care homes).



## Exhibit 5

### Key stages in major capital projects

Each project should pass through several key stages. Two important milestones for any project are the initial approval and the pre-contract approval (shown as shaded below).



Source: Audit Scotland

### Councils delivered most projects since 2009 within or close to contract cost, despite early estimates being too low

#### Few major projects are completed within initial cost estimates

**42.** Forty-seven of the 63 projects in our sample were traditionally financed projects with a combined final cost of £980 million. Councils were able to provide cost estimates at the initial approval stage for 37 of these projects. Of the 35 projects where final costs were known, the majority had initial cost estimates that proved to be significant under-estimates:

- Councils completed 13 projects, costing £355 million, on or within the initial cost estimate.
- One project had final costs that exceeded the initial cost estimate by one per cent.

- Twenty-one projects had final costs that were significantly higher – between five and 189 per cent – than the initial cost estimate. These projects had a combined outturn cost of £344 million, £89 million (26 per cent) more than their combined initial cost estimates.

**43.** Councils reported a wide range of reasons for these overruns. They reported that changes in project scope were a contributory factor for time and cost increases for three-quarters of projects. They reported that unforeseen delays or extra costs from third parties, such as utility providers, affected half of the projects.

**44.** North Lanarkshire Council's Ravenscraig Regional Sports Facility had one of the largest monetary increases. It cost £33 million, against

the initial estimate of £18 million. North Lanarkshire Council attributed this cost increase to major changes in project scope in conjunction with the development of a national strategy for sports facilities.

#### Estimating improved by the point of contract award

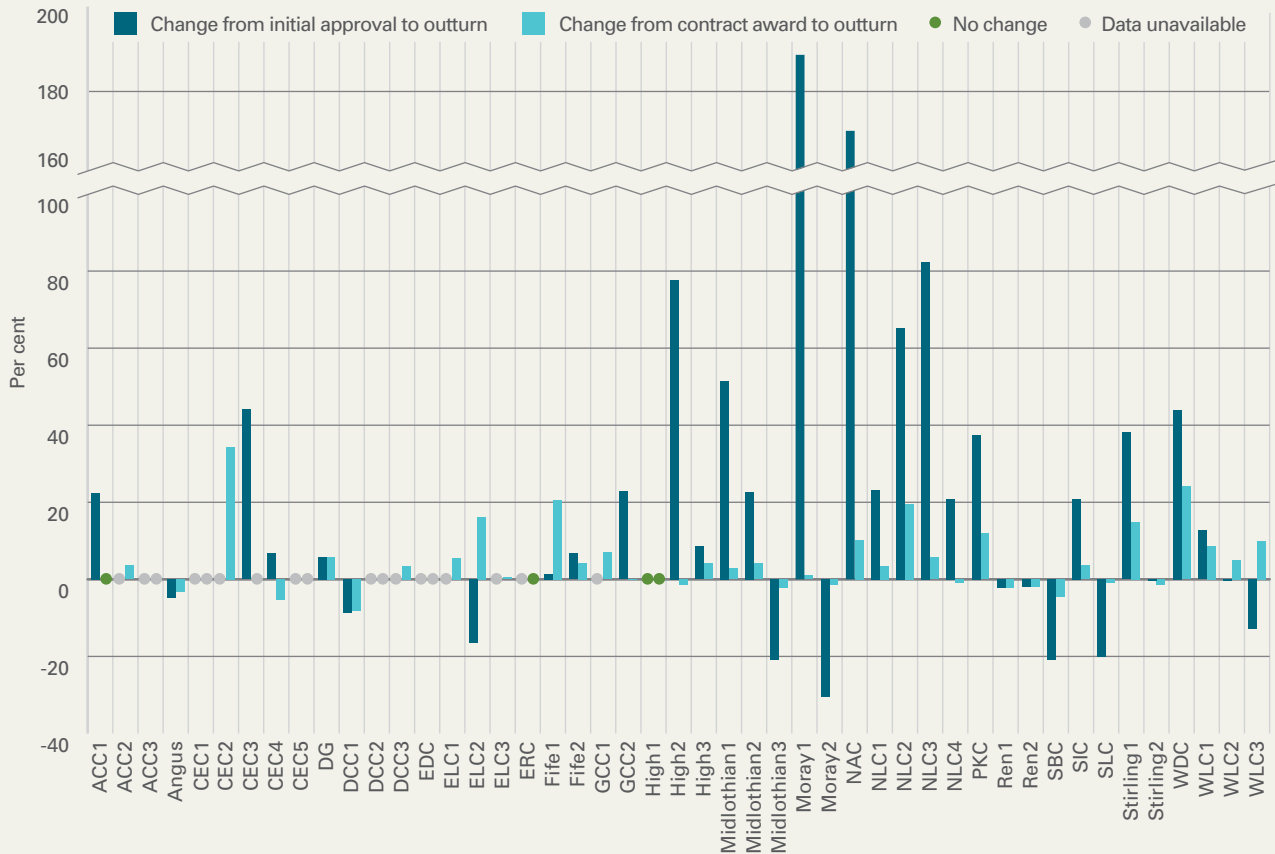
**45.** Councils were able to provide contract award estimates and final costs for 41 of 47 traditionally financed projects. These had a combined final cost of £838 million, £26 million (three per cent) more than the combined approved contract award estimate. Contract award cost estimates are more reliable than estimates made at the initial approval stage (Exhibit 6). For the 41 projects with contract award cost estimates:

- 16 projects, costing £447 million, were delivered within the contract award estimate

### Exhibit 6

#### Traditionally financed projects – change in final cost compared to forecasts at earlier stages

Contract award estimates are more reliable than estimates made at the initial approval stage.



Note: Please see Appendix 3 for further information about each project  
Source: Audit Scotland

- ten projects, costing £138 million, were less than five per cent above the estimate
- 15 projects, costing £253 million, were between five and 34 per cent over the estimate.

**46.** The City of Edinburgh Council's Usher Hall redevelopment had the largest cost increase for any traditional project when compared to the contract award estimate. The project cost £25.5 million, 34 per cent higher than the contract award estimate of £19 million. The council

attributed the increase to substantial additional works on the foundations of the existing structure of the building considered necessary after contractors had started work. There were also knock-on costs from additional temporary works to allow access to the theatre during the period of the 2008 Edinburgh International Festival.

#### Early cost estimates for PFI projects were too low

**47.** Between 2009 and 2012, 16 major capital schools projects were completed using PFI contracts, with a total capital value of almost £2 billion.

**48.** We examined the cost and time targets for all 16 schools projects. For these projects we have used the Net Present Cost of the contract as the best measure of final cost.<sup>19, 20</sup> South Lanarkshire Council's Secondary Schools Modernisation programme and The City of Edinburgh Council's PPP2 Schools programme were the two largest projects, costing £407 million and £271 million, respectively.

**49.** Councils provided initial cost estimates for 13 of 16 PFI projects, with a combined estimated net present cost of £2.2 billion. For

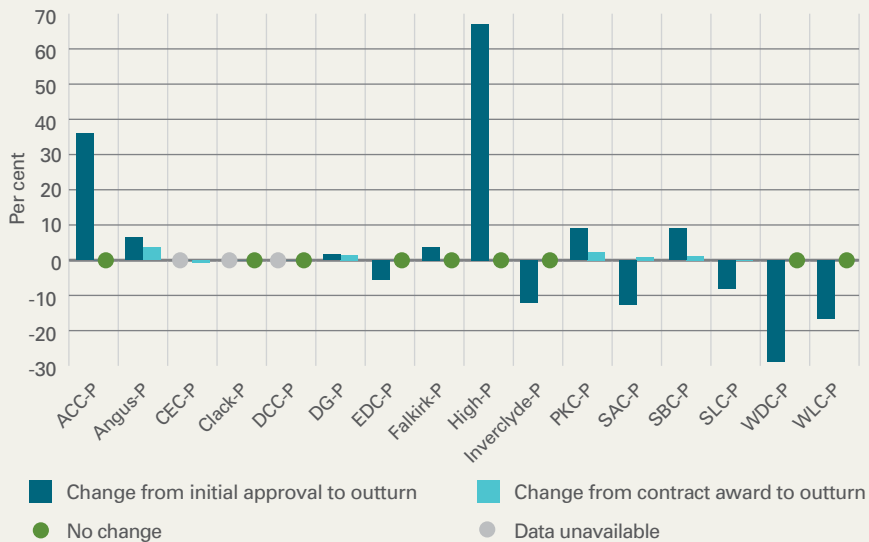
19 The Net Present Cost (NPC) is the value of all costs over the lifetime of the contract discounted to reflect the time value of money decreasing over the life of the contract. Lifetime costs include annual unitary payments made by the council to the private sector provider for use of the asset over the course of the contract – usually 25 to 30 years. These payments typically cover capital repayment and interest, service and maintenance costs.

20 The estimated capital cost of PFI projects in our sample was available for 15 of the 16 projects. These costs are detailed at Appendix 3.

## Exhibit 7

### PFI projects – contract cost compared to earlier estimates

Initial cost estimates for around half of PFI projects were under-estimates.



Note: Please see Appendix 3 for further information about each project.  
Source: Audit Scotland

about half of these projects the initial approval estimates were under-estimates (Exhibit 7). We found that:

- six projects, costing £1,068 million, were completed on or within the initial cost estimates
- two projects, costing £344 million, were less than five per cent above the estimate
- five projects, costing £832 million, were between five and 67 per cent over estimate.

**50.** The Highland Council's schools project had the largest cost increase. The contract cost increased from £148 million to £247 million, an increase of 67 per cent. The council reported an increase in the construction cost element of the contract as a reason for the increase.

**51.** Cost estimates at the contract award stage for PFI projects appeared to be more reliable. Comparing the contract award estimate to the latest available estimate for each project:

- 11 PFI projects, with a combined cost of £2 billion (74 per cent by value), have latest estimates equal to or below the contract award estimate
- five projects with a combined cost of £708 million (26 per cent by value) have latest estimates higher than the contract award estimate; in each case these were by less than five per cent.

**52.** Councils reported that changes to scope were the main reason for increases in the latest estimated costs, where these occurred.

### Most projects were delayed compared to initial estimates

**53.** We examined the actual completion time of all 63 projects, both traditionally and privately financed, compared to estimates made at the initial approval and contract award stages. The analysis of time estimates at the initial approval stage in this section is based on 43 projects, while the analysis of contract award time estimates is based on 61 projects.

Councils were not able to provide us with time estimates for one or both stages for the remaining projects.

**54.** For 63 completed projects, the average duration was four years from initial approval. Generally, councils completed traditionally financed projects more rapidly than PFI projects, with PFI projects taking just over two years longer on average. The difference is largely due to the lengthier preparation period, from initial approval to contract award, for PFI projects. PFI projects spent an average of 34 months in the pre-contract stage compared to 20 months for traditionally financed projects. The longest PFI project was Perth and Kinross Council's Investment in Learning Schools programme, which took about eight years to complete. The council reported that almost four years were for preparation before the contract was awarded, including three years to resolve issues that were outside its direct control. Glasgow City Council's Riverside Museum was the longest traditionally financed project. It was complex, involving a design contest providing an iconic building by a world-renowned architect and had secured significant funding from the Heritage Lottery Fund. It took over seven years to complete, including over three years' preparation before the contract was awarded.

**55.** Seventy-nine per cent of projects took at least two months longer to complete than estimated at initial approval, with only 19 per cent completed on time. The average delay was 17 months, with delays ranging from three months to 52 months.

**56.** Where significant delays arose, they were mostly during the initial planning stages of projects, rather than the delivery phase where delays are more costly. Delays at initial stages may arise owing to unforeseen circumstances such as planning enquiries or legal challenges rather than specific project management issues. Time spent on planning and design of projects may help to avoid problems later in construction.

**57.** Estimating project duration was more accurate at the contract award stage. Fifty-six per cent of projects were completed on or within contract award estimates. However, 34 per cent of projects took at least two months longer to complete than the estimates at this point.

**58.** In most cases, the delay during the contract phase was shorter. The average delay was five months; delays ranged from one month to 24 months. South Ayrshire Council's schools PFI project had the longest delay following contract award, taking two years longer to complete than estimated. The City of Edinburgh Council's Usher Hall redevelopment and Fife Council's Carnegie Sports Centre project both took 11 months longer to complete than estimated at contract award.

**59.** Delays do not necessarily result in higher project costs. For example, The Highland Council's Raasay Ferry Terminal project took ten months longer than expected at contract award but its final cost was £200,000 lower than the contract estimate. The council reported that delays were due to a major subcontractor entering administration. However, as the contract risk remained with the contractor, the council did not have to meet any additional contract costs.

### School projects perform better to cost and time targets

**60.** Within our sample of 63 completed projects, we reviewed the cost and time targets of 37 schools projects with a combined capital cost of £2 billion. These projects included building or redeveloping 84 primary schools and 72 secondary schools. Each project provided between one and 34 schools and some included a mixture of school types including primary, secondary or additional support needs schools. Sixteen projects, providing mostly secondary schools, were completed using PFI contracts; the other 21 projects providing mostly primary schools, were traditionally financed.

**61.** Schools projects had more accurate cost and time estimates than other projects:

- Fourteen per cent of schools projects had cost overruns of at least five per cent compared to the contract award estimate. This compared to 45 per cent of non-schools projects.
- Twenty-two per cent of schools projects were completed at least two months later than estimated at contract award. This compared to 54 per cent of non-schools projects.

**62.** Building and redeveloping schools is the most common type of major capital project that councils deliver. Councils' experience of delivering schools projects may explain why estimating is more reliable. The requirement to deliver new schools to coincide with school term dates and the high priority that councils give to these projects may also help to explain why councils deliver them more successfully.

### Some major projects in progress have increasing costs and delays

**63.** We assessed how 15 major capital projects under way were performing against cost and time estimates. We reviewed these projects between August and December 2012 and, inevitably, costs and time estimates may have changed since our review. The combined value of these 15 projects is £919 million, which represents 18 per cent of the total value (£5.1 billion) of the 203 projects in progress ([Exhibit 8, overleaf](#)).

**64.** Seven of the 15 projects have cost estimates that are higher than initial estimates. The combined variance compared to initial cost estimates is £58 million, which is seven per cent higher than the combined value of initial costs (£861 million). Fife Council's Flood Prevention Scheme in Dunfermline has the largest percentage variance

from initial estimate. The latest cost estimate is £24.7 million - an increase of 152 per cent from its initial estimate of £9.8 million ([Case study 1, page 19](#)). Glasgow City Council's Pre-12 Schools Strategy (phase 4) project had the largest cost increase from initial estimate. The current estimate of £178 million is £50 million greater than the initial estimate of £128 million ([Case study 2, page 19](#)).

**65.** Nine projects have estimated completion dates that are later than initial estimates, including five projects with slippage of a year or more. The time to complete Moray Council's Flood Alleviation Scheme in Elgin increased by 35 months mainly because of the need for a public local inquiry into the scheme to resolve planning objections. The time for The City of Edinburgh Council's project to provide an extension to the Edinburgh International Conference Centre increased by 43 months, mainly because of the withdrawal of the original contractor in 2007 and subsequent reappraisal of the scope of the project.

### Recommendations

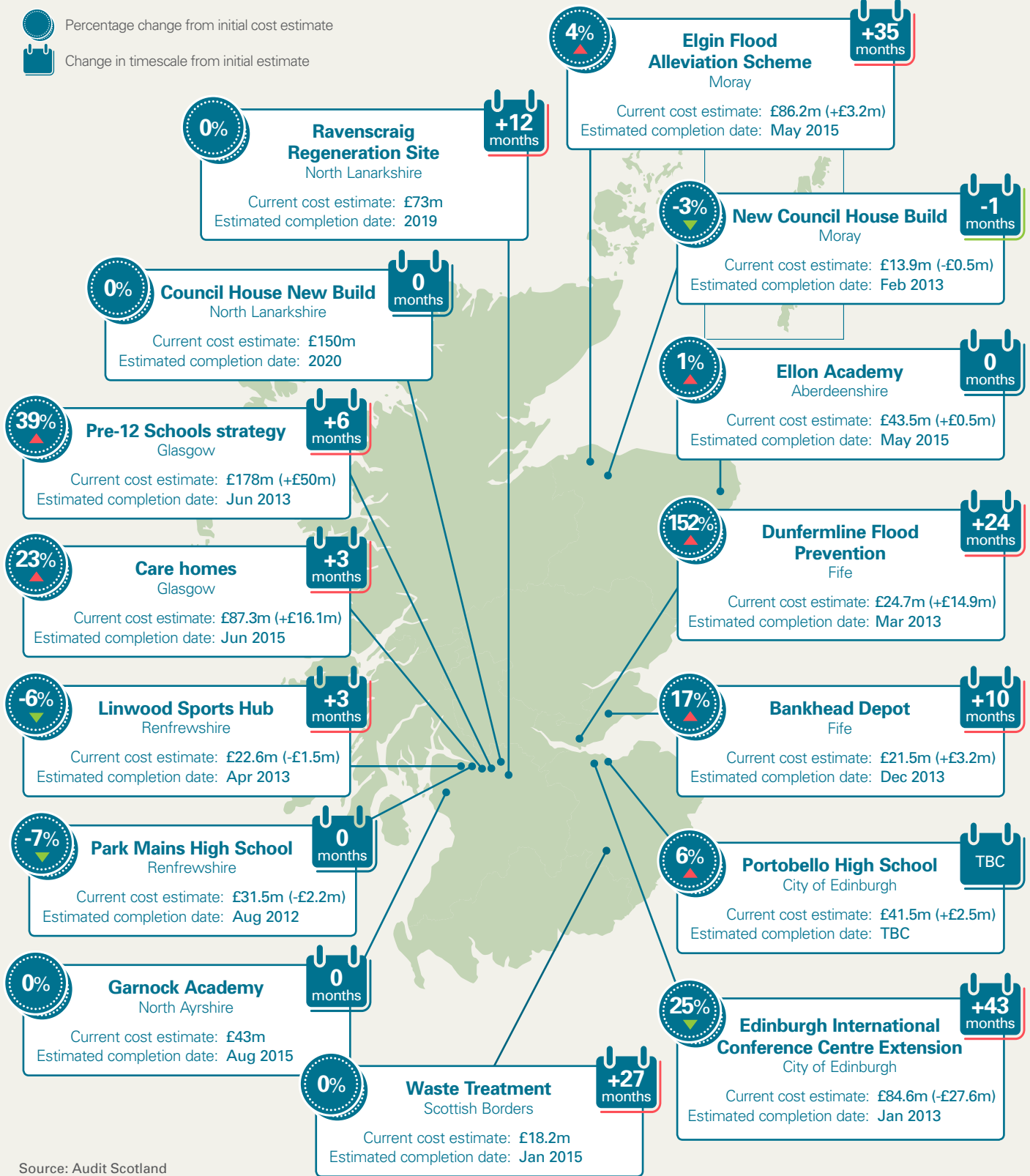
Councils should:

- carry out early assessments of risk and uncertainty to improve early-stage estimating of the cost and time of projects; each risk assessment should take into account experience and expertise gained from previous projects and the potential for higher risks with projects that are relatively novel
- collect and retain information on all projects including explanations for cost, time and scope changes and lessons learned
- report this information publicly to improve transparency and scrutiny of project delivery and share lessons learned across services and other councils.

### Exhibit 8

#### Major capital projects in progress – variance of current estimates from initial estimates

Seven of 15 projects in progress have cost estimates above the initial estimate. The estimated completion date for nine projects has slipped.



Source: Audit Scotland

### Case study 1

#### Fife Council – Dunfermline Flood Prevention Scheme

In December 2002, Fife Council initially approved the design of a flood prevention scheme in Dunfermline with an estimated cost of £3.75 million. In November 2005, the council approved the project with a revised estimated cost of £9.8 million, following work by consultants on the project design. In September 2006, the tendering process resulted in the appointment of a preferred bidder with an estimated price, including consultants' fees, of £14.15 million. Since then the project has been problematic, with conflicts between the contractor and the council and challenges with problems faced over the design and specialist nature of the project. As a result, the estimated cost has risen to £24.7 million and the expected completion date has slipped by a further two years from March 2011 to March 2013.

Source: Audit Scotland

### Case study 2

#### Glasgow City Council – Pre-12 Schools Strategy (phase 4)

The council's Pre-12 Schools Strategy construction programme is designed to meet primary school needs across the area it is responsible for. The overall programme is multi-phased with phase 4 planned to deliver 16 new or refurbished primary schools. In 2006, when the programme was approved and began, cost estimates were £128 million. Individual schools projects within the programme are subject to regular reporting and cost control. However, the programme's total cost is now projected to be about £178 million by its completion in June 2013. The movements in cost are due to:

- problems over site identification and planning approval
- changes to design requirements
- unforeseen additional ground works needed as a result of siting on brown-field sites.

Source: Audit Scotland

# Part 3. Managing capital projects and investment programmes



Because of its scale and impact, councils must clearly direct and rigorously manage their capital investment activity

## Key messages

- Councils have improved governance structures for investment planning in recent years. But councils do not have enough monitoring information to scrutinise effectively. All levels of the governance structure, from working groups to committee level, need to be supplied with reliable, accurate, realistic and publicly available information for arrangements to be effective.
- Councils' investment and financing plans are uncertain. To the extent that plans are available, councils anticipate that investment will decrease over the next few years to 2014/15, although the position after this is unclear. Borrowing will remain the main source of finance for councils' investment spending.
- Many councils do not have established processes for developing and using business cases. Where available, business cases are often short and highly summarised and do not all reflect good practice. Without good-quality and realistic business cases, particularly at the initial approval stage, key performance information on aims, cost, time, scope and risk may not be clearly defined. This may make it more difficult to hold decision-makers to account if problems arise on a project.
- Councils are clear about the broad goals for their investment projects. However, where councils outline intended benefits, they are often high-level and measurable benefits are rarely specified. Councils have evaluated about half of recently completed projects to assess if they have delivered the intended benefits.

- Councils do not proactively seek opportunities to work with other councils or other public bodies in planning and delivering their capital programmes. While there are some examples of shared assets, joint procurement and joint projects, there is little evidence of councils systematically assessing the potential for increased joint working and the related costs and benefits.

**66.** This part of the report considers how well councils manage capital projects and programmes. It outlines areas where improvements are required to help councils achieve best value from their capital investment.

### In recent years, councils have improved governance structures for investment decisions

#### Most councils plan investment corporately, taking into account future service priorities

**67.** Councils must have sound governance structures in place to oversee and deliver their capital programmes. Annual capital spending within each council ranges from £8 million to £332 million. At the time of our audit, 20 councils had at least four major capital projects at various stages of design and delivery. Of these, five councils had ten or more major projects under way including Glasgow City Council with 35. Particularly where there are many projects in progress simultaneously, it is important that councils have clear corporate oversight of:

- their investment programme
- how well they select and progress individual major projects.

## Good practice – managing capital programmes

Because of its scale and impact, councils must clearly direct and rigorously manage their capital investment activity. To achieve this, they require to do the following:

- Be clear about the overall purpose and justification for spending and the benefits it will deliver. There should be a clear understanding of the links between investment, performance and outcomes.
- Establish priorities to help them decide which projects to choose taking into account what they can afford. Proposals for new investment should reflect these priorities. Councils should balance proposals for new projects with what they need to spend to maintain current properties and ensure they stay fit for purpose.
- Take a long-term view of their total investment spending so they can plan and coordinate it effectively.
- Put a clear and effective governance structure in place and ensure responsibilities are clearly defined, allocated and understood. The structure should provide scope for constructive challenge and effective scrutiny at all stages of the programme.
- Ensure financial and risk management are robust.
- Clearly define benefits and manage programmes to ensure they deliver the benefits. Monitor and report outcomes and learn lessons from programmes.

Source: Audit Scotland



**68.** Of the councils reviewed, we found that most capital governance structures follow good practice. This includes having an officer-led corporate capital group that considers and challenges the capital and asset management plans of each individual service. This group should report and make recommendations to the council's senior management team, who in turn will report, make recommendations and answer to the relevant council committee (Case study 3 is an example of a good governance structure).

**69.** Having a good governance structure is necessary but does not guarantee that councils will deliver capital investment plans and projects effectively. At all levels of the governance structure, from working groups to committee level, there should be clear arrangements for reporting and monitoring. All levels need to be supplied with reliable,

regular information on the capital programme including details of current performance, financial performance, risk and benefits management.

**70.** Independent expert reviews at key stages of a project – known as Gateway Reviews – can help support good governance. The purpose of such reviews is to provide assurance about the performance and planning of the project at key stages, including the opportunity to identify – and correct – any gaps. It is mandatory to assess the need for and if necessary plan to undertake such reviews for all major projects in the central government and health sectors that the Scottish Government is directly responsible for. Most of the 16 completed schools PFI projects that we examined had received such reviews, as they were required as a condition of funding by the Scottish Government. However, councils considered or undertook such reviews

for only one in five of their other major projects that we examined.

### Councils are making progress in linking their investment planning to asset management

#### Good practice – asset management

Councils need reliable information on the condition of existing assets to be able to make the best decisions on what capital investment they need to make in the future. Good asset management plans provide information on the condition of their assets, if these are suitable and if the council has enough for its needs. These plans should also assess energy efficiency, reflecting the rising price of energy and the need to reduce carbon emissions.

Source: Audit Scotland

## Case study 3

### Good practice example – Aberdeenshire Council

Level	Purpose	Key activities
Policy and Resources Committee	Approval body for capital investment decisions	<ul style="list-style-type: none"> <li>Approve the capital programme</li> <li>Approve the corporate asset management plan</li> <li>Approve project inclusion into capital programme and subsequent spending</li> </ul>
Strategic Management Team (SMT)	Acts as a steering group for capital works, led by Chief Executive	<ul style="list-style-type: none"> <li>Manage the capital strategy</li> <li>Undertake strategic resource management</li> <li>Manage corporate performance of investment</li> <li>Consider and approve proposals for investment, making recommendations to the Policy and Resources Committee</li> </ul>
Capital Plan and Asset Management Working Group	Acts as a project group for the capital programme, chaired by member of the SMT	<ul style="list-style-type: none"> <li>Review and challenge service asset management plans</li> <li>Manage and monitor the capital plan</li> <li>Assess proposals for new projects including options appraisal and examination of business cases</li> <li>Assess requests from services for changes to current projects</li> <li>Recommend to SMT the corporate prioritisation of projects</li> </ul>

Source: Audit Scotland

**71.** In 2009, an Audit Scotland report found that many council assets were in poor condition and unsuitable for the services being delivered from them.<sup>21</sup> About half of councils had a council-wide strategy for managing assets and although there was some good management information available it was not always used to help make decisions. The report recommended that councils should ensure they put in place better asset management strategies. Our follow-up in 2010 showed that councils were making good progress.

**72.** In 2012, our review of nine councils indicated that most are adopting good practice in relation to their asset management plans. Most have asset management plans for each service area that feed into a corporate asset management plan. Together these help councils decide their capital investment priorities. For example, North Ayrshire Council and Renfrewshire Council have developed asset management plans based on categories suggested by CIPFA covering property, housing, ICT, open spaces, roads and fleet. The findings of condition surveys contribute to both councils' plans. Renfrewshire Council surveyed the condition of all non-housing property in 2011 and North Ayrshire Council plans to complete more surveys during 2012/13. However, some councils still have to complete asset management plans in some areas. For example, at the time of our audit, Moray Council had only completed an asset management plan for housing and was developing four other plans.

### Councils adopt good practice when engaging with stakeholders on project-specific issues

**73.** Every project has stakeholders. These can cover a range of different groups including local residents, businesses, employees, service users, suppliers and public sector bodies such as health boards. Engaging and consulting with stakeholders is essential in achieving a successful

project outcome. Stakeholders' interest in a project can have both positive and negative effects on its progress. Their concerns may also create additional risks to a project's outcome. Engaging with stakeholders effectively is therefore important and should be a vital part of project planning from the start. Consulting with stakeholders can often be a lengthy process. But it can shape the project at an early stage and help ensure a more successful outcome.

**74.** In our audit, councils demonstrated good practice in engaging with stakeholders on project-specific issues, particularly on projects where there is a statutory consultation requirement. For example, the Schools (Consultation) Scotland Act 2010 requires any council to formally consult if it proposes to change any part of the existing education services it provides in its area (Case study 4).

**75.** Although councils consult on individual projects, we found no evidence of them consulting with stakeholders on their capital programmes. Councils should consult with stakeholders on their capital programmes to ensure they are fully aware of their capital spending priorities and plans. This may:

- be particularly valuable to potential suppliers and contractors by finding out about potential procurement opportunities
- help identify opportunities to find efficiencies or synergies within the whole programme rather than restricting communications to project-specific issues
- offer stakeholders the chance to engage with, scrutinise and challenge significant spending proposals.

### Case study 4

#### Good practice example – consultation. Moray Council

Public and statutory consultation has played an important role as the council has developed options for the Elgin Flood Alleviation Scheme. Consultation with the general public has continued since the start of the project. The council first consulted at the start of the project in 2002 with key stakeholders to identify the policies, plans and programmes that may affect the development of engineering options for flood alleviation in Elgin. The consultation took the form of meetings, supplements in local newspapers, press releases, public exhibitions and information on the Moray Flood Alleviation Group's website. There was also one-to-one consultation with individuals likely to be directly affected by the options. The council used this feedback to develop and refine the business case and technical reports.

#### Good practice example – consultation. Aberdeenshire Council

The council's consultation with the public for the Ellon Academy Campus development started in August 2011. The council issued a proposal document to parents, pupils, teaching staff, trade unions, community councils and Education Scotland. The council also launched a website dedicated to the development and displayed the proposals in the council's headquarters, libraries and neighbouring schools. The council asked HM Inspectorate of Education (HMIE) to independently review the consultation process. HMIE praised the plan as comprehensive and stated that it had allowed time for the council to collate and consider all views.

Source: Audit Scotland

21 *Asset management in local government*, Audit Scotland, May 2009.

## Councils' investment and financing plans are uncertain

### Good practice – capital investment plans

Capital investment is, by definition, a long-term activity. It is important that councils develop and maintain a clear strategy to direct and control their investment. To do this, they should produce an investment strategy with priorities to decide the level and nature of investment spending and develop plans to assess how they can finance and afford the spending.

Source: Audit Scotland

**76.** At the time of our audit, three councils did not have a corporate capital plan covering annual investment spending to 2014/15. Twenty-nine councils had plans, which indicated they would reduce investment spending by about 40 per cent between 2012/13 and 2014/15. However, many of these plans were tentative or needed to be updated as not all provided a complete forecast.

**77.** From a review of available plans, borrowing is likely to provide the main source of finance for investment. For six of the 29 councils with capital plans, their plans did not outline how investment would be financed, that is how much the councils would borrow, use grants or other sources to pay for planned investment.

**78.** To help understand what levels of borrowing councils might need to make, we projected investment spending and financing using three different, illustrative scenarios over the next eight years to 2020/21. For this illustration, we have assumed that government grant funding will fall by five per cent each year beyond 2014/15. Similarly, we have assumed that the contributions from current

revenue, asset sales and other income will also decrease by five per cent each year to reflect recent trends. Our analysis showed that, by 2020/21, if capital investment was to:

- increase by five per cent each year, borrowing levels would need to almost double their current levels to £2.9 billion a year
- remain at current levels, borrowing levels would need to increase by 14 per cent on current levels to £1.6 billion a year
- decrease by five per cent each year, borrowing levels would fall by almost half of their current levels to nearly £700 million a year.

**79.** This analysis confirms that councils' future borrowing will vary significantly depending on their appetite or otherwise for additional investment. It illustrates the importance of councils developing a clear long-term strategy for investment and how they will finance this.

**80.** Councils plan to continue to use private finance for some future investment:

- Twenty-nine secondary schools projects will begin over the next few years as part of the Scottish Schools for the Future programme.<sup>22</sup> Councils will use the Hub initiative led by the Scottish Futures Trust (SFT) as the means to procure these projects. This may include up to around £300 million using private finance contracts.<sup>23</sup>
- In addition, the SFT has identified that about £1 billion of investment is needed over the next ten years if Scotland is to meet its zero waste targets. Twelve councils are planning to use private finance contracts to invest in waste projects although

plans remain at the early stage of development in most cases.

**81.** Many councils are considering using Tax Incremental Financing (TIF) to finance capital investment, although no additional investment under TIF has yet gone beyond the planning stage.<sup>24</sup> Scottish ministers have approved three councils' business plans for TIF projects: North Lanarkshire, Glasgow City and The City of Edinburgh. However, the projects remain at an early stage and no council has so far made any additional borrowing under TIF. A further three councils – Falkirk, Fife and Argyll and Bute – are working with the Scottish Futures Trust to develop TIF business cases.

### Councils need to develop long-term, sustainable investment strategies

**82.** Using borrowing and private finance can be attractive as it spreads the cost over many years. But by doing so, councils commit a larger proportion of future budgets to financing charges, for example, repaying debt and interest. This leaves less money available to spend on the day-to-day costs of running council services. This is demonstrated in the following ways:

- Annual interest and debt repayments for borrowing arrangements have increased from £946 million in 2009/10 to £1,450 million in 2011/12. This represented an increase from eight to 12 per cent of councils' net revenue expenditure over the same period.
- Annual payments for previously signed NPD/PFI contracts are increasing. In 2012/13, these annual payments were £459 million. These will peak at £591 million in 2025/26 with the final payment for current

<sup>22</sup> The Scottish Schools for the Future programme is a £1.25 billion investment programme to provide 67 new or refurbished schools across Scotland. All councils are included in the programme, which reflects the Scottish Government and the Convention of Scottish Local Authorities (COSLA) joint school estate strategy established in 2009. The Scottish Government aims to provide £800 million for the programme over the period to 2017/18 and councils will provide the remainder.

<sup>23</sup> See Appendix 2 for more information about the Hub initiative.

<sup>24</sup> See Appendix 2 for more information about TIF.

signed contracts to be made in 2041/42. In 2012/13, The Scottish Government provided councils with £227 million (49 per cent) towards these payments. This level of financial support will continue each year but will reduce to around 39 per cent of annual payments as they peak in 2025/26.

**83.** Very few councils have developed detailed capital investment plans beyond 2014/15. There is less certainty about future funding arrangements beyond 2014/15. But councils need to develop long-term investment plans to set out their investment needs and constraints and provide the information needed for prioritising and planning. Long-term capital investment plans should also provide a strategic assessment of the various financing options available to the council.

### Councils have weak processes for developing and maintaining business cases

**84.** Many councils do not have established processes for developing and maintaining business cases. The evidence we have indicates that, where they are available, business cases are short and highly summarised or are not updated, and therefore do not reflect good practice. For example, the business case for Midlothian Council's Cuiken Primary School only included an options appraisal with associated costs. It did not consider other important aspects such as an assessment of risk, a procurement strategy or details of stakeholder consultation plans. The business case for this project estimated it would cost £6.2 million but its final cost of £7.6 million was 23 per cent higher. Without detailed, accurate and realistic business cases, particularly at the initial approval stage, key performance information on aims, cost, time, scope and risk may not be clearly defined. This could make it more difficult to hold decision-makers to account if problems arise later in the project.

### Good practice – business cases

Good-quality business cases are key to project scrutiny, decision-making and transparency. The business case should develop as each project develops. It should provide the basis for all important project decisions. Councils should develop business cases over the following stages:

- A Strategic Business Case (SBC) to confirm the strategic context of the proposal and provide an early indication of the proposed way forward.
- An Outline Business Case (OBC), including the council's preferred option for getting the best value for the money available. It should also provide details of a procurement strategy. This is equivalent to the initial approval stage at paragraph 40 previously.
- The Full Business Case (FBC) to revise the OBC and provide important project information including a recommendation following discussions with key stakeholders including potential suppliers. This is equivalent to the contract award stage at paragraph 40 previously.

Councils should revisit the business case throughout the course of a project, particularly if things change. These changes could include developments in financing arrangements; adjusting the scope of the project or dealing with an external delay that affects the project. Revisiting the business case will help to ensure that the aims and objectives remain clear and that project benefits remain relevant. It is also a good basis for transparency and accountability, by making sure councils are seen to be continually monitoring progress against the business case.

Source: Audit Scotland

### Councils have appointed in-house providers for some major projects

**85.** An important part of any business case for a major capital project is developing a procurement strategy. The preferred procurement route for any project should include a detailed assessment of value for money to ensure councils take the best option for cost, quality and, ultimately, the likelihood of a successful outcome to the project. The strategy should consider the use of competition in selecting and appointing a contractor for the work.

**86.** One option available to councils is to use in-house providers, including arm's-length external organisations (ALEOs). Glasgow City Council and Fife Council have both recently appointed in-house providers for major capital projects ([Case study 5, overleaf](#)).

### In many cases, councils are not outlining the intended benefits of investment

#### Good practice – identifying the benefits

It is important that councils clearly define the intended benefits of a project from the outset to justify the investment decision and provide a benchmark against which they can measure progress. By doing so, it allows councils to track, monitor and measure the delivery of benefits as a project progresses.

Source: Audit Scotland

**87.** Councils are clear about the idea or vision for their major investment projects. However, we found that where councils had outlined intended benefits, they were often high-level; councils rarely specified measurable benefits from investment. For example, neither Moray Council's Flood Alleviation Scheme nor Scottish Borders Council's Waste Treatment project clearly outlined a benefits strategy covering how the councils would measure or assess

## Case study 5

### Procurement of in-house providers to deliver capital projects

**Glasgow City Council** contracted with City Building Glasgow LLP (CBG), its wholly owned subsidiary, to carry out two major capital projects: Phase 4 of their Pre-12 Schools Strategy and their Care Homes and Day Care Re-Provision. The projects have a combined estimated cost of £265 million. The council decided to award the contracts for both projects to CBG by single tender, under case law (the 'Teckal' case). This exempts the council from European procurement rules if the council controls the provider and the provider carries out the essential part of its activities for them. The council appointed a cost consultant to assess the value of the CBG tender price, who reported that it was in line with market prices.

Likewise, **Fife Council** contracted with its internal trading organisation Fife Building Services (FBS) through a single tender to deliver renovation works at their Bankhead Depot, at an estimated cost of £11.4 million. The award was made on the basis that FBS would deliver 30 per cent of works and subcontract the remaining 70 per cent. The council's Property Services team benchmarked the price for the FBS element.

Source: Audit Scotland

the achievement of project benefits identified at the initial approval stage of each scheme.

### Councils do not have enough information to scrutinise effectively

#### Good practice – monitoring information

The success of any governance system will partly depend on the quality of the information provided to decision-makers. It is important that this information is tailored to each level within the governance structure and that the decision-makers at each level have all the information they need. Without good information, there is a risk that decision-makers will not be able to ensure that the project delivers best value for money.

Source: Audit Scotland

**88.** Councils regularly report to elected members on capital spending and on major projects. However, in many cases, performance reports focus on comparing spending against

approved annual budgets with the risk that scrutiny concentrates on any slippage in this area.

**89.** Monitoring information does not routinely extend to project performance against earlier benchmarks for cost, timescales and benefits. Without this information, elected members may not be able to properly challenge decisions made during the project and scrutinise how well the projects are progressing. Councils generally have weak processes for developing business cases and where clear business cases are absent ambiguities can arise about the initial cost estimates. This, in turn, makes it difficult to benchmark later cost estimates.

**90.** Generally councils monitor risks with their capital investment activity by focusing on individual projects. Councils rarely undertake more strategic reviews on programme-level risks, their implications and the proposed action to lessen their impact. Project risks need to be visible at a programme level to gauge the wider implications to other projects and the programme itself. Councils should reflect individual

project risks on a programme risk register. They then should review and update these regularly. By not assessing risk at a programme level, councils will be unable to explore opportunities that may arise or manage threats to the programme effectively. Improving the quality of programme risk reporting will increase the likelihood that councils will identify risks at an early stage, allowing them to take appropriate and timely action. It does not guarantee a successful outcome. But it can help resolve any potential problems that may arise.

**91.** Councils provide training to elected members on capital issues. In many cases this is restricted to one-off training for new members as part of their induction rather than as part of an ongoing training programme. Councils should consider developing a continuing programme of training for members on capital issues, using independent external advisers if necessary. Increasing the knowledge and expertise of members on capital investment issues will help them scrutinise and challenge capital investment plans.

### Councils do not review all completed projects to learn lessons

**92.** There are a number of reasons why a major capital project might fail to deliver best value for the taxpayer. When a project fails to deliver it is often due to a number of contributory factors, such as:

- lack of a clear link between the project and strategic priorities
- lack of robust planning and assessment of expected costs and timetable
- lack of accountability and leadership from senior officials or elected members
- lack of effective engagement with stakeholders
- poor relationships between client and suppliers.

**Good practice – lessons learned**

Identifying lessons learned from projects after they are completed, both in terms of success and failure, are key to improving the way councils deliver future projects. However, councils often overlook this stage of a major project. They should assess the completed project to ensure that it meets business requirements and provides good-quality design and functionality. They should then apply any lessons learned to other projects that are being developed.

Source: Audit Scotland

**93.** A post-project evaluation is often the formal review carried out at this stage and has two main purposes:

- to review how the project was managed, from preparing the business case through to how it was delivered and completed
- to assess whether the intended benefits set out in the business case have been achieved.

Without carrying out a post-project evaluation, councils will not be able to clearly demonstrate the investment has been worthwhile or identify lessons learned and apply them to future projects.

**94.** Just over half of the 63 completed projects in our sample had been evaluated to assess whether they have delivered the intended benefits. Councils reported the following:

- For 34 projects (54 per cent), they have undertaken, or are scheduled to undertake, a formal post-project evaluation. For the other projects, some councils reported they had carried out ongoing evaluations throughout the project, while others reported a lack of money or people to carry out any post-project evaluation.

- For 36 projects (57 per cent), they have undertaken, or are scheduled to undertake, a post-occupancy evaluation (POE) to assess how well the building operates.
- For 20 projects, about a third of the total, councils reported carrying out formal design quality assessments. These assessments were more common for PFI projects – eight of these projects (50 per cent) had a formal assessment of design quality. Councils had formally assessed 12 of 47 traditional projects against design quality standards. Where councils had assessed projects against specific measures of functionality, build quality, impact and diversity and inclusion, most reported the project as having scored 'high quality' across these areas. The exception to this was in build quality, where 41 per cent reported only 'satisfactory'.
- For 24 projects, councils reported they had assessed them against environmental (BREEAM) criteria.<sup>25</sup> This was 42 per cent of projects where councils responded to this question and considered the assessment was relevant. The majority of projects were rated as 'excellent' or 'very good'. Councils completed such an assessment for 81 per cent of PFI school projects, compared to 27 per cent for traditionally financed schools.

### There is limited evidence of collaboration in capital investment planning

**95.** Councils do not proactively seek opportunities to work with other councils or other public bodies in planning and delivering their capital programmes. Collaborating with others provides councils with the opportunity to improve performance by making more effective use of their resources. This can take various forms, including sharing resources

such as buildings and staff, taking part in joint projects or joint procurement. It can also extend to sharing good practice and advice in delivering capital projects and programmes.

**96.** Sharing or rationalising the use of buildings, land and property can help generate significant savings on accommodation and maintenance costs. Although there are some examples of shared assets, joint procurement and joint projects, there is little evidence of councils systematically assessing the potential for increased joint working and the related costs and benefits. Where joint working had been considered, councils reported it was difficult to work effectively with other public bodies owing to conflicting timescales or priorities.

**97.** The Scottish Futures Trust (SFT), established by the Scottish Government in 2008, leads a number of initiatives to help public bodies collaborate to make their capital investment programmes more efficient. The SFT has a remit to examine and develop new financing arrangements for investment and work collaboratively with both public bodies and commercial enterprises.

**98.** One of the main activities of the SFT is to lead the Hub initiative. The Hub is a procurement process aimed at improving collaboration and joint working between public sector bodies through a joint venture. There are five regional hubs in Scotland, each incorporating councils, health boards, police, and fire and rescue services. They work in partnership to deliver new community assets, such as local 'drop-in' offices and health premises. Many councils have projects either planned or in construction through the initiative, with most projects to deliver new accommodation facilities. The first completed project was Drumrae Library Hub in Edinburgh which includes library, daycare and community-use facilities.

25 Building Research Establishment Environmental Assessment Method. It sets the standard to describe a building's environmental performance.

### Councils should improve procurement strategies

**99.** Some councils have established 'framework' contracts to procure and deliver their capital programmes. These are long-term agreements between a council and a panel of suppliers to undertake major investment programmes. Such agreements can result in significant savings compared to other strategies that involve repeated one-off tendering for individual projects. They can allow purchasers and suppliers to build up strong working relationships. This helps to reduce the potential of expensive legal disputes. They should also allow for projects to be procured quickly and more efficiently.

**100.** A number of councils have framework contracts in place. In 2011, Aberdeenshire Council established a framework contract of five contractors to deliver over £200 million worth of major capital works. Similarly, in 2009, Renfrewshire Council established a framework contract to deliver five major projects within its capital investment programme. While establishing framework contracts is recognised good practice, it should not prevent councils from seeking opportunities with other councils and public bodies in joint procurement practices.

**101.** There is limited evidence of councils becoming involved in collaborative procurement for construction activity. In most cases, councils adopt their own procurement practices without working with other public sector bodies to identify possible opportunities for generating efficiencies through joint procurement.

**102.** In August 2012, the Scottish Government published its consultation proposals for a new Procurement Reform Bill. These proposals would establish new rules for procurement by Scottish public bodies, with an aim of adopting more efficient procurement practices across the public sector. The Bill aims to:

- use public procurement, worth about £9 billion a year, as a lever for economic growth
- streamline the public sector's dealing with business
- adopt more efficient procurement practices
- secure value for money.

These proposals increase the profile of public procurement and the expectation that public bodies, including councils, implement, and can demonstrate, effective purchasing practice.

### Recommendations

Councils should:

- develop and confirm long-term investment strategies to set out the needs and constraints for local capital investment and consult with stakeholders such as service users and suppliers as they develop these strategies
- assess the overall appropriateness of using borrowing and private finance within the investment strategy. The strategy should balance the costs, risks and rewards of using these methods to ensure plans are financially sustainable and help the council achieve value for money

- establish standard criteria for the content of business cases that reflects good practice and establish clearly defined project milestones for monitoring and reporting
- prepare detailed and robust business cases for every project. These should cover the intended aims and benefits, options appraisal, risk assessment and cost, time and scope targets
- actively look for opportunities for joint working with other councils, community planning partnerships and public bodies to improve the efficiency of their capital programmes. This should cover joint projects, sharing resources such as facilities and staff, sharing good practice and taking part in joint procurement
- improve the quality of capital project and programme information that is routinely provided to elected members. Information should cover:
  - annual financial performance against the capital budget
  - project and programme level performance against cost, time and scope targets
  - risk reporting (including identification, likelihood, financial impact and actions taken)
  - an assessment of intended and realised benefits
- consider developing a continuing programme of training for elected members on capital issues, using independent external advisers if necessary

- consult with stakeholders on its capital programme to ensure stakeholders are fully aware of council capital spending priorities and plans. This may create opportunities to generate efficiencies over the whole programme rather than restricting it to project specific issues
- improve how they manage risk and report on programme-level risk to members. Reports should provide details on the likelihood of risks occurring, potential impact and what proposals are in place to lessen the impact of risk
- carry out post-project evaluations within six months of a project being completed to find out if the projects have delivered, or are on course to deliver, the intended benefits and to learn lessons. The results should be reported publicly
- ensure lessons learned from projects are shared across services and other councils to help improve the successful delivery of future projects to time and cost targets.



# Appendix 1

## Audit methodology

The focus of our work was to assess how well capital investment is directed, managed and delivered within councils. For [Part 1](#) we considered how much councils spend on capital investment, what this delivers and how it is funded. For [Part 2](#) we focused on evidence from councils on the performance of recently completed projects and projects currently in progress. For [Part 3](#) we focused on how well councils manage their investment spending as a programme.

Our audit had five main components:

- A questionnaire to all councils to collect data on all major capital projects completed between April 2009 and March 2012 and major capital projects in progress at April 2012.
- A detailed data survey of 63 completed projects.
- A case study review of 15 projects in progress.
- A review of capital programme management arrangements at nine councils.
- Desk research of existing information on council investment levels, debt and borrowing levels, types of financing and funding arrangements.

We did not consider capital investment relating to police and fire and rescue boards owing to their forthcoming mergers. We did not consider the Edinburgh trams project or projects relating to the Commonwealth Games in 2014 as these projects have been subject to separate Audit Scotland reports.

### Initial data request

We requested data on all major capital projects completed between 1 April 2009 and 31 March 2012 from all 32 councils. This covered all types of projects, financing methods and projects where councils received financial contributions from other public or private sector bodies.

### Data survey of 63 major capital projects

We analysed quantitative and qualitative data on a sample of 63 completed major capital projects. We selected this sample using information from the initial data request. The sample covered 28 councils, 52 per cent of the projects we had data for and 82 per cent of their total capital value. The survey requested data from each council on project cost, time, scope and quality. However, not all councils could provide all the data we requested as they were either not held or could not be accessed. [Appendix 3](#) provides a full list of the projects included.<sup>1</sup>

### Case study review of projects in progress

We reviewed a sample of major capital projects in progress to evaluate whether management controls and governance are effective. We selected the sample using the information we received from our initial request for data. The sample covered nine councils and 18 per cent of the total capital value.

We appointed PricewaterhouseCoopers after a competition to lead the case study reviews. Each case study included interviews with key project staff and a review of relevant project documents. The work was completed between August and

December 2012 and therefore the status of each project may have changed since the review. The case study projects are identified in [Exhibit 8](#) on page 18.

### Review of capital programme management arrangements

We examined capital programme arrangements at a sample of nine councils: Aberdeenshire, Fife, Glasgow City, Moray, North Ayrshire, North Lanarkshire, Renfrewshire, Scottish Borders and The City of Edinburgh. These were the same councils included in the case study review noted above. We assessed how well councils managed their investment spending as a programme and how they could improve in this area. For this work we interviewed elected members, the Director of Finance or equivalent and other Heads of Service. We also reviewed a number of relevant documents.

### Desk research and other analysis

We examined existing information such as trends in council capital spending, Scottish Government capital budget projections, sources of financing investment, and councils' borrowing levels and procurement activity. We reviewed published good practice on project and programme management, including information published by the Chartered Institute of Public Finance and Accountancy.

To help understand what levels of borrowing councils might need to make, we projected investment spending and financing using illustrative scenarios for variations in investment over the next eight years to 2020/21.

<sup>1</sup> We have published separately on our [website](#) further information about individual projects in our sample.

# Appendix 2

## Methods of financing and funding capital investment in councils

Method	Potential
<b>Capital grant</b>	
The Scottish Government provides grant funding to each council on an annual basis. This has provided around a quarter of councils' capital budgets since 2000/01.	Looking ahead, the Scottish Government will reduce the capital grant to councils in real terms from £604 million in 2012/13 to £540 million in 2013/14, but will increase it to £733 million in 2014/15.
<b>Prudential borrowing</b>	
Introduced in 2004, it allows councils to borrow for capital investment. In doing so, each council must calculate and keep under review the amount of money it can afford to borrow with reference to the Prudential Code.	The potential for new borrowing depends, in part, on an assessment of affordability and therefore varies among councils. The City of Edinburgh (£151m), and North Lanarkshire (£93m) had the highest increases in underlying need for new borrowing in 2011/12. Eleven councils reduced their need for new borrowing, with Orkney Islands Council having the largest decrease of over £9 million.
<b>Revenue budget</b>	
Councils can transfer money from revenue budgets to capital budgets to fund capital investment.	The scope to transfer money from revenue budgets to capital budgets depends on how much councils are willing to reduce their revenue budgets.
<b>Private finance initiative (PFI)</b>	
PFI is a form of Public Private Partnership (PPP) where public and private sector partners agree a contract to build and maintain an asset that the public sector will use. The private sector partners pay for the up-front costs of building and ongoing maintenance in return for annual payments from the public sector. Contracts are usually for 25 to 30 years after which the asset either remains with the private sector or is transferred to the public sector.	Twelve councils have plans to use PFI for waste projects, although information on these is limited. Councils continue to operate a number of previously signed PFI contracts, mainly for schools projects.
<b>Non-profit distributing (NPD)</b>	
NPD is another form of PPP. As with PFI, there is a partnership with a private sector company, which pays up-front construction and ongoing maintenance costs. However, NPD contracts limit the profits that the private sector company may retain. Any surplus profit is reinvested in the public sector. The public sector pays an annual charge over the life of the asset from its revenue budget.	Four councils have each approved an NPD contract for new schools in their area, with a combined estimated capital value of £370 million. However, most councils are now pursuing new schools projects through the Hub initiative, which is more suitable for the smaller scale of projects included.
<b>User charging</b>	
However the project is funded, the public sector can help pay for it over time by charging the public to use the asset. Examples of user charging include road tolls and waste disposal charges.	This is restricted to certain assets and services such as museums, waste collection and leisure facilities.

Method	Potential
<b>The Hub initiative</b>	
<p>The Scottish Futures Trust is leading hub implementation across five geographical territories in Scotland.</p> <p>The hub is a partnership-based approach to providing new community assets such as new health premises and other facilities for local community services.</p> <p>In each territory the initiative aims to bring together community planning partners (health boards, councils, police and fire and rescue services), the SFT and a private sector development partner in a joint venture delivery company called a hubco. Five hubcos were established between 2010 and 2012 and have awarded some initial contracts.</p> <p>Public bodies may acquire new projects through the hub using either traditional or private financing.</p>	<p>The hub aims to increase the value for money of construction procurement through better collaboration in the public sector and partnership with private sector suppliers. Previous Audit Scotland reports have identified the need for improvement in these areas.</p> <p>Hubco plans anticipate that they will deliver £2 billion worth of education, transport, health and community services projects over the next ten years. This includes plans for 29 secondary schools projects with an estimated capital value of over £800 million, to be taken forward within the Scottish Schools for the Future programme.</p> <p>The SFT estimates it will give significant financial benefits, including efficiencies of two to three per cent of total project spending and lower procurement costs.</p>
<b>Tax incremental financing (TIF)</b>	
<p>Many councils are considering using TIF to finance capital investment, although no additional investment under TIF has yet gone beyond the planning stage. Under TIF, investment is intended to be ultimately self-financing:</p> <ul style="list-style-type: none"> <li>• Projects need to be able to deliver regeneration and sustainable economic growth.</li> <li>• Councils invest in infrastructure, such as new access roads, to promote growth in a specified regeneration area. The objective is to attract and permit additional private sector investment - such as new shops, offices or factory space - in the same area.</li> <li>• Councils borrow to pay for their investment; however, the Scottish Government allows them to keep a greater share of the anticipated extra non-domestic rates income expected to flow from the additional private sector investment in the specified area.</li> <li>• If all goes to plan, in the short term the anticipated future additional income allows councils to borrow and repay more than would otherwise be affordable; in the long term the extra income pays for the infrastructure investment at no net additional cost to councils.</li> </ul>	<p>Three councils – North Lanarkshire, Glasgow City and The City of Edinburgh – have had business plans approved by Scottish Ministers for TIF projects, but have not made any financial commitments. A further three councils – Falkirk, Fife and Argyll and Bute – are working alongside the SFT to develop TIF business cases.</p>
<b>Capital receipts</b>	
<p>Councils can use income from selling assets to pay for new projects. In most cases councils use these receipts to supplement funding from grants.</p>	<p>During 2012/13, 25 councils planned to sell existing assets with a combined book value of £91 million. A further £62 million worth of assets are held for disposal at a later date, of which Glasgow City Council holds £55 million. However, any income received will depend on the sale price and conditions of each sale.</p>

# Appendix 3

## Sixty-three completed projects analysed in our audit

Project reference	Council	Project name	Project outturn capital cost (£) <sup>1</sup>	Lifetime contract cost (£) <sup>2</sup>	Year of completion (ready for service)
■ Denotes PFI projects. PFI project references are also suffixed '-P'. All other projects were traditionally financed.					
ACC-P	Aberdeen City	3Rs School Programme	124,800,000	181,700,000	2011
ACC3	Aberdeen City	Marischal College	68,300,000		2011
ACC1	Aberdeen City	Regional Sports facility (Phase 1)	27,800,000		2009
ACC2	Aberdeen City	Rosewell House	8,700,000		2009
Angus-P	Angus	Forfar / Carnoustie Schools Project	42,300,000	75,500,000	2009
Angus	Angus	Seaview Primary School	6,000,000		2009
CEC-P	City of Edinburgh	PPP2 Schools Programme		270,600,000	2010
CEC5	City of Edinburgh	Braid Burn Flood Prevention Scheme	43,000,000		2010
CEC2	City of Edinburgh	Usher Hall	25,475,247		2009
CEC1	City of Edinburgh	Housing - Gracemount	6,000,000		2012
CEC4	City of Edinburgh	Inch View Care Home	8,895,000		2011
CEC3	City of Edinburgh	Redhall MLD Primary School	7,566,000		2008
Clack-P	Clackmannanshire	3 secondary schools project	65,500,000	93,800,000	2009
DG-P	Dumfries & Galloway	Schools PPP project	108,824,000	176,898,000	2010
DG	Dumfries & Galloway	Cargenbridge Depot	7,300,000		2010
DCC-P	Dundee City	Schools PPP project - phases 1-5	90,000,000	145,000,000	2009
DCC3	Dundee City	Dundee House	35,200,000		2011
DCC1	Dundee City	Kingspark Special School	13,700,000		2010
DCC2	Dundee City	Whitfield Primary School	8,000,000		2012
EDC-P	East Dunbartonshire	Schools PPP project	134,100,000	183,100,000	2009
EDC	East Dunbartonshire	Kirkintilloch Health & Social Care Centre	8,900,000		2009
ELC3	East Lothian	New Dunbar Upper Primary School	10,000,000		2011
ELC2	East Lothian	Housing - Brunt Court	8,600,000		2011

### Notes:

1 Latest reported cost. Estimated construction cost for PFI projects.

2 For PFI projects only. This is the estimated Net Present Cost of contract.

Project reference	Council	Project name	Project outturn capital cost (£) <sup>1</sup>	Lifetime contract cost (£) <sup>2</sup>	Year of completion (ready for service)
ELC1	East Lothian	Kinwegar Waste Recycling Centre	3,800,000		2010
ERC	East Renfrewshire	Isobel Mair School	12,118,000		2011
Falkirk-P	Falkirk	Schools PPP project	115,500,000	167,390,000	2009
Fife1	Fife	Carnegie Leisure Centre refurbishment	20,050,000		2011
Fife2	Fife	Leven Primary Schools	9,600,000		2010
GCC2	Glasgow City	Riverside Museum	84,700,000		2011
GCC1	Glasgow City	River Clyde Regeneration - quay walls, public realm and bridge	30,600,000		2009
High-P	Highland	Education PPP2	133,900,000	246,700,000	2009
High2	Highland	Raasay Ferry Terminal	13,400,000		2010
High1	Highland	Highland Archive & Registration Centre	10,400,000		2009
High3	Highland	Lochaber High Phase 2 refurbishment	7,700,000		2011
Inverclyde-P	Inverclyde	Schools PPP project	77,600,000	124,200,000	2011
Midlothian1	Midlothian	Woodburn Primary School	10,900,000		2009
Midlothian3	Midlothian	Housing - Site 16 Eskvale Road	9,400,000		2010
Midlothian2	Midlothian	Cuiken Primary School	7,600,000		2009
Moray1	Moray	Forres Burn of Mosset Flood Alleviation Scheme	21,100,000		2009
Moray2	Moray	Council Headquarters Annexe	7,100,000		2011
NAC	North Ayrshire	Bailey Bridge	5,400,000		2010
NLC3	North Lanarkshire	Ravenscraig Regional Sports Facility	33,176,399		2010
NLC4	North Lanarkshire	Cathedral & Firpark PS campus & Daisy Park Community Centre	19,090,500		2011
NLC1	North Lanarkshire	Buchanan Centre	18,200,000		2010
NLC2	North Lanarkshire	Motherwell Theatre Refurbishment	6,700,000		2012
PKC-P	Perth & Kinross	Investment in Learning Programme	135,800,000	217,600,000	2011

Project reference	Council	Project name	Project outturn capital cost (£) <sup>1</sup>	Lifetime contract cost (£) <sup>2</sup>	Year of completion (ready for service)
PKC	Perth & Kinross	Errol Primary School redevelopment	6,600,000		2009
Ren2	Renfrewshire	Renfrew High School refurbishment	9,900,000		2010
Ren1	Renfrewshire	Johnstone High School (part 2) refurbishment	8,700,000		2009
SBS-P	Scottish Borders	Schools PPP project	76,300,000	110,500,000	2009
SBS	Scottish Borders	Kingsland Primary School	8,400,000		2010
SIC	Shetland Islands	New Mid Yell Junior High School	8,700,000		2010
SAC-P	South Ayrshire	Schools PPP project	76,300,000	127,700,000	2009
SLC-P	South Lanarkshire	Secondary Schools Modernisation Programme	318,900,000	406,600,000	2009
SLC	South Lanarkshire	Primary Schools Modernisation Programme	180,500,000		2012
Stirling2	Stirling	Peak Sports Village	27,200,000		2009
Stirling1	Stirling	Bannockburn High School Refurbishment	11,600,000		2010
WDC-P	West Dunbartonshire	Schools PPP project	96,992,000	137,049,000	2010
WDC	West Dunbartonshire	Goldenhill Primary School	7,200,000		2010
WLC-P	West Lothian	Schools PPP project	60,800,000	89,800,000	2009
WLC3	West Lothian	West Lothian Civic Centre	46,787,046		2009
WLC1	West Lothian	St Kentigern's Academy refurbishment	20,956,213		2009
WLC2	West Lothian	James Young High School refurbishment	18,515,997		2009

## Notes:

1 Latest reported cost. Estimated construction cost for PFI projects.

2 For PFI projects only. This is the estimated Net Present Cost of contract.

# Appendix 4

## Project advisory group members

Audit Scotland would like to thank members of the project advisory group for their input and advice throughout the audit.

Member	Organisation
Ian Black	Director of Finance & Shared Services, East Dunbartonshire Council
Alan Carr	Board member, Civil Engineering Contractors Association
Stephen Crichton	Head of Corporate Finance, Glasgow City Council
John Fyffe	Executive Director (Education), Perth and Kinross Council
Alison Hood	Audit Manager, National Audit Office
Michael Levack	Chief Executive, Scottish Building Federation
Peter Reekie	Director of Finance & Structures, Scottish Futures Trust

Note: Members of the project advisory group sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

# Major capital investment in councils

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ISBN 978 1 907916 93 9

This publication is printed on 100% recycled, uncoated paper





**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 11 June 2013

**BY:** Executive Director (Support Services)

**SUBJECT:** Responding to Challenges and Change: An Overview of Local Government in Scotland 2013 (Accounts Commission March 2013)

**6**

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**1 PURPOSE**

- 1.1 To review East Lothian Council's position in relation to the findings of the Accounts Commission report, 'Responding to Challenges and Change: An Overview of Local Government in Scotland 2013'

**2 RECOMMENDATIONS**

- 2.1 It is recommended that the Committee note that the improvement points detailed in paragraphs 3.9, 3.14, 3.27, 3.37, 3.42 and 3.50 have been included in the draft 2013/14 Council Improvement Plan.
- 2.2 Further, the Committee should review the contents of this report and identify areas for further scrutiny at future meetings of the Audit and Governance Committee

**3 BACKGROUND**

- 3.1 Each year the Accounts Commission produces an overview of issues that have arisen from the local authority audits conducted by Audit Scotland. The overview assists councils in identifying and planning for pressures that they may face in the coming year. The report is in two parts.
- 3.2 Part 1 highlights service challenges in 2013, in particular:
- Demand and resource pressures continue to build
  - Public service reform is gathering pace including reform of police and fire and rescue services and sharing services
  - Welfare reform

- Reform and growing expectations of community planning
  - The need to ensure that councillors have the information and support required to effectively fulfil their governance responsibilities with respect to performance and improvement.
- 3.3 Part 2 reviews use of resources in 2012. The report highlights that Councils are facing tightening budgets and continuing increase in demand for services. Tighter budgets have been met by reducing staff numbers and increasing charges. The report points out that across local authorities as a whole, reserves have increased, but that reserves can only be used once and are not a sustainable source of support for expenditure. The report also comments on levels of capital expenditure amongst local authorities and includes details of how the level of net indebtedness has increased from 2003/04 to 2011/12. This part of the report also deals with issues arising from the significant changes in the make-up of the people leading and managing councils.
- 3.4 The report contains several recommendations for councillors. Each of the recommendations is outlined in this report along with a summary of the audit findings that support the recommendation. The position of East Lothian Council in regard to each recommendation, including relevant actions points contained in the draft 2013/14 Council Improvement Plan<sup>1</sup>, is provided below the summary.

## **Leadership and Governance**

### ***Build and maintain strong working relationships, in councils and with community planning partners***

- 3.5 Audit Scotland found that political tensions have increased within councils since the last election. Political change, allied with the changes in management that many councils have experienced recently, means that there needs to be renewed focus on building working relationships.
- 3.6 Overall there has been a trend towards creating smaller management teams. Management restructuring is often accompanied by cultural changes aimed at empowering middle managers to take more control. Councils need to be careful to build capacity among managers and ensure that they do not lose important skills and experience in the process of restructuring.

### East Lothian Council position

- 3.7 The need to ensure that councillors and officers maintain good working relations based on trust, common understanding of responsibilities and adherence to standards of good conduct has been recognised by the Council. The Council's Standing Orders include the Councillors Code of Conduct and the draft revised Standing Orders include Councillors' Role Descriptions along with the Council's Statutory and Chief Officer Role Descriptions.

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<sup>1</sup> The 2013/14 Council Improvement Plan is to be approved by the Council, 25<sup>th</sup> June 2013

- 3.8 The review of the Council senior management structure (February 2012) resulted in a reduction in the number of Heads of Service from 11 to 7. A Leadership Development programme involving a series of masterclasses and the piloting of a structured learning programme has been established in order to increase the skills and capacity of managers to lead change in the authority.
- 3.9 The 2013 Council Improvement Plan includes five action points related to elected members and officer development:
- Roll out CPD for elected members and continue to support elected member and senior management development
  - Hold training session for elected members on new Standing Orders including session on Elected Members Code of Conduct delivered by the Standards Commission
  - Training for Audit & Governance Co and PPR Co members
  - Review People Strategy including the how the values from the East Lothian Way are disseminated to staff
  - Develop Workforce Development Plan (including supporting internal jobs market, management of change, leadership development and succession planning).

***Provide robust scrutiny of finances and service performance***

- 3.10 Audit Scotland highlight the importance of the scrutiny of finance and performance. Councils were found to be increasingly showing large variances against their budget. Members need appropriate information to allow them to scrutinise why budget variations occur.

East Lothian Council position

- 3.11 Quarterly reports describing the Council's financial position are provided to the Cabinet. The Financial Review reports outline the Council's overall financial position, its forecast position, and the position of individual departments and budgets. Each service receives a risk assessment based on the likelihood of over-spending and level of uncertainty in demand for services.
- 3.12 Performance reports are provided to the Policy & Performance Review Committee. Up-to-date performance information can also be accessed via the Council's performance website. Several cost measures are reported along with output and outcome measures.
- 3.13 'How Good is Our Council?' (HGIOC) asks services to evaluate themselves against the questions outlined in the table below. The reporting of financial performance and service performance receives a relatively high score, showing that services believe that it is a strength.

Question	2012	2013
How well does the service monitor, review and report upon financial performance?	Score: 4.5 / 6 Rank: 23 / 102	4.7 / 6 8 / 102
How well does the service report its performance to stakeholders?	Score: 4.6 Rank: 13 / 102	4.5 23 / 102

3.14 The draft 2013/14 Council Improvement Plan includes two actions that aim to strengthen the scrutiny of finance and service performance:

- Review and revise the Improvement Framework, including making more effective use of benchmarking
- Review and further strengthen the financial management process

***Ensure effective financial planning, management and controls are in place***

3.15 Councillors need to be satisfied that the chief financial officer has appropriate access to the Chief Executive where the officer is not part of the senior management team.

East Lothian Council position

3.16 Following the review of the Council senior management structure in April 2012 the Council appointed Head of Council Resources, who is a member of the Council Management team, as the Council's Chief Finance Officer. The roles description of the Council's Statutory Officers, including the Chief Finance Officer is included in the revised Standing Orders.

***Provide clear information about the purpose and intended use of reserves***

3.17 The overall level of reserves for Scottish councils increased by 14% in 2012. Lower interest rates and interest rates and general under-spending against budgets helped to increase reserves. 27 councils experienced an increase in reserves. The percentage of general fund reserves considered to be 'non-earmarked' (i.e. available to deal with unforeseen circumstances) as a proportion of the net cost of services was 2.7%

3.18 Audit Scotland found that councillors need a clear picture of how the planned use of reserves fits in to the overall financial strategy. Audit Scotland also suggests that the reasons for holding reserves need to be communicated to communities. Any communications should explain that reserves cannot be used to fund service provision on an ongoing basis.

East Lothian Council position

3.19 In contrast to the rest of Scotland, East Lothian Council's general fund usable reserves reduced by £4.172m during 2011/12. The purpose and intended use of the Council's reserves – and their role in the medium term financial plan - is described in the Financial Strategy 2013/14 to

2015/16. The Strategy was reported to the East Lothian Council meeting of the 12<sup>th</sup> February 2013. The Financial Strategy recommends a limit on the use of reserves to £2.284m across 2013/14 and 2014/15 with a view to returning to a sustainable budget in 2015/16. Any unexpected reserves will be transferred to the Cost Reduction Fund.

## **Working in Partnership**

### ***Ensure effective leadership of community planning***

- 3.20 COSLA and the Scottish Government produced a Statement of Ambition for community planning partnerships. The Statement summarised the key priorities for community planning partnerships as being to understand place, plan outcomes and deliver outcomes. Audit Scotland note that strong leadership is required at a local level to achieve the Statement of Ambition. Community planning partnerships need to be clearer about local priorities in particular.

#### East Lothian Council position

- 3.21 The outcome of the review of governance arrangements for the East Lothian Community Planning Partnership was reported to the Council meeting of the 23<sup>rd</sup> April 2013. The revised structure of the East Lothian Partnership (the new title for the East Lothian Community Planning Partnership) includes three supporting Partnerships with representation from the Council's Administration and Opposition.
- 3.22 The revised structure of the East Lothian Partnership takes account of the Audit Scotland report 'Improving Community Planning in Scotland'. Each Partnership is responsible for leading a culture of collaboration, developing and delivering priorities and outcomes, and scrutinising the delivery of outcomes. The new Single Outcome Agreement which is to be developed is to be focused on a smaller number of key outcomes

### ***Demonstrate that the council's contribution to community planning is resulting in better services and improved outcomes***

- 3.23 The Accounts Commission report highlights that Community Planning Partnerships have so far been unable to demonstrate that they have had a significant impact on improving outcomes.

#### East Lothian Council position

- 3.24 Performance in relation to the achievement of outcomes is reported via the East Lothian Community Planning Partnership website. More detailed performance reports are provided to the East Lothian Community Planning Partnership Board on a quarterly basis. The revised governance arrangements for the East Lothian Partnership will enhance the reporting and scrutiny of the achievement of outcomes.
- 3.25 Reporting on the achievement of outcomes is complicated as the factors that contribute to outcomes are often complex. In many cases changes in outcomes only becomes apparent in the long-term and are difficult to

attribute to individual actions. Logic models have been prepared for some outcomes to help evaluate how activities contribute to outcomes, although their use has been inconsistent.

3.26 Council services have evaluated themselves against the following questions as part of HGIOC. The results show that services feel that they are relatively weak at monitoring their contribution to outcomes and the performance of partnerships. However, it should be noted that the latter improved considerably between 2012 and 2013.

Question	2012	2013
How well does the service monitor its contribution to outcomes?	Score: 4.0 / 6 Rank: 72 / 102	3.9 / 6 74 / 102
How well does the service monitor the performance of partnerships?	Score: 3.6 Rank: 93 / 102	4 68 / 102

3.27 The draft 2013/14 Council Improvement Plan includes two actions that aim to further strengthen the Council's approach to ensuring that its strategic partnerships, including the East Lothian Partnership are fit for purpose, effective and focused on achieving collaborative gain.

- Develop toolkit for self-evaluation of strategic partnerships
- Induction programme for all members of new Community Planning Partnerships, including elected members.

## Service Changes

### ***Monitor the impact of the major changes in the welfare system***

3.28 Audit Scotland highlight some of the actions that councils have undertaken to prepare for the introduction of the Welfare Reform Act 2012. Monitoring of the impact of the provisions of the Act is recommended in the short-term. Assessing the longer-term implications, for example reviewing house building to ensure that there is adequate supply of houses with fewer bedrooms, should also be considered.

### East Lothian Council position

3.29 Several reports have been provided to Council committees regarding the impact of welfare reform. The most recent report was provided to the Council meeting of the 26<sup>th</sup> February 2013. Further reports on the subject have been made to the Cabinet and the Audit & Governance Committee. A further report on the impact of welfare reform is due to be considered by the Policy Performance and Review Committee in September 2013.

**Ensure rigorous and challenging appraisal of options for delivering services**

3.30 The duty of Best Value requires councils to demonstrate that they review services and use options appraisal on a regular basis. Reductions in resources, increased demand for services and changes in the workforce provide even greater impetus to review the way that services are provided. Options including delivering services through contracts with external suppliers and setting up arms-length external organisations need to be considered along with council provision.

East Lothian Council position

3.31 The Council is bringing together a number of change projects and initiatives under the umbrella of a Transformation programme assisted by a multi-disciplinary team. A key aspect of the Programme will be to oversee and assist in reviewing the way in which services are delivered.

3.32 HGIOC does not include a general question regarding the use of options appraisal, although it is referred to in relation to financial planning and asset planning. Services give themselves a relatively low score in relation to these questions, suggesting that they are an area for improvement.

Question	2012	2013
To what extent does financial planning demonstrate Best Value?	Score: 3.8 / 6 Rank: 83 / 102	3.9 / 6 74 / 102
To what extent can options appraisal and Best Value be demonstrated in asset planning?	Score: 3.8 / 6 Rank: 83 / 102	3.6 / 6 85 / 102

3.33 The draft 2013/14 Council improvement Plan includes an action point to review and refresh the Council's Improvement Framework to make more effective use of benchmarking, develop guidance and training on the use of benchmarking, Best Value reviews and options appraisal.

**Improve workforce planning to understand how changes in staff numbers are affecting services and the capacity for improvement**

3.34 Across Scotland's councils the overall number of employees has reduced by 6.4% since 2010. The trend is set to continue with the application of workforce management approaches, for example voluntary early release and vacancy management. Such a turnover of staff brings risks including weaknesses in governance when senior officers retire, a loss of skills and a failure to achieve planned savings. Councils that have prepared workforce management plans are better positioned to identify potential skills gaps, workforce pressures and future needs.

### East Lothian Council position

- 3.35 Cabinet agreed to introduce a Voluntary Early Release scheme at its meeting of the 12<sup>th</sup> March 2013. Efficient Workforce Management Planning, including vacancy management, has been in place since 2010.
- 3.36 HGIOC asks services to evaluate whether they have sufficient staff to deliver their activities. The score for this question is relatively low and has declined between 2012 and 2013.

Question	2012	2013
Does the service have a sufficient number of employees to deliver its activities?	Score: 3.8 / 6 Rank: 83 / 102	3.6 / 6 85 / 102

- 3.37 The draft 2013/14 Council Improvement Plan includes two actions that aim to address the weakness identified by the HGIOC self-evaluation and the issues raised by the Accounts Commission report:
- Review People Strategy including the how the values from the East Lothian Way are disseminated to staff
  - Develop Workforce Development Plan (including supporting internal jobs market, management of change, leadership development and succession planning).

### **Performance Information and Management**

#### ***Promote thorough and robust self-evaluation***

- 3.38 Audit Scotland note that councils must be self-aware in order to improve performance. However, there is a long way to go before self-evaluation forms an integral part of councils' performance management arrangements. The use of self-evaluation could be improved by the including more benchmarking information and service user views.

### East Lothian Council position

- 3.39 Council services undertake self-evaluation using 'How Good is Our Council?' (HGIOC). The most recent round of self-evaluation was the fourth time that HGIOC has been undertaken. Services have become more experienced in practising self-evaluation and are now able to draw upon more robust evidence that has been built up over time.
- 3.40 Other, service specific, self-evaluations models are also used in different parts of the Council. Examples include 'How Good is Our School?', 'How Good is Our Community Learning and Development?', and 'How Good is Our Culture and Sport?'
- 3.41 Services evaluated their own use of self-evaluation as part of HGIOC. The overall score demonstrates a significant improvement between 2012 and 2013.



Question	2012	2013
How effective is the services use of self-evaluation in service improvement?	Score: 3.9 / 6 Rank: 77 / 102	4.3 / 6 39 / 102

3.42 However, following the principle of continuous improvement the Council will be working in partnership with the Local Area Network on an agreed programme of self-evaluation for improvement around the development of HGIOC. Also, the draft 2013/14 Council Improvement Plan includes an action to review and further develop HGIOC self-evaluation.

***Ensure performance information supports scrutiny and service improvement***

3.43 Councillors need good quality performance information to perform their scrutiny role. Performance reports were found to contain too much detail, which obscured the most important messages. Exception reports highlighting areas that are not meeting targets are recommended.

East Lothian Council position

3.44 Audit Scotland published the report 'Managing performance: Are you getting it right?' in October 2012; the Council's response to the report was provided to the Policy & Performance Review Committee of the 27<sup>th</sup> November 2012.

3.45 Performance indicators are reported via the Council performance website. The website includes a summary page showing the indicators that relate to each of the Council's outcomes. The summary page provides an overview of performance using a red (worse than target), amber (slightly worse than target) or green (better than target) scale. More detailed information for each indicator, including the trend and comparisons with other councils, can be accessed by clicking on the name of a specific indicator in the summary page.

3.46 Members of the Policy & Performance Review Committee are briefed on performance by officers from the Corporate Policy & Improvement Unit on a quarterly basis. The briefing highlights indicators that are below target or demonstrate a worsening trend. Members of the Committee determine lines of enquiry at the briefing to allow officers to prepare a more detailed report on the subject for a future Committee meeting.

3.47 The most relevant HGIOC questions are those that have been referred to in paragraph 3.13. Services regard performance reporting to be a strength.

Question	2012	2013
How well does the service monitor, review and report upon financial performance?	Score: 4.5 / 6 Rank: 23 / 102	4.7 / 6 8 / 102
How well does the service report its performance to stakeholders?	Score: 4.6 / 6 Rank: 13 / 102	4.5 / 6 23 / 102

***Make better use of cost information and benchmarking to assess value for money***

3.48 Audit Scotland published a report in May 2012 regarding the use of cost information by councils. The report suggests that more can be done to report on service costs. Unit costs were considered to be particularly useful as they allow for benchmarking between councils.

East Lothian Council position

3.49 The Council's response to the Audit Scotland report was provided to the Audit & Governance Committee on the 18<sup>th</sup> September 2012. The recent introduction of the Local Government Benchmarking Framework will assist the Council in benchmarking its service costs with other councils. The Framework includes 55 indicators relating to the quality and cost of services.

3.50 HGIOC asks services to evaluate what benchmarks show. The use of benchmarking by services is mixed; in some areas it is a long-standing strength, although in other areas it is not very well developed. This issue has been raised an area for improvement in the draft 2013/14 Council Improvement Plan:

- Review and revise the Improvement Framework. Make more effective use of benchmarking, develop guidance and training on the use of benchmarking, Best Value reviews and options appraisal.

**4 POLICY IMPLICATIONS**

4.1 Councils are required under the Local Government in Scotland Act 2003 to achieve Best Value in regard to economy, efficiency, effectiveness, equal opportunities and sustainable development. The 'Overview of Local Government in Scotland 2013' will assist the Council in recognising the challenges that it faces in achieving Best Value in the future.

4.2 The analysis of the results from the HGIOC self-evaluation and comparison with the key issues highlighted in the 'Overview of Local Government in Scotland' report has identified several improvement points which have been included in the Council Improvement Plan 2013/14, specifically those detailed in paragraphs 3.9, 3.14, 3.27, 3.37, 3.42 and 3.50.

## **5 EQUALITIES IMPACT ASSESSMENT**

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

## **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – none.  
6.2 Personnel - none.  
6.3 Other – none.

## **7 BACKGROUND PAPERS**

- 7.1 ‘Responding to challenges and change: An overview of local government in Scotland 2013’, Accounts Commission

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<b>DATE</b>	31 May 2013

# Responding to challenges and change

An overview of local government in Scotland 2013



Prepared by Audit Scotland  
March 2013

# The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, requests 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 45 joint boards and committees (including police and fire and rescue services).

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

# Contents

## Summary Page 2

---

Introduction

Context

## Priorities Page 3

---

### Part 1. Service challenges in 2013

#### Page 5

---

Demand and resource pressures continue to build

Public service reform is gathering pace; councils and Community Planning Partnerships are at its centre

#### Page 6

---

Councillor involvement in performance, improvement and governance is crucial

#### Page 12

---

#### Summary of Part 1 Page 15

---

### Part 2. Use of resources in 2012 Page 17

---

There have been significant changes in the make-up of those leading, managing and working in councils

#### Page 18

---

Financial reserves strengthened in 2012, but funding is decreasing and significant cost pressures are growing

#### Page 22

---

#### Summary of Part 2

Concluding comment on this report

#### Page 28

---

## Appendix 1. Action points for councillors Page 29

---

## Appendix 2. Glossary of terms Page 31

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#### Exhibit data

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

# Summary



Councils that place Best Value at the centre of all they do are well placed to deal with challenges and change

## Introduction

**1.** The Accounts Commission's overview report last year identified the pressures facing local government. This year, we look at how councils are responding and identify what more needs to be done. There are many challenges facing local government. The most immediate are managing financial pressures, dealing with welfare reform and continuing to provide Best Value.

**2.** Our report draws on recent audit work including the annual audits, Best Value audits and national performance audits to provide an independent view on the progress councils are making. The report is in two parts:

- Part 1 highlights service challenges in 2013
- Part 2 reviews use of resources in 2012.

**3.** There are short summaries at the end of each part of the report, leading to a checklist of actions for councillors in Appendix 1. There is a glossary of terms used in the report in Appendix 2.

## Context

**4.** Budgets are tightening and councils anticipate even tougher times over the next few years. Reserves have increased but they can be used only once and are not a sustainable source of support for expenditure. Demands on services continue to rise and the longer-term impact of changes in the population and, in particular, the growing number of older people, is likely to be substantial. So far, tighter budgets have been met by reducing staff numbers and increasing charges.

**5.** There have been significant changes in the make-up of the people leading and managing councils. Over a third of the councillors elected were new to local government at the May 2012 elections. About a third of councils have changed their

chief executives over the last two years. Councils are also changing how they deliver services with, for example, more arm's-length external organisations (ALEOs) now in place.

**6.** Politics is, of course, an integral part of local government and heightened political tensions are apparent. Further pressures are likely as the new administrations strive to deliver manifesto commitments at a time when reduced budgets mean that choices and decisions are harder.

**7.** The public service reform agenda is gathering pace and significant changes lie ahead for local government. Reform of the welfare system is likely to have significant and far reaching consequences for councils and their communities. There are plans for major change in adult health and social care. The new single police and fire services mean new relationships will need to be established with councils. It is also very clear that the Scottish Government expects Community Planning Partnerships (CPPs) to oversee and lead public service reform.

## Priorities

**8.** Against this backdrop, the overall aim for councils is to achieve Best Value and improve outcomes. Common themes are leadership and governance, partnership working, service changes and performance information and management. We return to these themes in the summaries at the end of each part of the report.

**9.** There are many aspects to the councillor role, and there is a wide range of material available to support them. In recognition, and drawing on the range of issues covered in the report, we have identified a small number of key recommendations for councillors in 2013 (Exhibit1, overleaf).

**10.** Councillors and senior managers should consider this report, identify what they are doing in response and, where there are gaps or where progress is slow, determine the immediate actions they need to take to improve. We would also encourage councils to discuss the report with their community planning partners. Local authorities that place Best Value at the centre of all they do are well placed to deal with the challenges in 2013 and beyond.



**Exhibit 1**

The Accounts Commission's key recommendations for councillors in 2013

**Pressures**

**Resource and service demands**

**Challenges**

**Public service reform**

**Recommendations**



**Leadership and governance**

- Build and maintain strong working relationships, in councils and with community planning partners
- Provide robust scrutiny of finances and service performance
- Ensure effective financial planning, management and controls are in place
- Provide clear information about the purpose and intended use of reserves

**Working in partnership**

- Ensure effective leadership of community planning
- Demonstrate that the council's contribution to community planning is resulting in better services and improved outcomes



**Service changes**



- Monitor the impact of the major changes in the welfare system
- Ensure rigorous and challenging appraisal of options for delivering services
- Improve workforce planning to understand how changes in staff numbers are affecting services and the capacity for improvement

**Performance information and management**

- Promote thorough and robust self-evaluation
- Ensure performance information supports scrutiny and service improvement
- Make better use of cost information and benchmarking to assess value for money



Source: Audit Scotland

# Part 1. Service challenges in 2013



The councillor role in performance, improvement and governance is crucial in 2013 and beyond

**11.** In this part of the report, we consider the resource and demand pressures facing local government in 2013, the impact of public service reform and underline why the councillor role in performance, improvement and governance is crucial.

### **Demand and resource pressures continue to build**

**12.** Councils are managing their finances in challenging economic circumstances and against a backdrop of increasing demand for services. As shown in Part 2 of the report, reserves have increased but this is only one indicator of financial health. The position at each council needs to be considered overall, taking account of borrowing and other commitments, for example.

**13.** The Scottish Government funding settlement to local authorities for 2013/14 is £9.9 billion, a decrease of about 0.2 per cent in cash terms or 2.2 per cent in real terms.<sup>1</sup> While local government's share of the Scottish budget has remained fairly constant, the actual amount of money councils receive has been cut. Councils are increasing charges for some services but need to weigh these decisions against the impact on service users. There are also uncertainties about the scale of any further reductions which may flow from the UK Government's Comprehensive Spending Review later in 2013.

**14.** At the same time, councils are facing continuing cost pressures. Following a series of pay freezes, salaries are set to increase. There are also pressures in a range of other areas, including food and energy costs, waste disposal and building and road maintenance.

**15.** Staff early-release schemes continue to feature strongly as an option to reduce costs. Councillors should take a close interest to ensure

the principles of transparency and accountability are observed in an area which is, rightly, of particular interest to the public.

**16.** Cost pressures have to be managed alongside substantial service demand pressures relating to, for example, looked-after children, supporting people most affected by economic recession and welfare reform, and the effect on services of the ageing population. Many of the services which councils provide are non-discretionary, leaving limited room for manoeuvre in budgets. Typical cost and demand pressures facing councils are summarised in Exhibit 2; their impact will vary from council to council.

**17.** Achieving savings will become progressively more challenging. Most councils are predicting substantial funding gaps over the next three years and need to consider seriously policy options which in the past may have been rejected. Councils are putting plans in place to address funding gaps, for example through savings and efficiency programmes. However, longer-term plans with clear links to workforce and asset strategies are less well developed.

**18.** Councils are doing more to engage local people in discussions about the financial position and the choices available to balance the budget, eg by online questionnaires and through meetings in local communities. This is a healthy development which provides councils with more information about residents' views and promotes a wider understanding of the tough decisions councillors face. It is important that councils follow through on these initiatives by publishing information on what people said and how this influenced budget decisions.

**19.** Set against a background of substantial demand and resource pressures, there is a range of

changes on the horizon to which local government will need to respond (Exhibit 3, page 8).

### **Public service reform is gathering pace; councils and Community Planning Partnerships are at its centre**

**20.** Public service reform is gathering pace and local government is at its heart. The Scottish Government's reform approach across public services is founded on 'four pillars' for change: shifting resources towards prevention; integrated local services through better partnership working; workforce development; and transparent and improving performance. Responding to public service reform can help public services, including councils, deal with demand and resource pressures. Shifting resources to preventative activity presents a major challenge for councils and their partners.

**21.** Councils are reviewing services to meet the changing demands, to address inequality and better meet the expectations of people and communities. In doing so, councils need to work with partners so we also look at what more needs to be done to meet the growing expectations of community planning.

### **Reforms and changes, now and in future**

**22.** Councils and local services face significant changes. Welfare reform, the new national police and fire and rescue services and adult health and social care reform will all have a significant impact on local government. An increasing emphasis on partnership working and community empowerment also provide opportunities for new approaches to service delivery.

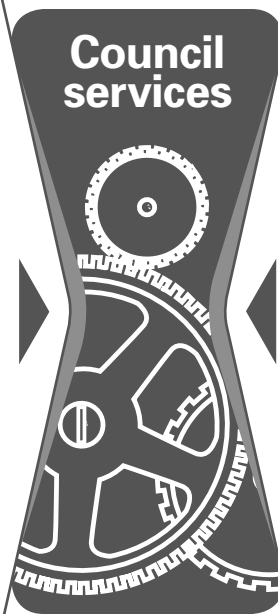
### **Welfare reform**

**23.** The Welfare Reform Act 2012 of the UK Parliament aims to improve work incentives, simplify benefits

<sup>1</sup> *Local Government Funding: Provisional Allocations for 2013-2014*, Scottish Parliament Information Centre (SPICe), December 2012.

**Exhibit 2****Demand and resource pressures in 2013 and beyond****Demand pressures**

- Population growth and changes:
  - demand for social care services eg care for older people
  - demand on school places
- Economic pressures:
  - increasing benefit claimants/ pressures on welfare benefits and advice services
  - social housing demand
  - demand on economic regeneration and business advice services
- Impact of welfare reform
- Implementing national and local priorities
- Local pressures:
  - increasing maintenance costs for roads and other assets
  - flooding/winter maintenance demands

**Resource pressures**

- Reducing revenue and capital budgets
- Salary and pension commitments
- Early release costs and equal pay commitments
- Reducing staffing numbers
- Borrowing commitments
- Capital programme slippage
- Economic pressures:
  - reduced income from non-domestic rates
  - impact on council tax payment/ arrears
  - reducing income from sale of buildings/assets
  - reducing income from cash deposits/investments
  - reducing income from planning and building control fees
  - inflation and rising costs eg fuel

Source: Audit Scotland

and their administration, and deliver substantial savings. It is the biggest reform of the UK welfare system in 60 years, which could change the lives of millions of people and have significant implications for councils and the services they provide. The most significant changes include: a new universal credit to replace existing benefits, including housing benefits currently administered by councils; the introduction of a benefit cap which will limit the amount paid to households; and a new scheme to replace existing council tax benefits.

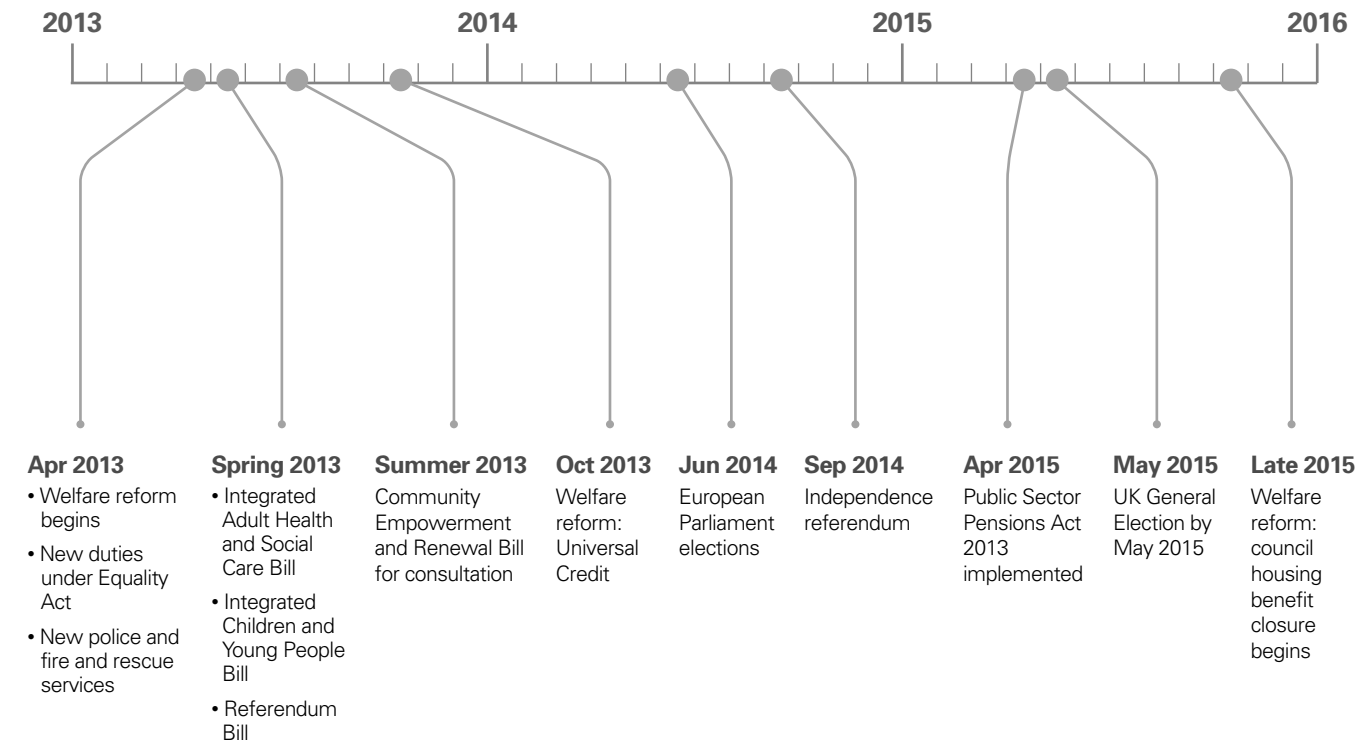
**24.** Councils are taking this very seriously and are responding to this major change by identifying the implications for existing services and anticipating the effect on local communities. Some councils have estimated the effect on disposable income in their area, further emphasising the far-reaching effect of the reforms. There is also evidence of councils working together and working with their partners, such as housing associations, to plan for the changes. Some councils are involved in testing aspects of the reforms, including direct payments to benefit claimants (as

opposed to offsetting benefits against rents due under current arrangements).

**25.** Immediate challenges include monitoring the impact of changes from April 2013. Work is continuing to ensure council staff are prepared to deal with issues that arise and to assist those most affected. In the longer-term, councils may review new house building to address the likely increased demand for properties with fewer bedrooms because, under the reforms, benefit will be restricted if a dwelling is larger than required. Many councils have yet to address

### Exhibit 3

#### Summary of changes facing local government



Source: Audit Scotland

fully the longer-term implications. This is mainly because they are unable to predict with certainty the services they will be expected to provide and therefore the number, skill mix and staff grades required.

**26.** It is difficult to overstate the potential implications of welfare reform on people and communities, on council services and their policy objectives, and on council staff. Welfare reform represents a major challenge for councils in the short to medium term.

#### Other changes

**27.** The Police and Fire Reform (Scotland) Act 2012 of the Scottish

Parliament established a single police service and a single fire and rescue service from 1 April 2013. This is a substantial undertaking involving major change in vital public services. During 2012, we produced overview reports<sup>2, 3</sup> highlighting the main issues from Best Value audit and inspections of police authorities and forces and the Best Value audits of fire and rescue authorities.

**28.** In December 2011, the Scottish Government set out plans to integrate adult health and social care. This aims to improve the quality and consistency of care for older people, and to shift resources to

community services and away from institutional care. The Government plans to introduce Health and Social Care Partnerships (HSCPs) to replace the existing Community Health Partnerships. These changes affect major public services and, potentially, represent the biggest change in local government since its reorganisation in 1996.

**29.** Demographic changes, particularly the ageing population, have significant implications for council services and will increase demands in key areas such as homecare and housing. Registrar General for Scotland<sup>4</sup> figures show

<sup>2</sup> *Best Value in police authorities and police forces in Scotland*, Accounts Commission and the Auditor General for Scotland, November 2012.

<sup>3</sup> *Best Value in fire and rescue services in Scotland*, Accounts Commission, July 2012.

<sup>4</sup> *Scotland's Population 2011 – The Registrar General's Annual Review of Demographic Trends*, General Register Office for Scotland, August 2012.

that Scotland's population reached a record high, growing by 0.6 per cent in the year to June 2011, largely due to inward migration with 27,000 more people entering Scotland than leaving, and 4,809 more births than deaths. Projections suggest further growth, and a significantly ageing population. From 2010 to 2035 the number of people aged 75 and over will increase, by over 80 per cent, representing about a third of a million people (Exhibit 4).

**30.** The anticipated effect across council areas is not uniform, with rural areas likely to see proportionately larger increases in the number of older people, with the potential to compound the challenges in meeting service demands. The demographic changes mean significant and pressing challenges for councils and the wider public sector. There is a wide recognition that services need to change but services have been slow to adapt and there is limited evidence of changes in the way resources are being used over time.

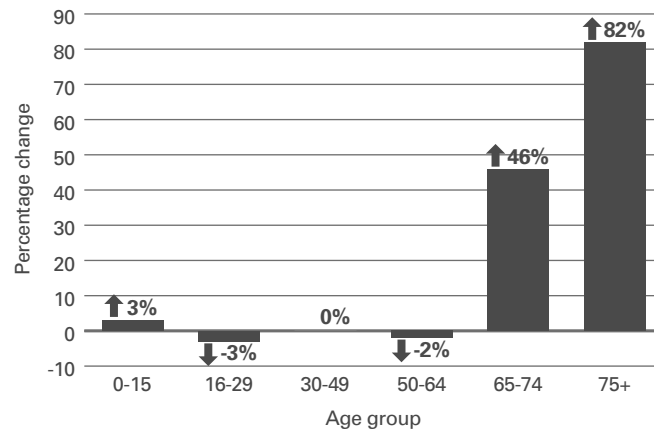
#### Reform and the growing expectations of community planning

**31.** By working together to plan services and make best use of the overall resources, partners can achieve better outcomes and value for money than by working alone. Community Planning Partnerships (CPPs) offer part of the solution to the pressures on resources and will play a crucial role in public service reform. The Scottish Government expects CPPs to take the lead in improving outcomes with reduced budgets.

**32.** Community planning involves councils and other public bodies working together, with local communities, the business and voluntary sectors, to plan and deliver better services and improve

#### Exhibit 4

##### Projected change in age structure of Scotland's population, 2010–35



Source: General Register Office for Scotland

outcomes for people. CPPs set out their priorities in Single Outcome Agreements (SOAs).

**33.** Local authorities have a duty<sup>5</sup> to initiate, facilitate and maintain effective community planning, and statutory partners such as health boards are required to participate. All councils have established a CPP to lead and manage community planning in their area. CPPs are not statutory committees of the council or public bodies in their own right.

**34.** As part of its response to the Christie Commission's report on the future delivery of public services,<sup>6</sup> the Scottish Government worked with the Convention of Scottish Local Authorities (COSLA) to produce a Statement of Ambition for community planning.<sup>7</sup> It requires community planning partners to achieve better outcomes for communities and to work together to help prevent problems arising. It also emphasises that all partners are collectively accountable for delivering services (Exhibit 5, overleaf).

**35.** The Scottish Government asked the Accounts Commission to consider how external audit and inspection might help CPPs to improve and deliver better outcomes. In doing this we worked with the Auditor General, Audit Scotland and our scrutiny partners<sup>8</sup> and developed a framework to audit CPPs and how they perform.

**36.** Aberdeen City, North Ayrshire, and Scottish Borders CPPs participated in initial audits which, for the first time, focussed on the effectiveness of individual CPPs. Audit reports on each CPP and a summary report covering common issues and related information were published in March 2013.<sup>9</sup>

**37.** The initial audit work suggests that while there are examples of good partnership working and initiatives to meet local needs, there is a long way to go before the full potential of community planning will be realised. Exhibit 6 (overleaf) summarises the findings from our early audit work on community planning.

<sup>5</sup> Local Government in Scotland Act 2003, Part 2, section 15.

<sup>6</sup> *Commission on the Future of Public Services*, Christie Commission, June 2011.

<sup>7</sup> *Review of Community Planning and Single Outcome Agreements: Statement of Ambition*, Scottish Government and COSLA, March 2012.

<sup>8</sup> Partners included: Education Scotland, Care Inspectorate, Her Majesty's Inspectorate of Constabulary for Scotland, the Scottish Housing Regulator and Healthcare Improvement Scotland.

<sup>9</sup> *Community planning in Aberdeen, Community planning in North Ayrshire, Community planning in Scottish Borders, Improving community planning in Scotland*, Accounts Commission and the Auditor General for Scotland, March 2013.

## Exhibit 5

### The Statement of Ambition – key features and what CPPs must do

- **Understand place:** develop a clear and evidence-based understanding of local needs and opportunities. This requires local and national agencies, supported with good data that can be monitored over time, to demonstrate continuous improvement. CPPs and SOAs must be responsive to local circumstances, within the context of the National Performance Framework – this sets out national priority areas such as ‘we live longer healthier lives’, ‘we realise our full economic potential’, and ‘our children have the best start in life’.
- **Plan outcomes:** translate their understanding of place into plans that recognise the particular needs and circumstances of different communities. These should clearly identify outcome priorities and improvement actions, agreed jointly by partners.
- **Deliver outcomes:** translate into delivery, with partners working together to implement local priority outcomes. CPPs must have a clear understanding of the respective contributions from partners, and how overall resources will be targeted to deliver the priorities. This will require service integration, a focus on prevention, and investment in the people who deliver services through enhanced workforce development, including effective leadership.

Source: Audit Scotland

## Exhibit 6

### Community planning – audit findings

- Community planning provides a clear opportunity to deliver a step change in the performance of public services.
- Partnership working is well established and there are many examples of joint working that are making a difference for specific communities.
- Community Planning Partnerships (CPPs) are not yet able to demonstrate that they have had a significant impact in delivering improved outcomes across Scotland.
- Performance issues go beyond individual CPPs: delivering change to help meet the demanding requirements of the Statement of Ambition for community planning will require strong and sustained leadership at national and local level.
- The outcomes that CPPs are trying to improve are complex and deep rooted.
- CPPs need to be clearer about their priorities for improving their area.
- CPPs need to focus their efforts through using their combined resources, skills and expertise.

Source: Audit Scotland

**38.** The messages from the CPP audits are consistent with matters identified in our report on health inequalities.<sup>10</sup> This highlighted the lead role that CPPs have in bringing together all relevant local organisations to address health inequalities. The report found a number of areas where health and social care providers need to improve the joint delivery of services (Exhibit 7).

### Councils and CPPs must involve and consult local communities

**39.** Councils and CPPs need to understand local community needs to deliver better services and address inequalities. The Statement of Ambition for CPPs stresses the importance of using strong and reliable data to understand and act on local need.

**40.** Most councils survey service users in some way and some have established customer standards setting out what people can expect from services. Reports from surveys provide useful information and help to support public performance reporting, eg where councils take an approach based on ‘you said..., we did...’.

**41.** Councils are doing more to understand the views of residents more generally. Information from complaints and user feedback, for example, helps to identify problems and gauge customer satisfaction. Councils with good complaint-handling processes are more responsive and transparent in the way they deliver services.

**42.** The effectiveness of community engagement is variable. Many councils and CPPs do not link consultation and engagement activity with decision-making to adapt and improve services. More developed approaches, involving CPPs and others, can help manage expectations about what can be achieved by local public services in a context of reducing budgets.

### Reviewing services and implementing options

**43.** Councils decide the best way to deliver services taking account of the needs of service users and communities. In so doing, they must observe their duty to provide Best Value, which requires continuous improvement, while maintaining a balance between quality and cost and having regard to value for money, equal opportunities and sustainability. Pressures on finances and changes in the workforce give even greater impetus for councils to be active and ambitious in considering alternative options for services.

**44.** Options include: council-provided services; services delivered through contracts with external private or voluntary sector suppliers; and services delivered through partnerships or by an arm's-length external organisation (ALEO). Option appraisal needs to be rigorous and challenging, and based on clear business cases. Alternatives to externalising services include simplifying and standardising existing processes, many of which are common to all councils, for example, issuing bills and paying creditors.

**45.** Reviews need to include discussions with local partners to identify areas for improvement. Fully evaluating the service options that flow from that can be complex and councillors need good-quality evidence. In summary, the key questions are:

- Is there a need for this service?
- If so, how should it be delivered and by whom?
- Have we explored all the realistic options?
- Do we have sufficient evidence to make an informed decision?

### Exhibit 7 Health inequalities

- CPPs' reports on delivering their SOAs are weak in the quality and range of evidence used to track progress in reducing health inequalities. Current performance measures do not provide a clear picture of progress.
- It is difficult to track direct spending by the NHS and councils on addressing health inequalities.
- CPPs must ensure that partners have a shared understanding of health inequalities, their respective roles and the shared resources available, and that they involve local communities in initiatives to tackle health inequalities.
- NHS boards, councils, the voluntary sector and other partners should identify their combined spend on reducing health inequalities locally, and work together to ensure that resources are targeted at those with the greatest need.

Source: Audit Scotland

**46.** Improvement depends on strong and effective councillor and officer leadership which builds and maintains momentum through the change process. Councillors and officers must ensure they have the skills and capacity to deliver change and councillors need to challenge and scrutinise progress effectively.

### Sharing services

**47.** Sharing services may provide an option for savings or for providing better services. However, barriers include organisational structures, leadership changes, compatibility of systems and staff terms and conditions (Exhibit 8, overleaf). It is particularly difficult when sharing services means loss of control and jobs. We remain of the view that significant savings in the short term are unlikely from sharing services.

**48.** Where business cases and option appraisal indicate the potential for savings, we encourage councils to press on in accordance with Best Value principles, with strong councillor and officer leadership, to realise the benefits as quickly as possible.

**49.** There is also potential from approaches that shift the emphasis from 'economies of scale' to 'economy of skills', particularly around professional services. For example, our report on protecting consumers<sup>11</sup> noted that councils are working collaboratively on specific projects such as sharing laboratories, equipment and expertise.

### ALEOs

**50.** Our *How councils work* report on ALEOs<sup>12</sup> sets out good practice in setting up and running ALEOs. We encourage councillors to use it to check progress on governance, performance and risks. We have previously highlighted the problems that can emerge when governance is not effective, and the risks to finance and services. A key issue for the Accounts Commission is for auditors to be able to 'follow the public pound', from the council to the ALEO, where it is then used to provide public services.

<sup>11</sup> *Protecting consumers*, Accounts Commission, January 2013.

<sup>12</sup> *How councils work: an improvement series for councillors and officers – Arm's-length external organisations (ALEOs): are you getting it right?* Accounts Commission, June 2011.



## Exhibit 8

### Shared services

- East Lothian and Midlothian councils ended their plans for joint working in education and children's services following changes in political administrations.
- The three Ayrshire councils decided not to proceed with a project for shared regulatory services (building standards, environmental health and trading standards) owing to the lack of savings likely to be generated and legal complexities in integrating services.
- Clyde Valley councils have worked together since the 2009 Arbutnott review recommended closer working between councils and health boards. Work started in social transport, health and social care, waste management and support services. Many of the projects are still at planning and development stage and have not yet delivered the expected outcomes.
- Clackmannanshire and Stirling councils continue to work to integrate education and social care services. Each council has now agreed a shared methodology for apportioning costs and savings, and work is under way to agree a common performance management framework.

Source: Audit Scotland

**51.** ALEOs can take the form of a company or trust which is 'arm's-length' because the council retains a degree of control and 'external' because they have a separate legal identity. They deliver a wide range of council-related services, including leisure services and property maintenance, and offer the potential to reduce costs and increase flexibility. However, there are also potential disadvantages and risks.

**52.** More councils have established leisure trusts and there are other cases where councils are considering the ALEOs option, for example as the vehicle for innovative approaches to the management of commercial property.

**53.** Specifying policies on, for example, remuneration (including bonus payments), equalities and sustainability means that the council can shape from the outset the framework within which the ALEO operates. A clear framework also allows the council

to retain responsibility for the public funds it provides to the ALEO without compromising the independence of the ALEO.

**54.** ALEOs operate in the same challenging financial environment as councils and there is an increasing number of cases where ALEOs are operating at a loss. In a quickly changing environment, councils need to keep their involvement in ALEOs under close review. This involves regular monitoring of financial and service performance but it will also involve periodic and systematic review of whether an ALEO remains the best option.

### **Councillor involvement in performance, improvement and governance is crucial**

**55.** This section focuses on self-evaluation, performance information and governance. All of these are increasingly important in the context of the challenges which councils face

in 2013 and beyond. Councillors need to be clear about what the council is trying to achieve and how they will monitor and review performance.

### **Self-evaluation and improvement**

**56.** Our Best Value audits have helped stress the importance of self-evaluation and performance management as a route to improvement.

**57.** Self-evaluation done well can provide real insight into how councils can improve and is a characteristic of high-performing organisations. In order to improve, councils must be self-aware and critically review their performance.

**58.** There is still a long way to go before self-evaluation becomes a central part of change and improvement. There is scope for councils to improve self-evaluation by comparing performance with other councils by benchmarking, using the work developed by the Society of Local Authority Chief Executives and Senior Managers (SOLACE), and by making better use of service users' views.

**59.** Everyone in the council has a role in managing performance. In well-run councils, performance management is embedded in people's jobs. The key requirement is a culture that encourages open discussion and challenge. By taking a close interest in performance, councillors can support improvement. They need to be prepared to engage in strong scrutiny and to challenge officers on performance.

**60.** Performance management involves gathering, analysing and acting on information to manage and improve services. Good performance management is essential for councils to deliver effective services and to demonstrate the best use of resources. In 2012, we looked across our audit work to identify key issues to help support improvement.<sup>13</sup>

**61.** Councillors often have a strong appetite for scrutiny, although they can feel cautious about this where partners are involved. They need good-quality performance information to allow them to scrutinise effectively. Information needs to be concise and relevant, highlighting areas not meeting or exceeding target. Lengthy performance reports are often ineffective because critical issues are buried in the detail. Exhibit 9 sets out the main elements of performance management.

**62.** Our performance audit reports have confirmed that more work is required on performance information and management. For example, our report on reducing reoffending<sup>14</sup> identified the need to improve the range of performance measures used to assess the effectiveness of

the Scottish Prison Service, criminal justice authorities and councils in reducing reoffending.

**63.** Similarly, our report on *Protecting consumers*<sup>15</sup> found that councils had differing and inconsistent performance reporting for trading standards. This makes it difficult to benchmark performance. Councils should continue to work together in the project developed by SOLACE to produce meaningful and consistent indicators that will allow them to compare their services. This will help them to identify what works well as a starting point to improving performance and cost effectiveness.

**64.** The Accounts Commission has a duty to define the performance information that councils need to publish. In 2008, we made a

significant change, inviting councils to develop a broad set of information to demonstrate they are securing Best Value. In December 2012, the Accounts Commission endorsed the SOLACE project to improve performance and benchmarking information.

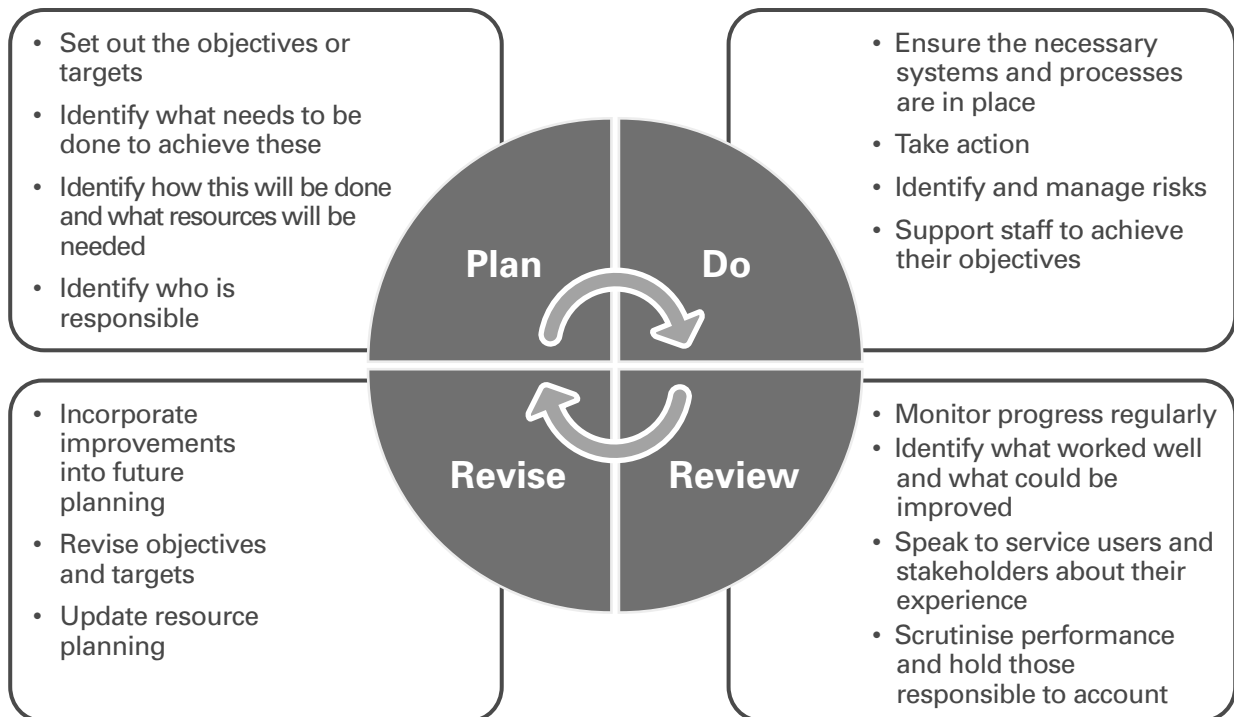
**65.** We will continue to review councils' approaches to the Best Value principle of reporting performance to citizens, both in terms of the benchmarking indicators and in the range of service and corporate performance information reported.

**Effective performance management in partnership working**

**66.** The Statement of Ambition for CPPs emphasises the role for strong challenge and scrutiny from councillors, and the importance

**Exhibit 9**

Managing performance based on the plan-do-review-revise cycle



Source: Audit Scotland

<sup>14</sup> *Reducing reoffending in Scotland*, Accounts Commission and the Auditor General for Scotland, November 2012.

<sup>15</sup> *Protecting consumers*, Accounts Commission, January 2013.

of self-assessment. Similarly, the Scottish Government holds health boards and other public bodies to account for their contribution to CPPs.

**67.** Performance management in partnership working can be challenging. CPPs must demonstrate that they are improving local outcomes but this can be difficult. It requires good local data and meaningful comparisons to track progress over time. Differing financial and performance management arrangements across sectors can be problematic, and more work is needed to share data between agencies.

**68.** The extent to which shared partnership objectives are built into partners' performance management arrangements varies. This can make partners less clearly accountable for delivering SOA priorities. In addition, performance reporting of partnership work does not always give a clear picture of progress, for example in reducing health inequalities.

#### Using cost information more effectively

**69.** Our report on how councils use cost information<sup>16</sup> found scope for councils to use cost information more effectively. Cost information, and in particular the unit cost of services, is crucial for councillors to make informed budget decisions, particularly where finances are tight. The report stressed the need for councillors to scrutinise costs as well as performance. As part of this they should be able to benchmark or compare service costs and quality with other councils which operate in similar circumstances.

**70.** Our report on reducing reoffending<sup>17</sup> found that more detailed information on unit costs

and service quality is needed to make an overall assessment on how efficiently money is being used. The report recommends that councils and their partners work together to improve understanding of costs of service delivery. Previous performance audits have identified the need for more consistent data and much greater transparency about the cost of in-house and externally provided services.

#### Governance of finances

**71.** Good governance is about clear direction and strong control. In the current financial circumstances, effective governance of finance is more important than ever. Part 2 of our report has details on matters arising from the audits which are of concern. In particular, it highlights:

- increasing evidence of large variances against budgets. It is important that councillors have good-quality and timely information about why variances occur
- weaknesses in basic accounting systems and controls and under-resourcing of internal audit. Councillors need assurance that officers are addressing these problems.

**72.** Councils decide local governance arrangements but they should take account of recommended good practice. If they decide not to follow it, they need to explain why. Audit committees provide a focus for financial control and risk and enhance public trust and confidence. We support the fundamental principle that audit committees should be chaired by someone who is not a member of the political administration.

**73.** Many administrations are now coalitions, so applying the principle in practice can be challenging. There are six councils where the chair of the audit committee is also a member of the administration. Those councils need to monitor their approach to ensure effectiveness and transparency and to maintain public confidence. Some councils have non-councillor, lay members on their committees. This can add a different perspective to the audit committee work and further enhance its independence and standing.

**74.** Status and independence provide the foundation but, ultimately, the effectiveness of the audit committee depends on the committee members and their approach. They need to know how services and resource management work and be prepared to ask challenging questions. This in itself requires particular skills. Specialist training in how to pursue lines of questioning may help support councillors in their role.

**75.** There is evidence of delays in updating key governance documents such as standing orders, schemes of delegation and financial regulations. These are essential points of reference which ensure that business is conducted properly within the agreed responsibilities and accountabilities, and need to keep pace with changes in structures and responsibilities.

**76.** The chief financial officer (also known as the statutory officer for finance or the Section 95<sup>18</sup> officer) has a crucial role in providing professional advice to colleagues and councillors on all aspects of the council's finances and is central to effective financial governance. A useful summary of the role is provided in the Chartered Institute of Public Finance and Accountancy's (CIPFA) guidance<sup>19</sup> (Exhibit 10).

<sup>16</sup> *How councils work: an improvement series for councillors and officers – Using cost information to improve performance: are you getting it right?*, Accounts Commission, May 2012.

<sup>17</sup> *Reducing reoffending in Scotland*, Accounts Commission and the Auditor General for Scotland, November 2012.

<sup>18</sup> Section 95 of the Local Government (Scotland) Act 1973.

<sup>19</sup> *The Role of the Chief Financial Officer in Local Government*, CIPFA, 2010.

**77.** The focus on finances means that the chief financial officer role is increasingly important. The role carries overall responsibility for financial management and reporting, contributing to the strategic management of resources and advising on the financial aspects of what are often complex proposals for new ways of delivering services.

**78.** However, management restructuring and the shift to smaller management teams means that the chief financial officer is often not now a member of the senior management team. As a result, in about a half of councils the chief financial officer is below director level. There is a risk, therefore, that the statutory role is less visible and that financial governance is affected. These risks can be mitigated where the chief financial officer attends senior management team meetings and has regular contact with councillors who have specific responsibilities for finance, such as the convener of the finance committee or equivalent.

**79.** As we have said in previous reports, where the chief financial officer is not a member of the senior management team, councillors need to understand why that is the case and satisfy themselves that the officer has appropriate access and influence to perform this crucial role.

**80.** Effective risk management is increasingly important in the current context, where there are substantial changes in staff and services, innovative approaches and more focus on partnership working. These require a shift in the culture and attitude to risk. In short, the scale of the challenge for councils means that they cannot afford to be risk averse, so the focus is on being risk aware.

### **Exhibit 10**

#### **CIPFA statement on the role of the chief financial officer (CFO)**

##### **The CFO:**

- is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy
- must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

##### **To deliver these responsibilities the CFO:**

- must lead and direct a finance function that is resourced to be fit for purpose
- must be professionally qualified and suitably experienced.

Source: CIPFA

**81.** High-level risk registers are in place in all councils but more work is needed to ensure risk management is embedded and aligned through the council, from the corporate centre through individual services. It is important that risk management is not seen simply as a compliance exercise but rather it is used operationally, for example, to inform decision-making in individual projects, in services and to develop contingency plans.

**82.** Councillors have an important role in encouraging an open approach to risk management which promotes discussion about risk, and a clear plan which identifies acceptable risks and the steps needed to mitigate the likelihood of those risks materialising.

## Summary of Part 1

### Leadership and governance

- Councillors need to provide robust scrutiny of finances and service performance (paragraphs 59 and 71).
- Councils need to ensure strong financial governance, including fully resourced internal audit, strong audit committees and access and influence for the chief financial officer (paragraphs 71 to 79).

### Working in partnership

- There are increasing expectations on community planning, and councils must provide strong leadership of this process (paragraph 31).
- Community Planning Partnerships must make better use of available resources, develop preventative practice to improve local outcomes, and demonstrate that the council and its partners are making progress in achieving outcomes (paragraph 37).

### Service changes

- Significant changes for local government include: welfare reform; changes in health and social care; police and fire and rescue service reform; and the effect of demographic changes (paragraph 22).
- Rigorous option appraisal is needed to ensure that services are effective and demonstrate Best Value. Existing arrangements, including the use of ALEOs, should be reviewed to ensure they are meeting their financial and service aims (paragraphs 44 and 54).

- Councils need the capacity and skills to respond to budget challenges, support change programmes and improve services (paragraph 46).

### Performance information

- Good self-evaluation is central to improvement (paragraph 57).
- Good cost and comparative performance information is essential for councillors to scrutinise services and take effective decisions (paragraphs 61 and 69).
- Councils must demonstrate Best Value, using benchmarking information to draw comparisons with other councils and providers (paragraph 58).

# Part 2. Use of resources in 2012



There were significant changes in people  
and finances in local government in 2012

**83.** In this part of the report, we consider changes in 2012 in the make-up of those leading, managing and working in councils. We also look at the financial position in 2012 and how well councils are placed to deal with financial pressures in the years ahead.

**There have been significant changes in the make-up of those leading, managing and working in councils**

**Changes in councils, councillors and senior managers**

**84.** The political landscape has changed substantially in recent years. The move to proportional representation in 2007 resulted, in many cases, in a shift from one-party control to coalitions or minority administrations. In the May 2012 elections, there were changes in political control in 23 of the 32 councils and an increase in the number of councils led by a single political group. However, coalitions remain the most common form of administration (Exhibit 11).

**85.** A significant number of the 1,222 councillors across Scotland are new or relatively new to local government. In 2007, nearly half were elected for the first time and in the 2012

elections 34 per cent of councillors were new to local government. In some councils, the proportion was significantly higher, with almost half in Glasgow City and almost two-thirds in Shetland Islands.

**86.** Following the elections, 12 councils have made changes in their decision-making and scrutiny structures and more are in the process of doing so. Consequently, most, if not all, councillors now in office have some new aspect to their role, as part of the political administration, in opposition or in a different committee structure.

**87.** As at December 2012, 16 councils operated 'traditional' service structures where committees with cross-party membership govern and challenge on a service-specific basis. Twelve operated 'executive' or 'cabinet' models where the leading administration takes decisions that are monitored and challenged by scrutiny committees, typically chaired by a councillor who is not a member of the administration. The remaining four councils operate under other arrangements which combine elements of the traditional and cabinet models.

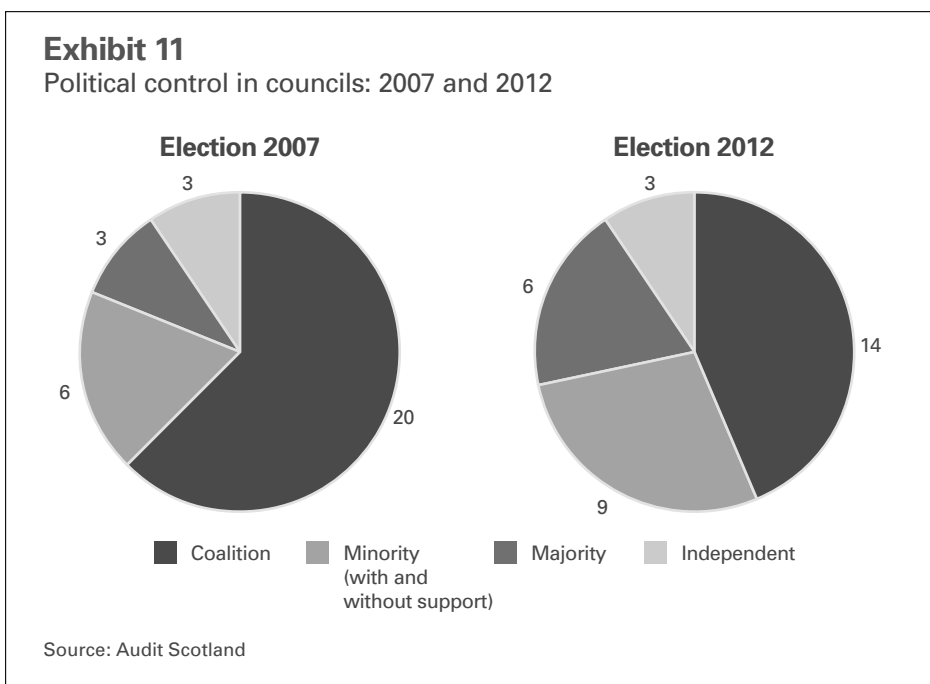
**88.** Some councils have introduced a petitions committee designed to encourage individuals, community groups and other organisations to become involved by bringing forward concerns and suggestions for change. Alongside existing channels and other initiatives, these committees have the potential to deliver a more inclusive and accessible approach to council business.

**89.** It is for councils to decide structures that best suit local needs and it is important that they keep structures under review to ensure they remain fit for purpose in a quickly changing environment. How councils are organised is crucial in setting the framework within which decision-making and scrutiny take place. Ultimately, success will depend on what councillors do in practice to:

- make sure that decisions are in line with their best value responsibilities
- scrutinise the extent to which their decisions achieve the intended outcome, eg reduce costs and/or improve services and outcomes.

**90.** It will take time for the new councils to become fully established, and for newer elected members to develop an in-depth understanding of the context into which they will implement manifestos and priorities. Initial signs, such as disputes over the political balance on committees (unlike England, there is no statutory requirement in Scotland for committees to reflect the political composition of the council overall), suggest that political tensions may be more pronounced. Councils need to consider the implications on the public's perceptions of local government.

**91.** Changes in the make-up of councils provide an opportunity for fresh ideas and renewed impetus. This makes it more important than ever that councillors get the support



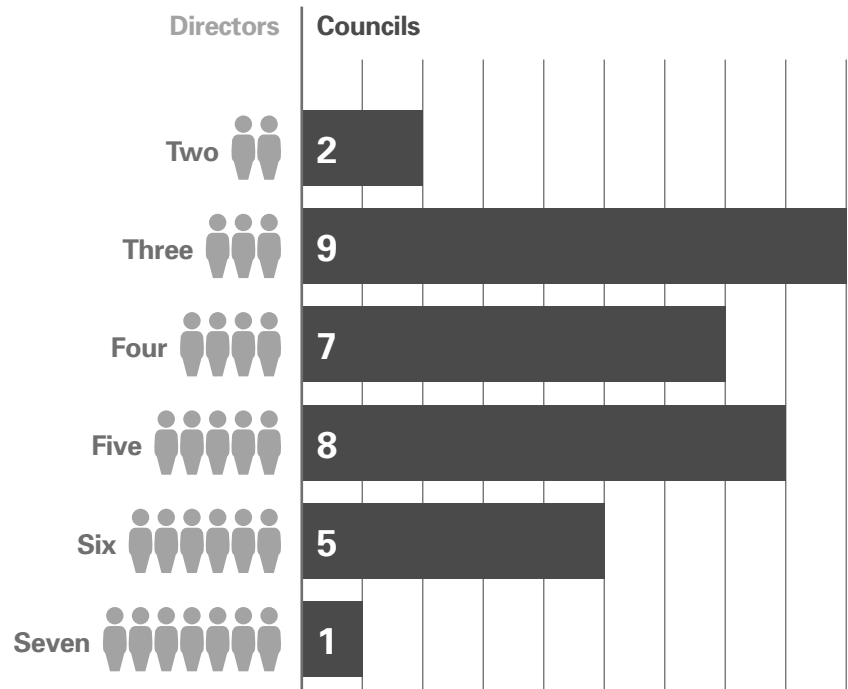
they need, including effective training and development. Councils have made good progress in introducing personal development plans for councillors that include training for councillors working in specialist areas such as planning and licensing. In the current context, developing scrutiny skills is a priority. One year after last year's council elections, the time is right for councillors to assess the effectiveness of training and development.

**92.** As well as significant changes in political leadership, there continues to be substantial changes at a senior officer level. In the two years to December 2012, there have been ten new council chief executives and over a third of chief financial officers are new. There has also been substantial change in other senior manager positions as councils look to save money and put in place structures which best suit the service context now and in future. In some cases, councils and health boards have agreed to a single senior officer overseeing aspects of health and social care, and this has helped to promote a joint approach.

**93.** There has been a continuing move to smaller management teams and, by the end of 2012, over half of councils had four or fewer directors on their management teams (Exhibit 12). Changes were made to reduce costs or to promote a more corporate approach to management, or both.

**94.** Councils are complex organisations with many different services and areas of professional expertise. In recognition, steps to reduce the number of senior managers are often accompanied by changes in management structures at less senior levels, and by a change in culture to empower managers across the council. This takes time to embed and become fully effective and requires, in particular, strong skills and capacity at the first level below directors, at 'head of service' level.

**Exhibit 12**  
Number of directors (corporate management teams, excluding the chief executive)



Note: Shows the 32 councils by number of directors (eg, nine councils have three directors).  
Source: Audit Scotland

**95.** Management restructuring brings additional demands on senior managers and comes at a time when they need to support new political arrangements and manage substantial pressures on finances and services. Councillors need to ensure their councils maintain senior managers' skills and build resilience and capacity within smaller senior management teams.

**Reducing staff numbers**

**96.** A significant proportion of local authority spending is on staffing, typically about 41 per cent of net spending, or about £8 billion in total across Scotland's 32 councils. At a time of financial pressures, balanced budgets have been achieved mainly by reducing staff numbers. Councils need to monitor the consequences for services.

**97.** The number of staff directly employed by councils has decreased by about 6.4 per cent since 2010, a reduction of 25,800 people or 14,100 full-time equivalent (FTE) posts. There have also been reductions elsewhere in the public sector. Over that two-year period, the percentage reduction in local government was bigger than the NHS in Scotland (2.2 per cent) but smaller compared to other public bodies, including the Scottish Government core directorates (10.7 per cent).<sup>20</sup>

**98.** The number of people directly employed in local authorities is now at the lowest level since 1999. There are two main factors: workforce reductions to meet tighter budgets; and the transfer of staff to ALEOs and the commissioning of services.

20 Scottish Government core directorate figures refers to the core directorates only and not the whole civil service in Scotland. Joint Staffing Watch, Q3 data.



Information is not available on the extent to which these factors contribute to the decrease. Exhibit 13 therefore only shows the overall change in directly employed staff.

**99.** This trend is set to continue as councils look to reduce staff costs and numbers as part of their strategies for achieving budget reductions. The approach includes voluntary early release and vacancy management, where staff who leave are not replaced.

**100.** Councils with workforce plans in place to identify skills gaps, workforce pressures, and future needs are better placed to take informed decisions about how to reduce the workforce. Councils need to ensure that workforce plans are up to date and, in particular, to take a longer-term view in line with service plans, ensuring that they have sufficient skills and capacity to meet current and longer-term priorities. Councils are at an early stage of engaging with community planning

partners to discuss the overall workforce-related issues in their area, including matters flowing from public service reform, eg adult health and social care changes.

**101.** One particular example was highlighted in our *Protecting consumers*<sup>21</sup> report on trading standards and food safety services. These departments are relatively small but provide important services. Trading standards has experienced greater than average staff reductions in the last four years (15 per cent compared to an average of ten per cent for all services) and its long-term viability is now under threat. Staff reductions in food safety services have been less severe but here too there are concerns about the loss of skills and experience.

**102.** Part of the approach to reduce staff costs is to offer staff voluntary early release. Since 2010, about 9,400 local authority staff left at an average cost of £35,600 per person and at an aggregate cost over the

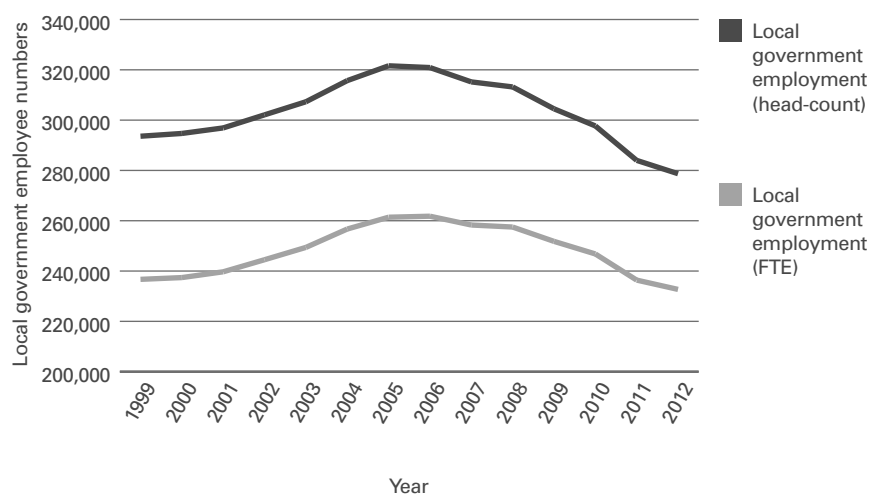
two years of £335 million. Schemes vary, with some requiring individual business cases while others are based on eligibility, eg age. However, more work is needed to demonstrate that business cases and schemes have resulted in the anticipated level of savings.

**103.** Our audits have identified weaknesses in governance of senior officer early retirement. For example, at Strathclyde Fire and Rescue Joint Board we found a systemic failure by the board and its officers to follow good governance in the retirement and re-employment of the chief fire officer.<sup>22</sup> Our findings included points of principle which are applicable across local government (Exhibit 14). This case demonstrated the key role for councillors and, in particular, the need to do more to ensure transparency when senior officers retire early and to provide effective scrutiny of the financial implications.

**104.** The recommendations in our *Bye now, pay later?* report<sup>23</sup> remain relevant. These emphasise the importance of effective governance and identifying the full costs of early retirements, particularly when decisions relate to senior officers where the sums tend to be relatively large and the consequences of getting it wrong are at their greatest (Exhibit 15). We are currently working with the Auditor General to prepare a report on managing early departures in the Scottish public sector which we will publish in spring 2013.

**105.** There is progress in the number of women who are part of senior management structures. Our Statutory Performance Indicators (SPIs) show that the percentages of women in the top two per cent and five per cent of earners continue to improve. Women now make up 48.5 per cent of the top five per cent of

**Exhibit 13**  
Numbers directly employed in local government



Note: Employee numbers by full-time equivalent (FTE) and head-count Q3 of each year  
Source: Joint Staffing Watch

21 *Protecting consumers*, Accounts Commission, January 2013.

22 *Strathclyde Fire and Rescue Joint Board Statutory Report on the retirement and re-employment of the Chief Fire Officer*, Accounts Commission, September 2012.

23 *Bye now, pay later? A follow-up review of the management of early retirement*, Accounts Commission, June 2003.

council earners and 41.2 per cent of the top two per cent of council earners.

#### Workforce-related financial pressures

**106.** Councils are continuing to settle equal pay claims and make provisions where claims are still outstanding. Cumulatively, councils had paid £475 million by March 2012 (£25.6 million during 2011/12), with £106.3 million set aside for known future amounts. Some councils also earmarked reserves for equal pay and, beyond that, most councils' accounts note the possibility of future claims which cannot be quantified, ie contingent liabilities. We will consider equal pay implementation further in our performance audit on workforce planning.

**107.** Pension costs are met from employer and employee contributions over the long term. There is a risk that amounts required to fund staff pensions will increase over time, as a consequence mainly of reduced investment returns in recent years and retired members living longer.

**108.** The UK Government is changing all the main public sector pension schemes to help reduce their cost, through the Public Service Pensions Act 2013. The Act requires: ending the current final salary pension schemes; establishing a link between state pension age and normal scheme pension age; and improving scheme governance arrangements.

**109.** These changes apply to the local government pension scheme in Scotland and must be implemented by April 2015. Within the next two years COSLA, local authorities, the Scottish Government and trade unions must consult and conclude negotiations on the design of a successor scheme. They will also need to work together to help prepare the necessary legislation for approval by the Scottish Parliament and ensure new systems and processes are up and running in time.

#### Exhibit 14

##### Strathclyde Fire and Rescue – retirement and re-employment of Chief Fire Officer – Accounts Commission's findings

Public confidence in decisions on early retirement can only be secured if decisions are made and reported in accordance with the principles of good governance, including full transparency. We emphasise a number of key points for general application by all local authorities:

- Members of joint boards have an important decision-making role. In order to fulfil this role effectively, they must be provided with full and objective information and advice, setting out appropriate choices, and the full implications of those choices.
- Members must scrutinise and challenge officers on the information and advice provided to them, especially if they believe that it is inadequate.
- Members must be kept up to date with issues relevant to them fulfilling their obligations.
- The distinct roles and responsibilities of senior officers, either from the supporting authority or from the services for which a board is responsible, need to be clearly set out and adhered to.

Source: Accounts Commission

#### Exhibit 15

##### Bye now, pay later? – key recommendations

###### Framework for decision-making

- Early retirement policies should be approved by councillors and reviewed regularly.

###### Informing members

- Councillors should receive a report at least annually that details the number of early retirement decisions and the associated costs and savings.

###### Decision-making

- Local authorities should rigorously appraise individual cases to ensure the expected savings associated with retirement outweigh the costs.
- To improve accountability and assist monitoring, the costs of early retirement should be charged to the appropriate service budget.
- Councillors should be involved in approving early retirement decisions for senior staff.

Source: Accounts Commission

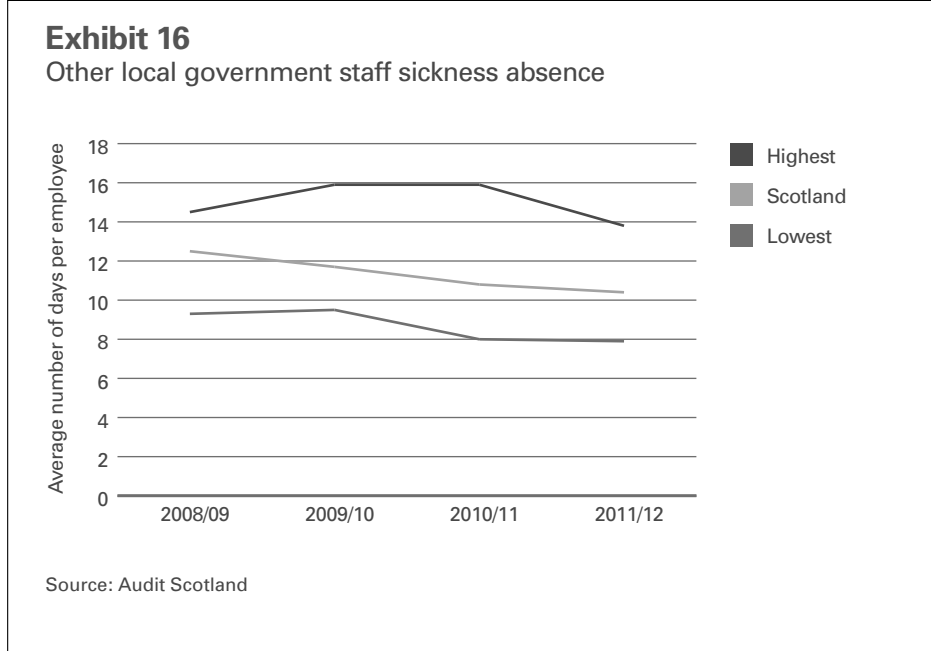
**110.** Effective absence management practice can help to reduce sickness absence rates and support employees back into work. Local authorities have done important work to address the levels of sickness absence and absence rates have mostly improved:

- 6.2 days for teachers (2010/11: 6.6 days)
- 10.4 days for other council staff (2010/11: 10.8 days), (Exhibit 16)
- 7.2 days for fire and rescue services (2010/11: 8.3 days)
- Absence for police officers<sup>24</sup> in 2011/12 was 4.2 per cent (2010/11: 3.8 per cent<sup>25</sup>).

**111.** The costs of sickness absence include sick pay, staff cover and overtime, and service loss. The extent to which employers monitor this varies, as do the costs they include. It is therefore difficult to estimate the cost of sickness absence. In a UK-wide absence management survey<sup>26</sup> public sector employers indicated that sickness absence costs around £80 per day per employee.

**112.** The costs of sickness absence can therefore be substantial. As an indication, in a typical council with around 5,000 employees (non-teaching staff), sickness absence could cost over £4 million a year, based on an average of 10.4 sickness days per employee. Each reduction of one day in the average level of sickness absence could save in the order of £400,000 per year. Projecting this further, a potential saving in the order of £12 million could be possible across councils as a whole for non-teaching staff alone if they each achieved a reduction of one day's sickness per employee.

**113.** These figures are indicative and focus only on savings; less sickness absence can also reduce



pressures on services. However, we hope expressing this in financial terms goes some way to reflect the costs of sickness absence and how further relatively small reductions can contribute to savings.

### Financial reserves strengthened in 2012, but funding is decreasing and significant cost pressures are growing

#### The financial position and asset management

**114.** Revenue expenditure is the day-to-day cost of providing services and includes employee costs, supplies such as food and fuel, and materials for routine repairs. Capital expenditure is the expenditure incurred on long-term assets such as schools, major repairs and refurbishment of other buildings and acquiring large items of equipment such as vehicles which will be used over time in providing services.

**115.** In financial year 2011/12, income from government grants, council tax, non-domestic rates, housing rents and other fees and charges in local government was £18.6 billion.

Spending on services was £18.7 billion and, after accounting adjustments of £0.3 billion, £0.2 billion was transferred to usable reserves (Exhibit 17). Service spending was broadly in line with the spending patterns in the previous year.

**116.** The SPIs showed that, despite the financial context for taxpayers, most councils increased the amount of council tax collected. The overall figures increased from 94.7 to 95.1 per cent. Five councils had small reductions in collection rates. Around £116 million, or about five per cent of the £2.3 billion due in 2011/12, was not collected during the year. Councils will continue to pursue this through ongoing recovery processes.

**117.** Of the aggregate expenditure, councils spend over £4 billion in procuring goods and services to deliver outcomes. Better procurement can help councils achieve better value for money. A Procurement Capability Assessment scoring process was introduced in 2009 to measure progress against common criteria and standards. From a relatively low base, the average

<sup>24</sup> Sickness absence for police officers is calculated as the proportion of working time lost.

<sup>25</sup> ACPOS Annual Performance Report 2011-12, Scottish Policing Performance Framework, June 2012.

<sup>26</sup> The 2012 CIPD Annual Report found that the median cost of sickness absence per year in a UK survey was £647 per employee for the public sector, and the average sickness level was about eight days per employee.

score for councils has been improving and now stands at 48 per cent, just short of the Scottish Government's target for all sectors of 50 per cent by the end of 2012.

**118.** Capital investment is essential to sustain delivery of high quality and effective public services in Scotland. Investing in areas such as schools, social housing and transport infrastructure can bring significant improvements to public services and the way they are delivered.

**119.** Total capital spending in 2011/12 was £2.4 billion, an increase of £0.3 billion or 14 per cent compared with the previous year (£2.1 billion), reflecting a focus on promoting capital spending to support more efficient services.

**120.** The main sources of money for capital spending are borrowing, capital receipts (from the sale of assets such as land and buildings), capital grants and the application of capital reserves. Exhibit 18 (overleaf) shows that more capital spending is being funded from borrowing, with reduced funding from capital receipts because of lower asset values and fewer sales.

**121.** Capital grants are forecast to be cut in 2013/14 before increasing again in 2014/15. Councils are considering new ways of financing capital expenditure, including Tax Incremental Financing (TIF) which uses forecasts of the expected additional income from non-domestic rates from property developments as a basis for additional borrowing.

**122.** We have carried out a performance audit of major capital projects in councils and published our report in March 2013. This assessed how well capital investment is directed, managed and delivered within councils. It is crucial that councillors and officers provide

### Exhibit 17 Income and expenditure 2011/12

<b>£ billion</b>	
<b>Where the money came from:</b>	
General revenue funding from government	£7.8
Service fees, charges, other revenue, government grants and housing rents	£5.6
Capital grants and contributions	£0.7
Council tax	£2.3
Non-domestic rates	£2.2
<b>Total income</b>	<b>£18.6</b>
<b>Where the money was spent:</b>	
Education	£5.3
Social work	£3.8
Housing	£3.7
Roads, environment, culture and planning	£3.3
Police, and fire and rescue services	£0.9
Other services and operating expenditure	£1.7
<b>Total spending on services</b>	<b>£18.7</b>
Accounting adjustments	-£0.3
Increase in usable reserves	£0.2
<b>Total expenditure and transfer to reserves</b>	<b>£18.6</b>

Source: Audit Scotland

strong leadership and effective management to ensure value for money from capital investment programmes. To assist this we have published a good practice guide on major capital investment in the *How councils work* series.<sup>27</sup>

**123.** Having invested in assets to support service delivery, councils need to maintain these assets, to ensure they remain fit for purpose. Our report<sup>28</sup> on roads, for example, found that all councils had a road maintenance backlog

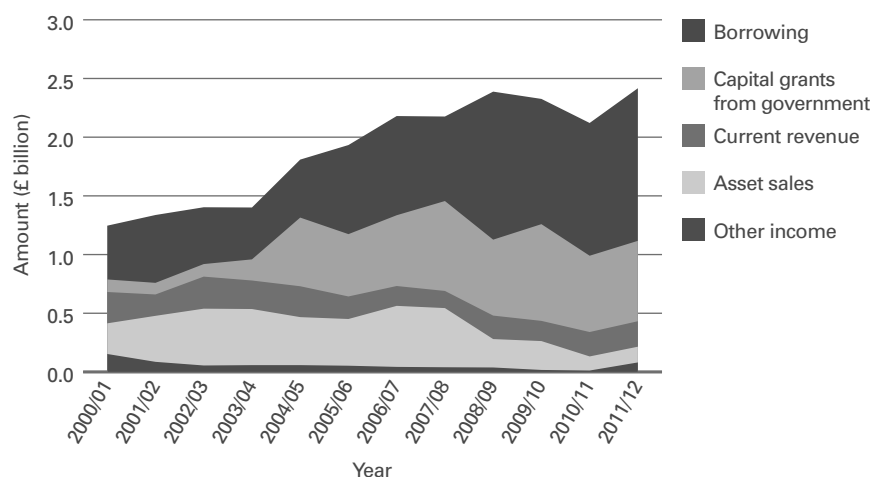
and there is scope for better use of planning to help set priorities for roads maintenance. More recently, the Scottish Road Maintenance Condition Survey for 2010-12 indicates a slight improvement of 0.3 per cent in the proportion of council-maintained roads that are of acceptable condition. However, this survey is based on a rolling programme of work and it will take time before information is available as to the true effect of expenditure reductions.

<sup>27</sup> *Major capital investment in councils* report and the associated good practice guide, Accounts Commission, March 2013.

<sup>28</sup> *Maintaining Scotland's roads: A follow-up report*, Accounts Commission and the Auditor General for Scotland, February 2011.

### Exhibit 18

Sources of financing for annual capital expenditure, 2000 to 2012 (real terms)



Source: Audit Scotland

**124.** Maintaining information and communications technology (ICT) assets is also important. ICT has a key role in enabling change and improving services. There are challenges in implementing ICT projects, including integrating working practices between services or organisations and in applying procurement legislation across organisations. ICT-related matters will be a central factor as councils and their partners work together to implement public service reforms.

**125.** The Local Government ICT Strategy<sup>29</sup> was developed in response to the McClelland review of public sector ICT, *Scotland's Digital Future – Delivery of Public Services*. It sets out a ten-year vision and a national programme of work taking into account the Christie review<sup>30</sup> and the opportunity for digital services at a time of tight financial constraints. Its aim is to help local government to deliver better services using ICT to plan and procure better, and to share future developments and operations.

### Indebtedness

**126.** Local authorities determine programmes for capital investment in accordance with the prudential code<sup>31</sup>, which was introduced in 2004 to support local authorities' capital investment decisions. Borrowing is the main way councils fund capital spending and the prudential regime allows flexibility to invest – on condition that capital plans are affordable, prudent and sustainable.

**127.** In the period since the code was introduced, the overall level of net indebtedness<sup>32</sup> increased by around 40 per cent, from £9.1 billion to £12.9 billion. The position at each council must be considered in the context of its overall financial strategy and circumstances, eg the decision to transfer housing stock to another landlord will have a significant effect on a council's borrowing. However, bearing in mind local circumstances, there is wide variation across councils in the change in net indebtedness in the years since the prudential

code came into effect. Exhibit 19 (which excludes Orkney and Shetland Islands councils which have no net indebtedness).

**128.** We believe there would be merit in examining the reasons for the wide variation and in producing benchmark data to give councillors better information about indebtedness and how, alongside other key financial information, their council compares with others. This is a complex and important subject, with far-reaching consequences for the sustainability of public finances, and we would encourage a collective response, involving professional organisations and local government, supported if appropriate by auditors.

**129.** The prudential code has been revised on a number of occasions but the key indicators remain largely unchanged. There may be merit in considering the code further in the current financial context, and to explore how effective the framework has been in monitoring borrowing, supporting borrowing decisions and gauging the affordability of capital investment decisions.

### Reserves

**130.** Councils hold reserves which are available to finance service expenditure, to ensure stability in cash flow, to build up funds for predicted cost pressures, and as a contingency for unforeseen expenditure.

**131.** The overall level of cash-backed reserves increased by £0.21 billion (14 per cent) compared with the previous year and totalled £1.68 billion at 31 March 2012 (Exhibit 20). Contributory factors include lower than anticipated interest and more general under-spending against budgets; 27 councils experienced an increase in reserves in 2011/12.

<sup>29</sup> *The Local Government ICT Strategy, Delivering Better Services for Communities – SOLACE, SOCITM, Improvement Service, September 2012.*

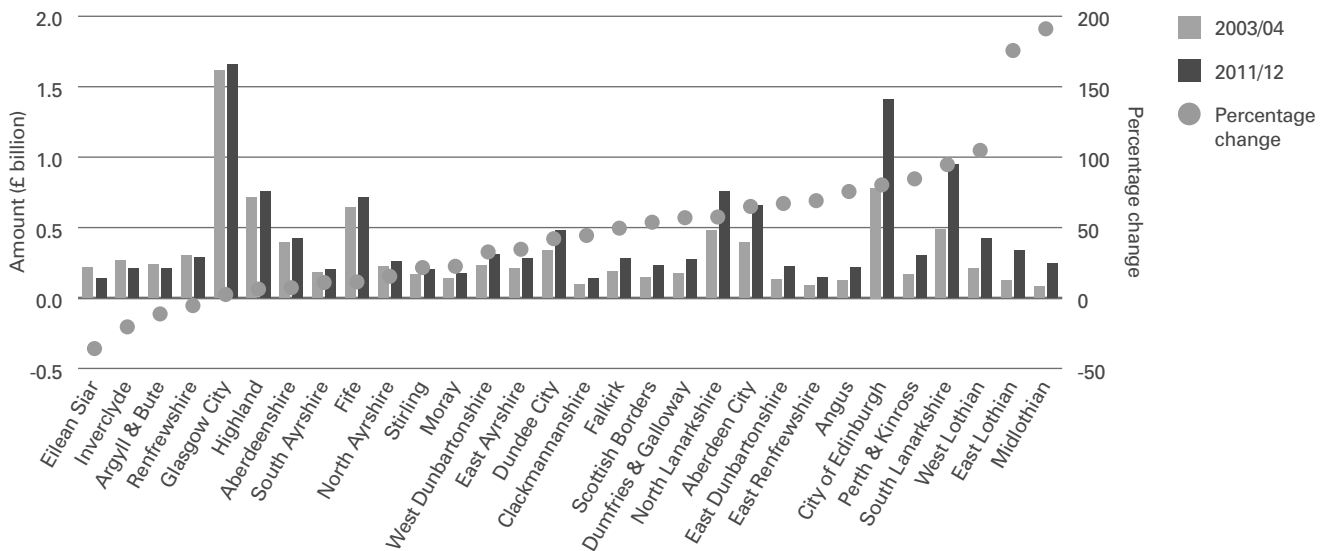
<sup>30</sup> *Commission on the Future of Public Services, Christie Commission, June 2011.*

<sup>31</sup> *The Prudential Code for Capital Finance in Local Authorities, CIPFA.*

<sup>32</sup> We define net indebtedness as external borrowing plus PFI-related liabilities less investments, on a council-only basis, ie not including borrowing etc. in the 'group'.

### Exhibit 19

Movements in net indebtedness 2003/04 to 2011/12



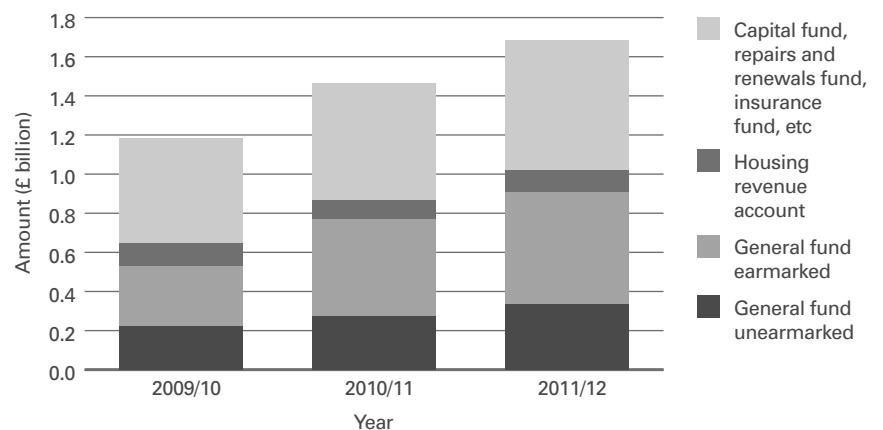
Source: Audit Scotland

**132.** As a broad comparison, councils in England held total reserves of £12.9 billion at 31 March 2012,<sup>33</sup> which is broadly similar to the position in Scotland taking account of the relative sizes of the local government sectors in each country.

**133.** The general fund is the main reserve and these funds increased by £139 million (18.1 per cent) in 2011/12 and totalled £907 million at 31 March 2012. Of this, £573 million was 'earmarked' to meet known commitments such as PPP/PFI payments and equal pay claims. The earmarked element represents 63 per cent of the amounts held in general funds, broadly in line with previous years.

**134.** Approaches to 'earmarking' vary from council to council and reflect local plans and views of risk and, as a result, earmarking is inconsistent. However, it does give an indication of how much

### Exhibit 20 Total usable reserves



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

Source: Audit Scotland

33 *Striking a balance – improving councils' decision-making on services*, Audit Commission, December 2012.

is available to meet unplanned expenditure. The information is important for councillors, to assist their understanding of the financial position and to assist them in scrutinising budgets.

**135.** The overall level of non-earmarked balances was £334 million or 37 per cent of the amount held in general funds at 31 March 2012. This has risen from 2.1 per cent last year to 2.7 per cent of net cost of services, and within individual councils varies significantly from 0.8 to 7.2 per cent of net cost of services (Exhibit 21).

**136.** Councils have policies on the optimum level of reserves they maintain to deal with unforeseen circumstances. Typically, these are in the range of one to four per cent of net cost of services. A number of councils have non-earmarked general fund reserves greater than the level set out in their policies, which may be prudent in the current environment.

**137.** Beyond the general fund, councils also held £666 million in other reserves, representing about 40 per cent of total usable reserves. This comprised capital funds (£323 million), capital receipts reserves (£195 million) and repairs and renewals funds (£122 million), with the balance (£26 million) in other smaller funds. These reserves vary from council to council and need to be viewed alongside the general fund position to get an overall picture.

**138.** In some cases, councils have not reviewed reserves policies for many years and so policies may no longer reflect the council's overall financial approach. Councillors need a clear picture of reserves and how they feature as part of their council's overall financial strategy.

**139.** Equally important is clear information for local people and communities about why reserves are built up, the reasons for any unplanned increases, and what the council intends doing with them. This information helps promote transparency, particularly now when budgets are reduced and competing pressures on financial resources are intensifying. It is helpful to include a clear statement that when reserves are used, they can be used only once and are not available to sustain services on a continuing basis.

**140.** We have been monitoring the position on the eight councils that had investments totalling £46.5 million in Icelandic banks when they failed in October 2008. To date, £22.7 million has been recovered and councils expect to recover between 88 and 100 per cent by 2019.

#### Financial reporting and management

**141.** Annual audited accounts show a council's financial performance and position and are important in demonstrating the proper stewardship of public money. The accounts should be published as soon as possible after the end of the financial year, along with an opinion from the independent, external auditor stating whether the accounts present a 'true and fair' view. This provides important assurance on financial reporting.

**142.** In 2011/12, accounts for all councils and other local authority organisations, including the 11 local authority-administered pension funds for 2011/12, were presented for audit on time and signed off by auditors without qualification. We welcome this achievement and the assurance it provides to the public and other stakeholders. We are, however, concerned about the increasing number of adjustments to accounts identified by auditors,

often arising from more complex issues, such as accounting for capital assets.

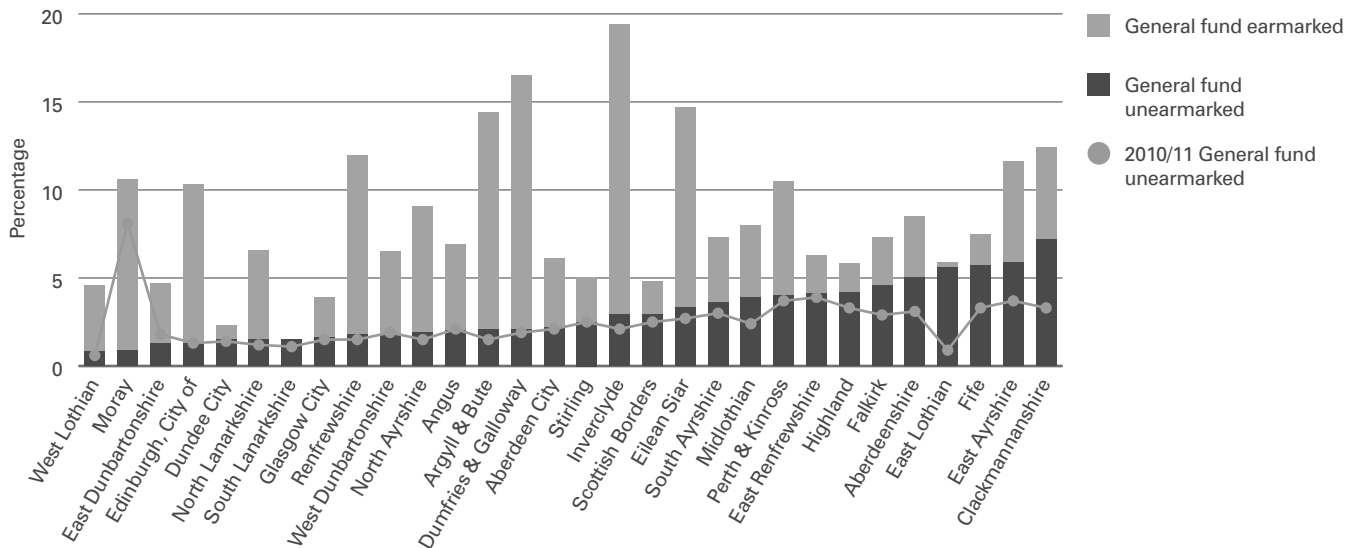
**143.** There have been significant changes in the layout and format of accounts in recent years to align with international financial reporting standards. Compliance is essential to meet the statutory duty to observe proper accounting practice but, as a result, local authority accounts are increasingly complex and difficult to understand. Work is continuing by the accounting standard-setters to explore ways to support transparency, accountability and scrutiny. In the meantime, more can be done to improve the financial information presented in the foreword to the accounts and in public performance reports.

**144.** There is increasing evidence of large variances of actual expenditure against budgets, where actual spending has differed from planned spending. Of particular concern are cases where variances only became apparent during the closing months of the financial year or where variances against budget at the year-end were significantly different to those reported to councillors during the year. Councillors need to understand the reasons, including whether the root cause is over-spending or under-budgeting.

**145.** We are also concerned about the increasing reports by auditors of weaknesses in some councils' basic accounting systems and controls (Exhibit 22). Strong accounting systems and controls are the mainstays of financial management and if they are not in place, or do not operate effectively, local authorities are exposed to a greater risk of accounting errors, fraud and corruption.

**Exhibit 21**

General fund balances (as a percentage of net cost of services) as at 31 March 2012



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

Source: Audit Scotland

**146.** We are also concerned to note an increase in reports of data loss, including cases where paper records were not disposed of properly and where computer equipment was not secured, and stolen. Investigations were undertaken by councils' internal auditors and further by the Information Commissioner. In such cases, public confidence in the council's systems is affected and there is reputational damage to the council overall.

**147.** There is further evidence of under-resourcing of internal audit and cases where the internal audit approach could include more focus on financial controls and risk management. Councils, through their audit committees, should ensure that the resources for internal audit are adequate and that they provide assurance on the effectiveness of financial controls across the council's range of activities, including pension funds where the council is an administering authority.

**Exhibit 22**

Basic weaknesses in accounting systems

Examples from auditors' reports:

- 'Key weakness related to the lack of timely completion of monthly bank reconciliations.'
- 'Weaknesses and risks arising from gaps in the financial control framework, including bank and other reconciliations and journal authorisation processes.'
- 'The key bank accounts were not fully reconciled at the year-end.'

Source: Audit Scotland



## Summary of Part 2

### Leadership and governance

- Building and maintaining strong working relationships in the new councils is essential to deal with the challenges facing councils (paragraphs 89 to 95).
- Sound governance is needed over early retirement (paragraph 104).
- Effective capital planning and management are essential if councils are to understand progress with capital projects, and their impact on services and council priorities (paragraph 122).
- Sound financial management is required to anticipate resource pressures in the longer-term and to ensure borrowing is affordable and sustainable (paragraphs 128 and 144).
- Strong accounting systems, controls and internal audit are essential (paragraphs 144 and 147).

### Working in partnership

- Councils, with their partners, should plan and manage the overall workforce and other resources in their area (paragraph 100).

### Service changes

- A stronger focus on workforce planning is important to ensure the right people are in place to meet future service needs and the challenges of public sector reform (paragraph 100).

- More work is needed to understand the impact of staff reductions on services (paragraph 96).

### Performance information

- More can be done to improve the financial information presented in public performance reports (paragraph 143).

### Concluding comment on this report

**148.** Our report draws on the audit work to provide an overall picture of local government in Scotland in 2013. Its wide-ranging nature reflects the many challenges, risks and opportunities for councils and their partners in providing vital public services across Scotland, now and in future.

**149.** Pressures on resources – and by that we mean finance, workforce and assets – continue. This is not new because in public services there have always been difficult choices to make about how to allocate limited resources across many competing priorities. However, the scale of the pressure, coming as it does at the same time as increasing demands and expectations on services and very significant changes such as welfare reform, is substantial.

**150.** We emphasise the crucial role of those leading and managing the response to this challenge. In particular, we emphasise the difference that strong and effective scrutiny by councillors can make in ensuring the best use of available resources, improving services and delivering improved outcomes.

**151.** The Accounts Commission acknowledges the progress achieved this far in challenging circumstances and we look forward to continuing to work with local government and our scrutiny partners to support improvement. The Best Value duty provides the platform for success.

**152.** To support improvement and to provide a focus for next steps, action points for councillors can be found in Appendix 1.

# Appendix 1

## Action points for councillors

Question	Action point
<b>Leadership and governance</b>	
Are you satisfied that you are supported in taking effective decisions, and can question and challenge your council's performance?	<ul style="list-style-type: none"> <li>Consider reviewing governance arrangements in your council and its committees.</li> </ul>
Do you understand your council's overall financial position, including its borrowings and other commitments, and the level of reserves?	<ul style="list-style-type: none"> <li>Consider the extent to which you are made aware of financial issues and their impact on services.</li> <li>Seek assurance from officers that sufficient controls and checks are in place.</li> </ul>
Do you understand how the financial position affects on your council's services?	<ul style="list-style-type: none"> <li>Seek advice on how budget shortfalls, savings, or delayed spending will impact on services.</li> </ul>
Do you know how well your council is managing its capital programme and major capital projects?	<ul style="list-style-type: none"> <li>Review whether progress with capital plans is on track and meeting its objectives, using our good practice guide on major capital investment to help improve your council's performance.</li> </ul>
<b>Working in partnership</b>	
How well placed is the Community Planning Partnership (CPP) to meet the expectations set out in the Statement of Ambition?	<ul style="list-style-type: none"> <li>Review plans and progress, eg how well the CPP: engages partners; makes best use of employees and other resources; targets local need; involves communities.</li> </ul>
Is your CPP delivering on its local priorities and improving people's lives?	<ul style="list-style-type: none"> <li>Assess how well CPP progress reports give you a clear picture of progress, including prevention.</li> </ul>
Is your council making good progress in implementing reforms regarding police, fire, and integrating adult health and social care?	<ul style="list-style-type: none"> <li>Ensure measures are in place, and that the CPP and the council are providing sufficient direction.</li> </ul>
<b>Service changes</b>	
Are you satisfied with how your council and its partners are leading public sector reform?	<ul style="list-style-type: none"> <li>Ensure you understand the issues and implications for the council and local services.</li> <li>Check the extent to which arrangements are in place to plan and implement reform.</li> </ul>
Do you understand the impact of staff reductions at your council on skills and capacity?	<ul style="list-style-type: none"> <li>Review the impact on services, sickness and morale.</li> <li>Review how effective workforce planning is in your council and its services.</li> </ul>
Do you understand the implications of welfare reform?	<ul style="list-style-type: none"> <li>Check your council has plans in place, including plans to change its workforce and its ICT systems.</li> </ul>
Are you satisfied that your council has fully considered the various options to deliver services, and their advantages, risks, and disadvantages?	<ul style="list-style-type: none"> <li>Review whether existing delivery methods have delivered their intended benefits.</li> <li>Check that you are satisfied that the council has a robust approach to review and option appraisal.</li> </ul>

Question	Action point
<b>Performance management and improvement</b>	
Are you given the right information on costs and performance to challenge how well your council performs and whether it is achieving Best Value?	<ul style="list-style-type: none"> <li>Review the information you receive noting gaps and areas for improvement.</li> </ul>
Do you have the information you need to assess how well your council's performance compares with others?	<ul style="list-style-type: none"> <li>Assess the benchmarking information you receive, eg on performance, practice, costs, sickness absence, etc.</li> </ul>
Do you have skills and experience to scrutinise and take decisions effectively?	<ul style="list-style-type: none"> <li>Consider further training on scrutiny.</li> </ul>

# Appendix 2

## Glossary of terms

Arm's-length external organisations (ALEOs)	Companies, trusts and other bodies that are separate from the council but are subject to council control, or influence.
Best Value	Continuous improvement in the performance of an authority's (council's) functions.
Community Planning Partnership (CPP)	A partnership between a council, health board, police, fire and rescue services, third sector and other public sector organisations to deliver improved outcomes in a geographical area.
Continuous improvement	Ongoing action to improve services, ie Best Value.
General fund	The main cash-backed fund or reserve held by a council.
Governance	The framework of accountability to users, stakeholders and the wider community, within which councils take decisions, and lead and control their functions, to achieve their objectives.
Outcomes	Priorities or objectives, and their associated measures (eg, set out in the SOA) to improve aspects of people's lives such as their health, employment or education.
Performance management	Processes at individual, team and service level to assess, manage and improve performance against objectives.
Private Finance Initiative (PFI)/Public Private Partnership (PPP)	A generic term for projects involving both the public and private sectors (resulting from earlier government initiatives to promote private sector financing and involvement). This can be to varying degrees with partnerships taking different forms.
Prudential code	A professional code of practice to support local authorities in taking capital investment decisions.
Reserves	Money set aside to meet expected and unexpected demands.
Resource management	The efficient and effective use of a council's collective resources, directed where they are needed. Refers to the workforce, finances, buildings and other assets, including ICT.
Risk management	The process of managing risk to identify risks to projects, services, or to the council itself and taking action to control or avoid unacceptable risks.
Section 95 officer	The statutory officer for finance, as required by Section 95 of the Local Government (Scotland) Act 1973 – 'every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.'
Shared services	Joint services or functions provided by more than one council or partner.
Single Outcome Agreement (SOA)	An agreed vision between a Community Planning Partnership and the Scottish Government setting out the priority outcomes in the area and how the Community Planning Partnership will work towards achieving them.
Statutory Performance Indicators (SPIs)	A set of performance indicators specified by the Accounts Commission, the information for which must be collected and reported on by councils.
Value for money	Obtaining the maximum benefit from resources (money, people, assets) with regards to economy, efficiency and effectiveness.
Workforce planning	Process to identify and plan workforce needs (size, experience, knowledge and skills) to achieve service objectives.

# Responding to challenges and change

## An overview of local government in Scotland 2013

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ISBN 978 1 907916 99 1

This publication is printed on 100% recycled, uncoated paper





**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 11 June 2013

**BY:** Executive Director (Support Services)

**SUBJECT:** Improving Community Planning (Audit Scotland, March 2013)

**7**

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**1 PURPOSE**

- 1.1 To provide Audit and Governance with a summary of the Audit Scotland report, *'Improving Community Planning in Scotland'*.

**2 RECOMMENDATIONS**

- 2.1 It is recommended that the Committee notes the report and the actions that East Lothian Council and the East Lothian Partnership are taking to improve the effectiveness of East Lothian's Community Planning Partnership.

**3 BACKGROUND**

- 3.1 Audit Scotland published *'Improving Community Planning in Scotland'* in March 2013. The report and its conclusions drew on three recent audits of Community Planning Partnerships in Aberdeen, North Ayrshire and Scottish Borders. It was also based on Audit Scotland's audit work on partnerships over a number of years.
- 3.2 The report is designed to make a constructive contribution to the debate about how community planning in Scotland can, and should, be improved. The report's conclusion is that strong and sustained shared leadership is required to deliver a step change in performance to deliver the renewed focus on community planning which provides a clear opportunity.
- 3.3 The report outlines a range of criticisms about how community planning has been delivered:
- Community Planning Partnerships (CPPs) are not able to show that they have had a significant impact in delivering improved outcomes across Scotland.

- Community planning was intended as an effective vehicle for public bodies to work together to improve local services and make best use of scarce public money and other resources, however, barriers have stood in the way of this happening.
- CPPs have not been clear enough about the key priorities for improvement in their area and have not clearly set out how local partnership working is making a distinctive and additional contribution to improving public services and improving outcomes for local people. Single Outcome Agreements (SOAs) have not been clear enough about the key improvements that community planning aims to deliver for the area.
- SOAs tend to act as a summary of existing planned actions covering all national outcomes rather than setting out a clear plan for improving the local area. In addition, national priorities in areas such as NHS performance (and HEAT targets) have diluted the extent to which SOAs have focused on things that matter for the local area.
- Much work is needed to improve planning and performance management by CPPs. Individual partner organisations have not been routinely or robustly held to account for their performance as a member of the CPP. CPP boards need to develop a much stronger culture of collective challenge if they are to truly lead strategic change.
- Governance arrangements for CPPs are weak and there is little evidence that community planning is effectively integrated within the formal governance structures of CPP partners. CPPs will only be able to make real and significant changes to public services and ensure best value for public money if the representatives sitting on boards are able to commit their organisations to the decisions that boards make.
- CPPs need to get better at directing their efforts to reducing the gap between the life experiences and outcomes of those living in the most and least deprived areas of Scotland.
- There is a risk that wide-ranging reforms of public services in Scotland creates tensions between national and local priorities for change. It is not clear how important aspects of the community planning review and health and social care integration developments are being integrated. For example, how policy guidance on governance and accountability arrangements is being coordinated and how performance reporting requirements will be aligned.

3.4 The report concludes that there are five areas for improvement that all parties should focus on to improve community planning in Scotland. These are:

- creating stronger shared leadership
- improving governance and accountability



- establishing clear priorities for improvement and using resources more effectively
- putting communities at the heart of community planning and public service reform
- supporting CPPs to improve their skills and performance.

### ***Strong shared leadership***

- 3.5 Community planning needs to become a truly shared enterprise, rather than a council-led exercise. This will mean changes in behaviour and more effective engagement and participation by partners, both executive and non-executive. CPPs need to start acting as true leadership boards, setting a stretching ambitious programme for change and holding people to account for delivering them.

### **Governance and accountability**

- 3.6 CPPs need to significantly improve their governance and accountability, and planning and performance management arrangements by:
- successfully mobilising resources towards agreed goals
  - showing that partnership working is making a significant difference in improving services and delivering better outcomes for communities
  - clarifying roles and responsibilities for elected members, non-executives and officers
  - ensuring that CPP decision-making is reflected fully within the governance structures of all partners.
- 3.7 CPPs need to assure themselves that the proposed arrangements for health and social care integration in their area:
- reflect local circumstances and priorities
  - are clear about the respective roles and responsibilities of the CPP and H&SCP
  - will improve the quality of care and outcomes for older people
  - will deliver improved value for money.

### ***Clear priorities for improvement and use of resources***

- 3.8 CPPs need to focus more clearly on where they can make the greatest difference in meeting the complex challenges facing their communities. They need to make their SOAs a true plan for the areas and communities that they serve. They need to show how they are using the significant public money and other resources available to CPP partners to target

inequalities and improve outcomes. SOAs need to specify what will improve, how it will be done, by whom, and when.

- 3.9 CPPs need to ensure that partners align their service and financial planning arrangements with community planning priorities. This means ensuring that budget setting and business planning decisions by CPP partners such as councils and NHS boards take full account of community planning priorities and SOA commitments.

### ***Community Engagement and Empowerment***

- 3.10 CPPs need to extend and improve their approach to engaging with communities if the potential of local people to participate, shape and improve local services is to be realised.

### ***Improvement support and capacity building***

- 3.11 CPPs need to establish effective self-evaluation arrangements that will allow them to target their local improvement activity (leadership, governance, service delivery, etc) appropriately and demonstrate continuous improvement in their operation. They also need to establish effective arrangements for learning and sharing good practice with each other.

### **The East Lothian Position**

- 3.12 East Lothian CPP undertook a self-evaluation in 2010/11 which identified a number of areas of weakness or concern. This resulted in a detailed Improvement Plan which included undertaking a review of the partnership's structure and governance arrangements. The recently completed review and the new SOA, which is being developed in line with the SOA 2013 Guidance, address the weaknesses identified in our own self-evaluation as well as those contained in the Audit Scotland report.
- 3.13 The outcome of the review of governance arrangements for the East Lothian Community Planning Partnership was reported to the Council meeting of the 23<sup>rd</sup> April 2013. The revised structure of the East Lothian Partnership (the new title for the East Lothian Community Planning Partnership) includes three supporting Partnerships with representation from the Council's Administration and Opposition. Each Partnership will be responsible for leading a culture of collaboration, developing and delivering priorities and outcomes, and scrutinising the delivery of outcomes. From the Council's perspective it has been agreed that the minutes of the Partnerships will be considered by the Council and / or the Cabinet. This will help to ensure that the Partnership decisions are reflected within the Council's governance structure.
- 3.14 Further work is being carried out, including preparation of an induction programme, to ensure that all members of the new Partnerships are aware of their roles and responsibilities.

- 3.15 The Council has agreed to establish a Shadow Health and Social Care Partnership and there will be close and direct links between the Shadow Partnership and the new Resilient People Partnership which will have responsibility for the health and social care outcomes of the new SOA.
- 3.16 The new SOA which is being developed will focus on key outcomes which will make the greatest difference in meeting the complex challenges facing East Lothian. The SOA will clearly specify what will improve, how it will be done, by whom, and when. The revised governance arrangements for the East Lothian Partnership will enhance the reporting and scrutiny of the achievement of outcomes.
- 3.17 Further work will be carried out over the next year to show how the partners will align their service and financial planning arrangements with community planning priorities, in particular, the shift to investment in early intervention and prevention to reduce inequalities.
- 3.18 The Council Plan and the new East Lothian Partnership governance arrangements include a commitment to develop community engagement and empowerment to provide the capacity and opportunity for East Lothian's communities to influence policy and service delivery. Work is underway to develop the Local Community Planning framework with the intention of establishing six Local Partnerships that will act as the 'Local Voice' in community planning.

#### **4 POLICY IMPLICATIONS**

- 4.1 The Audit Scotland report has highlighted weaknesses in the way that Community Planning is currently being delivered across all 32 Community Planning Partnerships. The process of self-evaluation undertaken by East Lothian CPP over the last two years has resulted in the development of a revised governance structure which along with the new SOA will address Audit Scotland's concerns.
- 4.2 The Council's draft 2013/14 Council Improvement Plan (reported to Council, 25 June 2013) which draws on findings from the How Good is Our Council? and Corporate Governance self-evaluations includes two actions that aim to further strengthen the Council's approach to ensuring that its strategic partnerships, including the East Lothian Partnership are fit for purpose, effective and focused on achieving collaborative gain.
- Develop toolkit for self-evaluation of strategic partnerships
  - Induction programme for all members of new Community Planning Partnerships, including elected members.

#### **5 EQUALITIES IMPACT ASSESSMENT**

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

## **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – none.
- 6.2 Personnel - none.
- 6.3 Other – none.

## **7 BACKGROUND PAPERS**

- 7.1 Improving Community Planning in Scotland; Audit Scotland, March 2013
- 7.2 East Lothian Community Planning Partnership Governance Review; Report on to East Lothian Council, 23 April 2013

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<b>DATE</b>	31 May 2013

# Improving community planning in Scotland



Prepared for the Accounts Commission and the Auditor General for Scotland  
March 2013

# The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, requests 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 45 joint boards and committees (including police and fire and rescue services).

## Auditor General for Scotland

The Auditor General for Scotland is the Parliament's watchdog for helping to ensure propriety and value for money in the spending of public funds.

She is responsible for investigating whether public spending bodies achieve the best possible value for money and adhere to the highest standards of financial management.

She is independent and not subject to the control of any member of the Scottish Government or the Parliament.

The Auditor General is responsible for securing the audit of the Scottish Government and most other public sector bodies except local authorities and fire and police boards.

The following bodies fall within the remit of the Auditor General:

- directorates of the Scottish Government
- government agencies, eg the Scottish Prison Service, Historic Scotland
- NHS bodies
- further education colleges
- Scottish Water
- NDPBs and others, eg Scottish Enterprise.

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

# Contents

**Introduction**

Page 2

---

**Summary**

Page 5

---

**Part 1. How well are Community  
Planning Partnerships doing?**

Page 8

---

**Part 2. What needs to be done to  
improve performance?**

Page 17

---

**Appendix 1. Community planning  
in Scotland (excerpt from  
Local Government in Scotland  
Act 2003)**

Page 21

---

**Appendix 2. The role of Scottish  
ministers in community planning  
in Scotland (excerpt from  
community planning statutory  
guidance 2004)**

Page 22

---

# Introduction





## Introduction

**1.** Community planning is the process by which councils and other public bodies work together, with local communities, businesses and voluntary groups, to plan and deliver better services and improve the lives of people who live in Scotland.

**2.** It was given a statutory basis by the Local Government in Scotland Act 2003 (the Act) (Appendix 1). That Act, and the later statutory guidance, sought to establish community planning as the

key means of leading and coordinating partnership working and initiatives at the regional, local and neighbourhood level.<sup>1</sup> It should add value by:

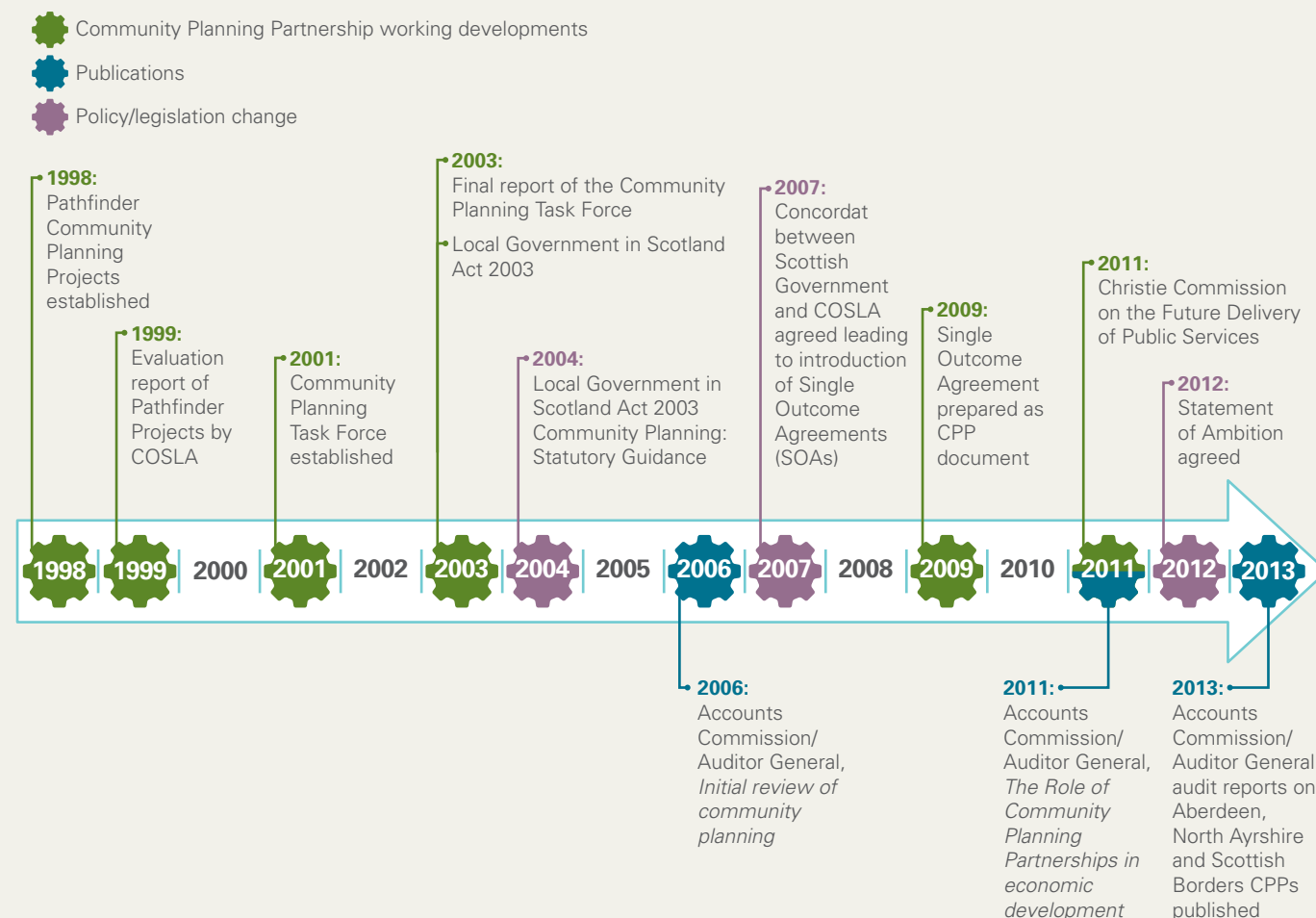
- providing a local framework for joint working
- building a culture of cooperation and trust
- improving public services
- making the best use of public money.

**3.** Community planning has gone through a series of changes and developments since its introduction in the late 1990s. The main developments are shown in Exhibit 1.

**4.** Between 2011/12 and 2014/15, the Scottish Government's spending will fall by 5.5 per cent (£1.5 billion) allowing for inflation.<sup>2</sup> Reductions of this scale are a significant challenge for the Scottish public sector. The Christie Commission report<sup>3</sup> on the future of public services highlighted the need for a new, more radical,

## Exhibit 1

### Main milestones in the development of community planning in Scotland



Source: Audit Scotland

1 *The Local Government in Scotland Act 2003 – Community Planning: Statutory Guidance*, Scottish Executive, Edinburgh, 2004.

2 *Scottish Spending Review 2011 and Draft Budget 2012-13*, (Table 6.02 – Departmental Expenditure Limits, applying the following deflators: 2012/13 = 2.5 per cent; 2013/14 = 2.7 per cent; 2014/15 = 2.7 per cent), Scottish Government, September 2011.

3 *The Commission on the Future Delivery of Public Services*, Christie Commission, June 2011.

collaborative culture throughout Scotland's public service. It called for a much stronger emphasis on tackling the deep-rooted, persistent social problems in communities across the country to enable public bodies to respond effectively to these financial challenges.<sup>4</sup>

**5.** The Scottish Government and the Convention of Scottish Local Authorities (COSLA) reviewed community planning and Single Outcome Agreements (SOAs) in 2012. They then published their Statement of Ambition.<sup>5</sup> This sets out high expectations for community planning and puts the community planning process at the core of public service reform by:

- taking the lead role in securing integrated public services
- focusing more on potential problems and identifying ways to prevent them happening
- ensuring public bodies continue to improve the ways in which they manage and provide services
- achieving better outcomes for communities, such as better health and lower crime
- providing the foundation for effective partnership working, within which wider reform initiatives will happen.

**6.** The Statement of Ambition is clear that significant changes to improve community planning are needed to respond to the challenges of reducing public finances while demand for services increases. Community Planning Partnerships (CPPs) also need to be equipped to reduce the stark variations in outcomes experienced by different communities and implement a significant public service reform agenda.

**7.** The conclusions in this report draw on the three recent audits of CPPs in Aberdeen, North Ayrshire and Scottish Borders. The report is also based on our wider audit work on partnerships over a number of years. These range from our initial review of community planning in 2006<sup>6</sup> and our *Review of Community Health Partnerships* in 2011,<sup>7</sup> to the most recent audit of the role of CPPs in economic development.<sup>8</sup>

**8.** This report is designed to make a constructive contribution to the debate about how community planning in Scotland can, and should, be improved. It does not seek to provide 'the answer' to resolving all of the challenges that community planning in Scotland faces. Rather, it uses our collective experience of auditing community planning and partnership working to contribute towards how community planning in Scotland can be improved.

4 Ibid.

5 *Review of Community Planning and Single Outcome Agreements: Statement of Ambition*, Scottish Government and COSLA, March 2012.

6 *Community planning: an initial review*, Accounts Commission and the Auditor General for Scotland, 2006.

7 *Review of Community Health Partnerships*, Accounts Commission and the Auditor General for Scotland, June 2011.

8 *The role of Community Planning Partnerships in economic development*, Accounts Commission and the Auditor General for Scotland, 2011.

# Summary



## Summary

**There is now a renewed focus on community planning which provides a clear opportunity to deliver a step change in performance. This will require strong and sustained shared leadership**

**9.** Partnership working is now generally well established and many examples of joint working are making a difference for specific communities and groups across Scotland. But overall, and ten years after community planning was given a statutory basis, CPPs are not able to show that they have had a significant impact in delivering improved outcomes across Scotland.

**10.** Our audit work in recent years has found shortcomings in how CPPs have performed. These are widespread and go beyond individual CPPs. Community planning was intended as an effective vehicle for public bodies to work together to improve local services and make best use of scarce public money and other resources. Barriers have stood in the way of this happening. All community planning partners need to work together to overcome the barriers that have stood in the way of this happening. For example, shifting the perception that community planning is a council-driven exercise, and not a core part of the day job for other partners.

**11.** The need for change has been recognised and there is now a renewed focus on community planning nationally and locally. The Scottish Government and COSLA's Statement of Ambition sets out an ambitious and challenging improvement agenda for community planning. The Scottish Government and CPP partners must show strong and sustained shared leadership to deliver these improvements. If CPPs are to be at the core of public service reform then the Scottish Government will need to align its resources and

policy and performance frameworks in ways that reflect that ambition. This means ensuring that health boards and other public bodies are held to account for their contribution to CPPs and for the development and delivery of new SOAs.

**12.** CPPs have not been clear enough about the key priorities for improvement in their area. SOAs have tended to be summaries of existing planned actions, covering all national outcomes, without clearly focusing on things that matter most for the local area. Too often, everything has seemed to be a priority, meaning that nothing has been a priority. CPPs have not clearly set out how local partnership working is making a distinctive and additional contribution to improving public services and improving outcomes for local people.

**13.** Community planning has had little influence over how the significant sums of public money available, for example to councils and the NHS, are used. Governance and accountability arrangements for community planning have been weak. Much work is needed to improve planning and performance management by CPPs. Individual partner organisations have not been routinely or robustly held to account for their performance as a member of the CPP. As a result, there are no consequences for not participating fully. Nor are the incentives sufficient to change behaviours. Resolving this accountability deficit is one of the keys to improving how CPPs perform and ensuring better outcomes for local communities.

**14.** One of the aims of community planning was to help reduce social inequality. However, stark differences in outcomes for different groups still persist in Scotland. The reasons for many of these inequalities are complex and deep rooted, affected by many social, economic and

environmental factors. It is in these complex areas that CPPs can make a real difference if they focus their efforts and bring to bear the full weight of their combined resources, skills and expertise.

**15.** There is an increasing emphasis on CPPs planning and delivering services in preventative ways: that is, to prevent problems from arising. This is a long term and challenging process. The new SOA guidance to CPPs<sup>9</sup> requires all new SOAs to include a specific plan for prevention that details what partners are collectively doing and spending on prevention and how the partnership will evidence its progress in:

- making a decisive shift to prevention
- improving outcomes
- reducing future need
- controlling costs and releasing savings.

**16.** The guidance also highlights national outcomes that have significant scope to reduce inequalities. Together these should help progress to be made in the area of prevention.

**17.** There is a risk that wide-ranging reforms of public services in Scotland creates tensions between national and local priorities for change. Significant changes are under way aimed at integrating health and social care services, creating national police and fire services and regionalising colleges, all of which are important community planning partners. It is essential that those who lead and manage local public services work together to ensure that they are providing public services in ways that make sense locally, while delivering the stated intention of the reforms. Equally, the Scottish Government has a key role to play by:

- ensuring 'joined-up' approaches to reform across government
- clearly and consistently setting out how it expects services to be provided in an integrated way
- streamlining policy guidance and arrangements for measuring performance across different parts of the public sector, and making sure they are consistent with each other.

**18.** At present, it is not clear how important aspects of the community planning review and health and social care integration developments are being integrated. For example, how policy guidance on governance and accountability arrangements is being coordinated and how performance reporting requirements will be aligned.

**19.** The Statement of Ambition sets out high expectations and a challenging programme of improvements for CPPs. It is clear that there is an appetite among CPPs for progressing this agenda. To implement the Statement of Ambition effectively, several important conditions for success will be needed.

- **CPPs** need to focus more clearly on where they can make the greatest difference in meeting the complex challenges facing their communities. They need to make their SOAs a true plan for the areas and communities that they serve. They also need to show clearly how they are using the significant public money and other resources available to CPP partners to target inequalities and improve outcomes. SOAs need to specify what will improve, how it will be done, by whom, and when.
- **CPPs** need to ensure that all partners align their service and financial planning arrangements with community planning

priorities. This means ensuring that budget setting and business planning decisions by CPP partners, such as councils and NHS boards, take full account of community planning priorities and SOA commitments.

- **CPPs** need to significantly improve their governance and accountability, and planning and performance management arrangements by:
  - successfully mobilising resources towards agreed goals and ensuring best use of public resources
  - showing that partnership working is making a significant difference in improving services, driving the move towards prevention, and delivering better outcomes for communities
  - clarifying roles and responsibilities for elected members, non-executives and officers
  - ensuring that CPP decision-making is reflected fully within the governance structures of all partners.
- **The Scottish Government** should ensure that the links between the various strands of its public service reform agenda are clearly articulated and well understood by all parts of Government and public services. For example, how the strategic oversight relationship between CPPs and Health and Social Care Partnerships, as set out in the Statement of Ambition, should operate in practice. This is key to supporting CPPs deliver on the Statement of Ambition expectation that they should have strategic oversight of, and be at the centre of, all public service reform.

- **The National Community Planning Group** has an important role in providing visible leadership and support for community planning in Scotland. That will mean:

- maintaining the pace of change in community planning reform
- ensuring that CPPs are provided with appropriate training and support to enable them to deliver on the ambitious changes expected of them
- promoting the effective sharing of good practice. For example, in relation to partnership governance.

# Part 1. How well are Community Planning Partnerships doing?



## How well are Community Planning Partnerships doing?

There are many examples of good joint working, with evidence of some of these delivering improvements at a local level

**20.** An important emphasis of the Statement of Ambition is for CPPs to strengthen joint working between partners. CPPs have a role to promote and share good practice, for example, about local initiatives, preventative services, and pooling resources.

**21.** There are many examples of good partnership working across Scotland, often with a strong preventative focus. These include:

- **Economic development:** The Glasgow Works Partnership Group aims to reduce the number of residents in Glasgow who are not in work. It was established in 2006 and between 2008 and 2011, received around £23.5 million of funding to deliver its employability programme which supported over 21,000 individuals. Almost 4,500 people gained full-time employment, 2,000 gained a qualification and 1,500 entered further or higher education.<sup>10</sup>
- **Health Inequalities:** The Mobile Alcohol Intervention Team aims to reduce alcohol misuse among under-16s in Fife. It increases awareness of the consequences of alcohol misuse and provides guidance on responsible drinking. The police, NHS Fife and Clued Up (a voluntary substance misuse organisation) worked in partnership, each having a clearly defined role and responsibilities. Between April 2011 and March 2012, the programme worked with 94 young people who were misusing

alcohol, 64 took part in follow-up assessments and of these 41 per cent reported that they had reduced their alcohol use.<sup>11</sup>

- **Community Health Partnerships (CHPs):** NHS Forth Valley and Clackmannanshire Council established an integrated mental health service in 2003 before the Community Health Partnership was established. Having a pooled budget has helped the partners to radically change how they provide services by creating a single referral process for people to access the service. They have also been able to reshape their workforce by changing the skill mix of staff.<sup>12</sup>
- **Improving public services:** The Marr Community Planning Group brings together representatives from the community and from Aberdeenshire community planning partners. The group aims to identify communities' needs in the Marr area and work together to address these, or to help support people deal with them. Over 50 per cent of the members are community representatives. Achievements include a new dental facility in Huntly and the community management of Braemar Castle.<sup>13</sup>
- **Health and social care:** The Cheviot programme in the Scottish Borders aims to ensure individuals can live safely in the community for longer, reducing the need for hospital or residential care. Scottish Borders Council and NHS Borders are reshaping health and care services. The day service has been redesigned with the voluntary sector funded to provide three rural social centres. Joint working means a new day

service for people with learning disabilities is now being provided at Kelso Hospital.<sup>14</sup>

- **Community healthcare:** Aberdeen partners have secured £24 million capital funding to develop a community healthcare village. This will accommodate a range of diagnostic and treatment services within a single location. This is to enable people to receive care in a community setting rather than in the city's main hospital complex. Health, social work and police will be based in the new centre providing a range of services.<sup>15</sup>
- **Community safety:** The Multi-Agency Problem Solving Group in North Ayrshire works closely with local people to identify areas for preventative action. Partners can then target problem issues to improve local outcomes. Areas for potential joint action are identified through the Safer North Ayrshire Partnership. Partners summarise their views and knowledge about the area and contribute to developing a plan for action. Action plans are structured in phases. These include an intensive week of enforcement activity and a visual audit to identify environmental issues such as graffiti, vandalism and fly-tipping. Partners then develop a local plan to address these. The group has used mobile youth centres and portable sports facilities as diversionary activities and youth workers have worked with young people to encourage them to take part in local activities. Residents say the group's work has made a noticeable difference in local communities.<sup>16</sup>

10 *The role of Community Planning Partnerships in economic development*, Accounts Commission and the Auditor General for Scotland, 2011.

11 *Health inequalities in Scotland*, Accounts Commission and the Auditor General for Scotland, December 2012.

12 *Review of Community Health Partnerships*, Accounts Commission and the Auditor General for Scotland, June 2011.

13 *The Commission on the Future Delivery of Public Services*, Christie Commission, June 2011.

14 *Community planning in Scottish Borders*, Accounts Commission and the Auditor General for Scotland, March 2013.

15 *Community planning in Aberdeen*, Accounts Commission and the Auditor General for Scotland, March 2013.

16 *Community planning in North Ayrshire*, Accounts Commission and the Auditor General for Scotland, March 2013.

**22.** One of the challenges facing CPPs will be finding ways of translating effective local initiatives into new ways of working that can be delivered at scale across Scotland. Much of this joint working has been in response to specific funding opportunities, such as change funds,<sup>17</sup> or has occurred through one or more partners identifying opportunities for improvement. Other important partnership developments, such as the introduction of Community Health and Care Partnerships (CHCPs), have come about because of legislative change.<sup>18</sup>

**23.** The introduction of community planning has helped to create a culture that now supports joint working. But, we have found that much of the local joint working that takes place is not being led by CPPs and its links with local improvement priorities set out in SOAs are not always clear. This means that CPPs are unable to demonstrate that they are learning the lessons from what worked well locally and applying them to their future partnership working.

### CPPs cannot show clearly that they have made a sustained and significant difference in improving outcomes for their communities

**24.** Many factors that affect performance and outcomes are beyond the control or influence of CPPs. In addition, changing behaviours within communities is complex and takes time. For these reasons it is not straightforward to attribute either improved, static or deteriorating outcomes to the actions of CPPs. It is important that CPPs are clear about their key improvement priorities, direct resources to them, and gather the right information to assess whether their actions are making a difference in improving services and delivering better outcomes for local people.

**25.** Since their creation most CPPs have tended to focus on the same broad themes:

- **Economy and employment** – working to promote economic growth, deal with the impact of the global downturn, create jobs and provide local people with employment opportunities.
- **Education and life-long learning** – trying to ensure that young people get the best possible education to allow them to access the job market and fulfil their potential, and working to ensure that adults and older people are able to access appropriate training opportunities.
- **Health and social care** – improving the overall health of the local population and trying to ensure that health and social care services work well together to support people in their homes.
- **Community safety** – supporting local efforts to deal with issues such as antisocial behaviour.
- **Environmental sustainability** – working together to improve and protect the environment.

**26.** Despite their efforts and activity, many CPPs are unable to demonstrate:

- how local partnership working is being targeted to key local improvement priorities
- how community planning is adding value to existing public service delivery arrangements
- whether local partnership working is making best use of public resources
- if local partnership working is leading to significant and lasting improvements in outcomes for communities.

**27.** Our three local CPP audit reports found that gaps in data prevented a full assessment of the effectiveness of community planning in securing improved outcomes for local communities. The available local and national data indicated mixed performance across a wide range of outcomes such as the economy, health, and community safety.

**28.** CPPs need to get better at directing their efforts to reducing the gap between the life experiences and outcomes of those living in the most and least deprived areas of Scotland. Stark differences in outcomes for different groups still persist in Scotland. The reasons for many of these inequalities are complex and deep rooted, affected by many social, economic and environmental factors. It is in these complex areas that CPPs can make a significant and lasting difference if they focus their efforts and make effective use of their combined resources, skills and expertise.

**29.** There is an increasing emphasis on preventative approaches to planning and delivering services within CPPs. The new SOA guidance to CPPs requires all new SOAs to include a specific plan for prevention that details what partners are collectively doing and spending on prevention, and how the partnership will evidence its progress in:

- making a decisive shift to prevention
- improving outcomes
- reducing future need
- controlling costs and releasing savings.

<sup>17</sup> Change Funds are specific funding streams created by the Scottish Government to support innovation and improvement in public services, such as early years services, reducing reoffending, and improving older people's services.

<sup>18</sup> The NHS Reform (Scotland) Act 2004 and The Community Health Partnerships (Scotland) Regulations and Statutory Guidance, Scottish Executive, 2004.



**30.** The guidance also highlights national outcomes that have significant scope to reduce inequalities. Together these should help progress to be made in the area of prevention.

**Stronger shared leadership is key to delivering improved community planning and it needs to be supported by effective governance and accountability arrangements**

**31.** The Local Government in Scotland Act 2003 clearly sets out the importance of shared leadership in community planning. It states that leadership should be carried out by the organisation best placed to perform this role and that partners should be encouraged to lead on appropriate themes.<sup>19</sup> The Scottish Government and COSLA's joint Statement of Ambition for community planning reinforces the importance of shared leadership. It emphasises that: 'CPPs should be genuine boards, with all the associated authority, behaviours and roles that this implies, for both them and constituent partners.'

**32.** We found inconsistent leadership across the three early CPP audits. We had particular concerns about the level and range of NHS and other national bodies' engagement with the CPP process. The Scottish Government is seeking to deal with this and has set out more clearly its expectations of how those national bodies should be involved in community planning. It also needs to take action, working with CPPs, to remove the barriers that are preventing community planning acting as a key driver of public service reform. Those barriers include complex and differing accountability arrangements for partners and tensions between a focus on local areas, that is at the core of community planning, and national policy and performance priorities with their much broader focus.

**33.** Further work is needed to develop the ability of CPP boards to take on their strategic leadership role. We found that, within CPP boards or executive groups, there is little challenge by partners of each other's performance even when there is clear evidence of underperformance and a failure to achieve targets. This may reflect the way in which community planning has evolved. Typically, it starts with building relationships, understanding and trust before developing a culture based on effective challenge and performance management. It means, though, that CPP boards need to develop a much stronger culture of collective challenge if they are to truly lead strategic change.

**34.** Greater clarity is needed about the roles that local elected politicians, non-executive board members, and officers are expected to take on as part of the community planning process. Many councillors and non-executive representatives from the NHS are unclear about their role in the CPP process. This lack of clarity is a barrier to providing effective leadership and challenge, weakening CPP governance.

**35.** The Statement of Ambition states that 'the unique responsibilities of CPPs require strong governance and accountability arrangements, which must complement other arrangements such as the accountability of NHS boards to ministers'. Our audit work has found that governance arrangements for CPPs are weak and there is little evidence that community planning is effectively integrated within the formal governance structures of CPP partners. This means that CPP boards have no real authority to make decisions that commit partners to action. This contributes to a more general picture of CPPs being places where issues are discussed but no real decisions are made. CPPs

will only be able to make real and significant changes to public services and ensure best value for public money if the representatives sitting on boards are able to commit their organisations to the decisions that boards make.

**36.** The lack of a clear accountability framework for CPPs continues to be a barrier to more effective partnership working. Individual partner organisations have not been routinely or firmly enough held to account for their performance as a member of the CPP. As a result, they face no consequences for not participating fully. Nor are the incentives sufficient to change behaviours. Resolving this accountability deficit is one of the keys to improving the performance of CPPs and ensuring better outcomes for local communities. More clarity is needed within CPPs about who is accountable to whom, for what, and by when.

**37.** Many CPPs are reviewing their governance structures in response to the clearer expectation that the Statement of Ambition sets of effective shared leadership. Various governance models are being established. While governance structures need to reflect local circumstances it may be useful for key principles of good governance for CPPs to be identified and published as most of the current good practice guidance focuses on single entities/bodies, rather than partnerships. Over time any good practice that emerges in this area should also be made available to CPPs. This is a task that the national community planning group may wish to pursue.

**Community planning has been seen as a council-driven exercise in which partners participate but do not lead or drive change**

**38.** Community planning has tended to be seen as a council-led exercise. This reflects both the legal position of councils as the bodies with the statutory duty to initiate, facilitate and maintain community planning, and the democratic nature of councils which carries with it an important community leadership role. The fact that only councils were formally held to account for their role in community planning through the Best Value audit also helped reinforce the perception that councils were responsible for community planning.

**39.** Furthermore, bodies such as the NHS and Scottish Enterprise have different accountability arrangements. Together, these meant that other statutory partners have participated with varying degrees of commitment to community planning. They have not seen it as a core part of the day job.

**40.** The position is changing. We have found evidence of community planning becoming more of a shared enterprise due to the clearer and more explicit expectations from the Scottish Government in the Statement of Ambition and through the National Community Planning Group. This now needs to be reinforced by establishing a clear set of expectations for how the NHS and other national bodies should take part in community planning that can be underpinned by statutory duties as part of the Community Empowerment and Renewal Bill.

**41.** Changing legislation does not necessarily change behaviours, so further work will be needed across government to send consistent messages to public sector leaders

in the NHS, non-departmental public bodies (NDPBs) and agencies. These messages should describe the important role that they must play in supporting community planning, making it clear that it should be part of their core approach to leading and managing their businesses.

**Single Outcome Agreements have not been clear enough about the key improvements that community planning aims to deliver for the area. They have tended to act as a summary of existing planned actions covering all national outcomes rather than setting out a clear plan for the communities that each CPP serves**

**42.** The development of SOAs since 2009/10 has improved the range and quality of information gathered to support the community planning process. However, we found that SOAs do not clearly set out the key improvements that community planning is seeking to deliver for the area. In many cases, because everything has been a priority, nothing has been a priority. SOAs tend to act as a summary of existing planned actions covering all national outcomes rather than setting out a clear plan for improving the local area. In addition, national priorities in areas such as NHS performance (and HEAT<sup>20</sup> targets) have diluted the extent to which SOAs have truly focused on things that matter for the local area.

**43.** SOAs have generally lacked a clear focus on the added value of CPPs and partnership working and tend to focus on process and inputs. They do not explain clearly enough the improvements in outcomes that community planning, and partnership working more generally, is seeking to achieve.

**44.** CPPs have recognised these difficulties and over time have been refining and streamlining their SOAs. While some have reduced the number of priorities, many partners still believe that there are still too many and that partnership working is spread too thinly across too many fronts. Priorities still do not reflect the key issues and challenges that partnership working needs to address locally. Performance measures and targets are clearer and more specific in different parts of the country. More effective arrangements need to be established to ensure that all CPPs can learn from each other and share best practice.

**45.** Since they were introduced in 2008 SOAs have been reviewed by the Improvement Service, COSLA and the Scottish Government.<sup>21, 22, 23</sup> These reviews highlighted several challenges in improving the local outcomes approach, including the need for better information about performance.

**46.** Revised SOA guidance was issued jointly by COSLA and the Scottish Government in 2012. It was based on the expectations of community planning that the Statement of Ambition set out.<sup>24</sup> CPPs are currently drafting their new SOAs. They are due to be submitted as draft documents to the Scottish Government by 1 April 2013 with a deadline for the SOAs to be agreed with the Scottish Government by 28 June 2013.

**Community planning has had little influence over how mainstream public sector budgets and other resources are used to date**

**47.** The 2003 Act was clear that, to take part effectively in community planning, partners had to identify and allocate the funding and other resources necessary to achieve agreed outcomes. More recently,

<sup>20</sup> HEAT: (H)ealth improvement, (E)fficiency and governance improvement, (A)ccess to services, (T)reatment appropriate to individuals.

<sup>21</sup> Interim report from local government on the first phase Single Outcome Agreements in 2008-09, prepared by the Improvement Service on behalf of COSLA and SOLACE.

<sup>22</sup> *Single Outcome Agreement Overview Commentary – Progress in 2008-09*, Scottish Government, February 2010.

<sup>23</sup> *Local Matters: Delivering the Local Outcomes Approach*, Scottish Government and COSLA, 2011.

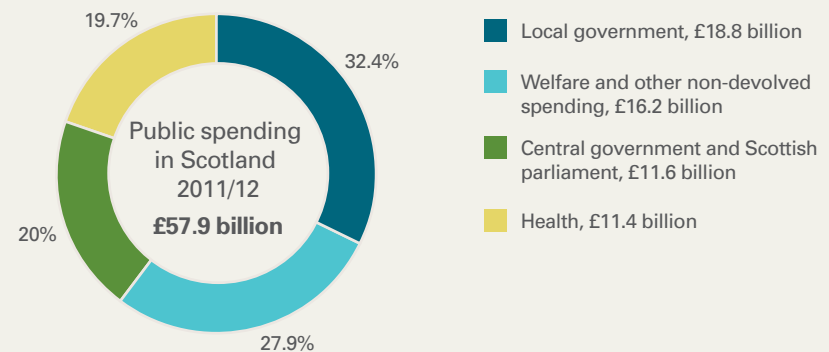
<sup>24</sup> *Single Outcome Agreements – Guidance to Community Planning Partnerships*, Scottish Government and COSLA, December 2012.

the Statement of Ambition stated that CPPs 'must have a clear understanding of respective partner contributions, how total resources will be targeted to deliver the priorities and how partners will be held to account for delivery'.

**48.** The pressures on Scotland's public finances are the greatest in living memory, but overall resources remain significant. The total devolved public sector in Scotland employs over 400,000 staff (full-time-equivalents)<sup>25</sup> and the main community planning partners in Scotland (councils, NHS boards, police and fire and rescue) have a significant combined annual budget. The Department for Work and Pensions (DWP) also contributes significantly to public spending, including income support, housing benefit, council tax benefit and state pension. Total public spending in Scotland (including DWP spending) is almost £60 billion (Exhibit 2). If CPPs effectively targeted these resources towards agreed improvement priorities, as the Statement of Ambition anticipates, then over time they should make progress in dealing with the complex challenges facing Scottish society.

**49.** Our audit work has found many examples of local, jointly funded projects. These projects are important. But, they are at the margins of public services and the short-term nature of the funding can create difficulties when thinking about applying change over much wider services. There is little evidence of CPPs using mainstream resources including money, people and buildings to support the agreed outcome priorities that are set out in SOAs. Barriers to sharing resources and integrating service can exist. For example, often changes that would require investment by one organisation can benefit other public bodies. But, there is little incentive for them to make those

**Exhibit 2**  
Total public spending in Scotland



Source: Audit Scotland

changes at a time of increasing budgetary pressures. Improving public services therefore needs to have a 'whole-system' approach where costs and benefits are shared between partners. But, organisational boundaries and financial regulations can get in the way of making change of that kind.

**50.** If CPPs are to achieve the aspirations set out in the Statement of Ambition, a significant change is needed in their influence over how public resources are used. We have found that CPP partners are only in the very early stages of developing shared asset plans. We also found there is little evidence of the development of shared staff development strategies.

#### CPPs need to get better at managing performance

**51.** Strongly and effectively managing the performance of partnership working and the contribution of individual partners is an essential component of an effective community planning process. The 2003 Act sets out the need for CPPs to:

- monitor progress against agreed outcomes

- use that monitoring to improve local arrangements for planning and providing services to deliver better outcomes.

**52.** The Statement of Ambition strongly emphasises the importance of CPPs monitoring performance over time to ensure public services continuously improve and better outcomes are achieved for local communities.

**53.** Weaknesses in performance management arrangements within CPPs have been a regular finding in our previous audits of community planning. It remained a common feature in our three recent CPP audit reports. Even those CPPs that have established a performance management framework are not yet using it to drive improvement. SOA targets are often focused on processes not outcomes and effective performance management is also hindered by inconsistencies in the data that are available locally and nationally.

**54.** Public performance reporting (PPR) is an important aspect of public accountability. PPR by CPPs is improving, but remains very underdeveloped. Improving how

<sup>25</sup> Quarter 3 figures, 2012 (local government: 410,500, NHS: 131,800, total central government: 35,400, FE colleges: 10,600). *Quarterly Public Sector Employment Series*, Scottish Government, Office for National Statistics.

CPPs communicate with, involve, and are accountable to local communities will be one of the ways of making community planning more relevant to the communities it is designed to serve. As part of that process, CPPs will need to significantly improve their performance management arrangements. This means gathering and reporting clear and consistent performance data that describes how outcomes have improved due to their actions.

**Community planning takes account of a wide range of consultation activity, but there is a long way to go before services are truly designed around communities and the potential of local people to participate in, shape and improve local services is realised**

**55.** We found a strong commitment by CPPs to engage with and involve communities and there are many examples of individual CPP partners consulting communities. This reflects the broadly positive findings of our initial community planning audit in 2006. In some CPPs, consultation also takes place through the CPP itself.

**56.** But CPPs need to do further work to show more consistently how their consultation activity is influencing community planning priorities and leading to better outcomes for local people.

**57.** The Community Empowerment and Renewal Bill anticipates more participation by citizens in line with the expectations of the Statement of Ambition. This includes identifying solutions to local problems, and being involved in taking decisions about investing in services or local facilities, or withdrawing from them. CPPs may consider buying or commissioning local services rather than providing them directly themselves. In doing

this CPPs should take account of the ability of local communities and the third sector groups such as voluntary organisations and charities to provide the service.

**58.** Many CPPs are rethinking how they consult with local communities through neighbourhood planning structures or area forums. The aim of this is to tailor services around a clear understanding of local issues by involving local communities in identifying local issues and deciding how best to respond to them. However, much of the focus is still on consultation and getting people involved. There is a long way to go before services are truly designed around communities and the potential of local people to participate in, shape and improve local services is realised.

**The Scottish Government has re-emphasised the central role that community planning should play in driving the reform of public services. But the broader public service reform agenda does not appear to be well 'joined up' when viewed from a local perspective**

**59.** Scottish ministers have a statutory duty to promote and encourage community planning when discharging any of their functions. This includes promoting and encouraging the process of community planning as the overarching framework for improving how public services are planned and provided ([Appendix 2](#)).<sup>26</sup>

**60.** Our initial review of community planning in 2006 found that CPPs were finding it difficult to achieve their potential in meeting local needs. This was due to the wide range of national policy initiatives and because these were not integrated and lacked prioritisation. The fragmented nature of Scottish Executive funding streams

was also creating an administrative burden for CPPs.<sup>27</sup> Our more recent audit of the role of CPPs in economic development found that five years on many of the problems identified in 2006 persisted.<sup>28</sup>

**61.** The Scottish Government is making efforts to raise the profile of community planning across its various departments and agencies. It has asked NHS boards to consider the new guidance on SOAs alongside the guidance on NHS local delivery plans and has set a corporate expectation for all public bodies to engage with CPPs and deliver SOAs.<sup>29</sup>

**62.** When SOAs were introduced, the Scottish Government assigned responsibility for liaising with individual CPPs to a number of its most senior managers. This 'location director' role was intended to provide a direct link between each CPP and the Scottish Government to:

- build and maintain strong links with local partners
- challenge Scottish Government's partners on their delivery.

**63.** CPPs found the location director role helpful during the early stages of implementing the SOA process. However, we found that the extent to which they were challenging CPPs varied. We also found that the turnover of staff in those roles had affected the opportunity for CPPs and location directors to establish effective working relationships.<sup>30</sup> More generally, there was a lack of clarity about the role.

**64.** The Scottish Government is committed to raising the profile and clarifying what it expects of the location director role. The Minister for Local Government and Planning has emphasised to location directors

<sup>26</sup> Section 16(8) of the Local Government in Scotland Act 2003.

<sup>27</sup> *Community planning: an initial review*, Accounts Commission and the Auditor General for Scotland, 2006.

<sup>28</sup> *The role of Community Planning Partnerships in economic development*, Accounts Commission and the Auditor General for Scotland, 2011.

<sup>29</sup> Paul Gray, Director-General Governance and Communities, letter to all Local Authority Chief Executives, NHS Chief Executives, Chief Executives of Public Bodies, the Chief Constable and Chief Fire Officer, University and College Principals, Third Sector Interfaces, 11 February 2013.

<sup>30</sup> *The role of Community Planning Partnerships in economic development*, Accounts Commission and the Auditor General for Scotland, November 2011.

their important role in building strong relations and acting as an important conduit between CPPs and the Government. This is in light of the expectations that the Statement of Ambition places on both CPPs and the Scottish Government. He has asked location directors to provide strong but constructive challenge to CPPs throughout the development of the new SOAs and in their continuing engagement with local partners.<sup>31</sup>

**65.** The Scottish Government is currently involved in a wide-ranging programme of public service reform. This includes reviewing community planning, integrating health and social care services, establishing national police and fire services, college regionalisation, and community empowerment. Several of these developments, such as health and social care integration and the review of community care planning, share a common focus on partnerships, place and integrating services. Others, such as police and fire reform have a significant national dimension. Others still, such as college regionalisation, have a regional focus. This complex network of reforms may present challenges in establishing local community planning arrangements that are the foundation within which wider reform initiatives will happen in line with the expectations of the Statement of Ambition. Overall, Scottish Government public service reform developments do not appear to be well 'joined up' when viewed from a local perspective.

**66.** The Statement of Ambition states that CPPs do not have to take direct responsibility for the delivery of outcomes or integration of services where specific fit-for-purpose arrangements are already in place or are being developed. The proposals

to integrate health and social care services are cited as a particular case in point. CPPs need though to have a strategic overview of any such arrangements and assure themselves that they are robust and appropriately joined-up, based on the principle that community planning and SOAs must be core to the implementation of proposals for the integration of health and adult social care services. These principles provide a framework within which local CPP and H&SCP governance arrangements can be established.

**67.** Aligning community planning and health and social care integration is essential if public resources are to be used to best effect and appropriate links made with the broader community planning service integration and improvement agenda. It is important that each CPP assures itself that the proposed arrangements for health and social care integration in their area:

- reflect local circumstances and priorities
- are clear about the respective roles and responsibilities of the CPP and H&SCP
- will improve the quality of care and outcomes for older people
- will deliver improved value for money.

**68.** While this is a local decision, national guidance and planned legislation will influence local approaches. But, at present, aspects of the community planning review and health and social care integration developments are not clear. For example, how, in practical terms, CPPs should exercise their strategic oversight of health and social care integration and what

should happen where there is either underperformance by the H&SCP or disputes over priorities.

**CPPs have not been subject to comprehensive external scrutiny to date. External scrutiny bodies are committed to taking forward developments in a 'joined-up' way, identifying opportunities for aligning and streamlining activity**

**69.** The primary responsibility for improving services lies with the organisations that provide them. However, external scrutiny can also be a catalyst for improvement, influencing the behaviours and culture of providers and leading to improvements in how services are delivered. Audit, inspection and regulation also has an important role in providing assurance to the public, ministers, parliament and others about the quality and effectiveness of public services, and is an important element of the public sector accountability framework.

**70.** The Accounts Commission and the Auditor General for Scotland have audited partnerships and community planning over a number of years.<sup>32</sup> Until recently though, CPPs have not had comprehensive external scrutiny. Only councils were held to account for their role in community planning through the Best Value audit. The focus of that audit was largely on the management arrangements and processes that support community planning, not on the impact and effectiveness of CPPs in securing better outcomes for their communities. The absence of a comprehensive audit and inspection framework for CPPs contributed to weaknesses in the overall accountability framework for community planning.

<sup>31</sup> Derek Mackay, MSP. Correspondence to Pat Watters, CBE, Chair of National Community Planning Group, 31 January 2013.

<sup>32</sup> *Community planning: an initial review (2006)*, *Review of Community Health Partnerships (2011)*, *The role of Community Planning Partnerships in economic development (2011)*, Accounts Commission and the Auditor General for Scotland.

**71.** There have been a number of recent scrutiny developments requested by Scottish ministers that have a specific focus on partnership working and outcomes:

- The request that the Accounts Commission lead development work, with the Auditor General for Scotland and other scrutiny partners, on how CPPs might be held to account for their performance and helped to deliver better outcomes. This development work led to our three early audits of CPPs in Aberdeen, North Ayrshire and Scottish Borders. These have focused on how effectively the CPPs have:
  - agreed clear improvement priorities for their area
  - established effective governance and accountability arrangements
  - shown effective shared leadership
  - delivered better outcomes for local communities.
- The Care Inspectorate’s joint inspections of children’s services focus on how well local public bodies are working together to deliver effective outcomes for children and young people.
- The Care Inspectorate and Healthcare Improvement Scotland’s development of an approach to inspecting health and care services for older people. This will consider the effectiveness of local partnership working.

**72.** These developments reflect requirements from Scottish ministers about the level of independent assurance that they expect on services that protect vulnerable people, and on the effectiveness of CPPs as key drivers of public service reform. These new arrangements, have a shared interest in how CPPs are performing and in partnership working more generally. However, the scope that ministers are proposing for them creates the risk that CPPs may be subject to a complex and overlapping set of external scrutiny arrangements.

**73.** The scrutiny bodies that have been charged with taking forward these developments are committed to doing so in a ‘joined-up’ way, identifying opportunities for aligning and streamlining activity and eliminating potential duplication. That work has begun through the Strategic Scrutiny Group<sup>33</sup> and will need ministers’ support.

<sup>33</sup> The Local Government Scrutiny Coordination Strategic Group was established in 2008 to support the Accounts Commission in ‘facilitating and coordinating... scrutiny relating to the corporate and strategic role of local government’ at the request of the Cabinet Secretary for Finance and Sustainable Growth. This group includes the Accounts Commission, Audit Scotland, Education Scotland (ES), the Care Inspectorate (CI), Scottish Housing Regulator (SHR), Her Majesty’s Inspectorate of Constabulary for Scotland (HMICS), Her Majesty’s Fire Service Inspectorate in Scotland (HMFSI) and Healthcare Improvement Scotland (HIS). The Scottish Government, COSLA and SOLACE are also represented on the group.

# Part 2. What needs to be done to improve performance?



**What needs to be done to improve performance?**

Community planning in Scotland stands at a crossroads. All those involved must now demonstrate shared leadership and ensure that community planning is an integral part of the day-to-day work of all CPP partners

**74.** The Statement of Ambition is clear that significant changes to improve community planning are needed to meet the challenges of reducing public finances at a time when:

- demands on public services are increasing
- complex public service reforms are under way.

**75.** The Scottish Government and COSLA have been clear that the status quo for community planning is not an option. Making the changes needed for community planning to implement the improvements set out in the Statement of Ambition will require sustained national and local leadership. Improvements need to be

made quickly, but everyone involved needs to be realistic about the scale of the challenges and the long-term nature of some of the changes that are needed.

**76.** Community planning is at a crossroads. This offers a significant opportunity to establish a system of leadership, governance and performance that ensures continuous improvement in community planning (Exhibit 3). This will not be easy. Barriers stand in the way, and this virtuous cycle will only be

**Exhibit 3**

A virtuous cycle of continuous improvement in community planning



**Improved outcomes for communities and demonstrable impact of community planning**



achieved through a level of sustained leadership that is significantly stronger than we have seen to date.

**77.** The National Community Planning Group, which was established in June 2012, has a key role to play by:

- providing clear political leadership and encouraging innovation and change
- setting clear expectations for all CPPs
- ensuring that CPPs receive the support they need to improve both their skills and performance.

**78.** There are five areas for improvement that all parties should focus on to improve community planning in Scotland. These are:

- creating stronger shared leadership
- improving governance and accountability
- establishing clear priorities for improvement and using resources more effectively
- putting communities at the heart of community planning and public service reform
- supporting CPPs to improve their skills and performance.

**79.** For these improvements to happen, changes need to be made at national and local level. Here we set out a series of recommendations directed at those in a position to make these changes happen.

### Strong shared leadership

- **CPPs:** Community planning needs to become a truly shared enterprise, rather than a council-led exercise. This will mean changes in behaviour and more effective engagement and participation by partners, both executive and non-executive. CPPs need to start acting as true leadership boards, setting a stretching ambitious programme for change and holding people to account for delivering them.
- **The National Community Planning Group** has an important role in providing visible leadership and support for community planning in Scotland. It needs to effectively challenge local and national politicians and public sector leaders to maintain the pace of change in community planning reform.
- **The Scottish Government** should ensure that the links between the various strands of its public service reform agenda are clearly articulated and well understood by all parts of Government and public services. In particular, how, in practical terms, the strategic oversight relationship between CPPs and Health and Social Care Partnerships should operate.

### Governance and accountability

- **CPPs** need to significantly improve their governance and accountability, and planning and performance management arrangements by:
  - successfully mobilising resources towards agreed goals
  - showing that partnership working is making a significant difference in improving services and delivering better outcomes for communities
  - clarifying roles and responsibilities for elected members, non-executives and officers
  - ensuring that CPP decision-making is reflected fully within the governance structures of all partners.
- **CPPs** need to assure themselves that the proposed arrangements for health and social care integration in their area:
  - reflect local circumstances and priorities
  - are clear about the respective roles and responsibilities of the CPP and H&SCP
  - will improve the quality of care and outcomes for older people
  - will deliver improved value for money.
- **The Scottish Government** needs to implement effectively the ambition in the SOA guidance, to 'hold health boards and other public bodies to account for their contribution to CPPs and for the delivery and development of new SOAs'. This means using all of the levers available to it, including

aligning and streamlining national policies and performance management arrangements to focus more explicitly on local areas and outcomes. It also needs to ensure that appropriate arrangements are put in place to bind all CPP partners and their resources effectively to shared improvement priorities.

### Clear priorities for improvement and use of resources

- **CPPs** need to focus more clearly on where they can make the greatest difference in meeting the complex challenges facing their communities. They need to make their SOAs a true plan for the areas and communities that they serve. They need to show how they are using the significant public money and other resources available to CPP partners to target inequalities and improve outcomes. SOAs need to specify what will improve, how it will be done, by whom, and when.
- **CPPs** need to ensure that partners align their service and financial planning arrangements with community planning priorities. This means ensuring that budget setting and business planning decisions by CPP partners such as councils and NHS boards take full account of community planning priorities and SOA commitments.
- **The Scottish Government** needs to clarify how CPPs' contributions to supporting improvements in relation to its national priorities (economic recovery and growth; employment; early years; safer and stronger communities, and reducing offending; health inequalities and physical activity; outcomes for older people) will be assessed and progress reported at national level.

### Community engagement and empowerment

- **The Scottish Government** needs to clearly articulate its expectations of effective community engagement by CPPs in its forthcoming Community Empowerment and Renewal Bill legislation.
- **CPPs** need to extend and improve their approach to engaging with communities if the potential of local people to participate, shape and improve local services is to be realised.

### Improvement support and capacity building

- **The Scottish Government and COSLA** need to work together to more clearly set out what successful community planning looks like, sharing good practice and supporting improvement at local level. A comprehensive programme of training and support for public sector leaders and front-line staff will be needed, drawing on the work already under way by the Improvement Service as part of the community planning reform programme.
- **The National Community Planning Group** need to ensure that CPP boards are provided with appropriate training and support to enable them to deliver on the ambitious changes expected of them. It also needs to ensure that appropriate arrangements are put in place for promoting the effective sharing of good practice. For example, in relation to partnership governance.

- **CPPs** need to establish effective self-evaluation arrangements that will allow them to target their local improvement activity (leadership, governance, service delivery, etc) appropriately and demonstrate continuous improvement in their operation. They also need to establish effective arrangements for learning and sharing good practice with each other.
- **The Improvement Service and the Scottish Government** need to work together to offer support to CPP boards to help them provide effective leadership and scrutiny of performance. This may involve offering support and guidance to public sector leaders in managing change across organisations. Support in improving the use of national and local data for both planning and performance management purposes may also be needed.

# Appendix 1

## Community planning in Scotland (excerpt from Local Government in Scotland Act 2003)

Community planning was given a statutory basis by the Local Government in Scotland Act 2003 (the Act). Under the Act:

- Councils have a duty to initiate, facilitate and maintain community planning.
- NHS boards, the police, the fire and rescue services, and the enterprise agencies (Scottish Enterprise and Highlands and Islands Enterprise) have a duty to participate in community planning. This duty was later extended to Regional Transport Partnerships.<sup>1</sup>
- CPPs are required to engage with communities, report on progress, and publish information on how they have implemented their duties and how outcomes have improved as a result.
- Scottish ministers, through the Scottish Government and its agencies, have a duty to promote and encourage community planning.
- Councils can invite other bodies such as colleges, higher education institutions, business groups, voluntary organisations and community groups to take part in community planning, although these are not statutory partners.

All councils have established a Community Planning Partnership (CPP) to lead and manage community planning in their area. CPPs are not statutory committees of a council, or public bodies in their own right. The structure of CPPs and the areas they cover vary considerably, depending on the size and geography of the council area, socio-demographic factors, the local economy and local political priorities. They do not directly employ staff or deliver public services. Under Section 19 of the Act, it is possible for the CPP to establish the partnership as a legally distinct corporate body. Some CPPs have considered this option but, to date, none has sought ministerial approval to do so.

Statutory guidance, issued in 2004, set out clear expectations of CPPs in terms of their legal duties, joint planning and performance management, resource alignment and community engagement.<sup>2</sup> The purpose of the guidance was to ensure that CPPs were clear about how public bodies need to work together to provide better public services and to highlight the requirement that communities are genuinely engaged in the decisions made on public services which affect them.

<sup>1</sup> Transport (Scotland) Act 2005.

<sup>2</sup> *The Local Government in Scotland Act 2003 – Community Planning: Statutory Guidance*, Scottish Executive, Edinburgh, 2004.

# Appendix 2

## The role of Scottish ministers in community planning in Scotland (excerpt from community planning statutory guidance 2004)

Scottish ministers have a duty to promote and encourage community planning when discharging any of their functions.<sup>3</sup> The community planning statutory guidance sets out what this duty entails. Scottish ministers will be expected to:

- promote and encourage the process of community planning as the key overarching framework to improve the planning and provision of services
- take into account the views of the collective Community Planning Partnerships in setting policy priorities, particularly on those issues requiring a joined-up approach between a number of bodies
- develop mechanisms within the Executive<sup>4</sup> and its agencies to ensure:
  - that they are joined-up in developing policies and performance frameworks and indicators
  - that they are joined-up in communicating to agencies and/or Community Planning Partnerships the means of delivering these policies, whether this is through strategies and plans, sponsorship of its NDPBs or specific projects, funds and initiatives.

<sup>3</sup> Section 16(8) of the Local Government in Scotland Act 2003.

<sup>4</sup> The Scottish Executive is now known as the Scottish Government.

# Improving community planning in Scotland

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ISBN 978 1 907916 98 4      AGS/2013/3

This publication is printed on 100% recycled, uncoated paper





**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 11 June 2013

**BY:** Chief Executive

**SUBJECT:** 2013 Corporate Governance Self-evaluation/ Annual Governance Statement

**8**

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**1 PURPOSE**

- 1.1 To advise Audit and Governance Committee of the outcome of the 2013 Corporate Governance Self-evaluation.

**2 RECOMMENDATIONS**

- 2.1 Committee is asked to consider and comment on the self-evaluation (Appendix 1) and to approve the summary (paras 3.4 and 3.5) for inclusion in the Annual Governance Statement that is to be included in the Council's 2012/13 Annual Accounts.

**3 BACKGROUND**

- 3.1 Cabinet (11 May 2010) approved the adoption of a Code of Corporate Good Governance based on the six principles of good governance and the self-evaluation model outlined in the CIPFA/ SOLACE Guidance on Delivering Good Governance in Local Government. A task group comprising senior officers of the Council was given responsibility for developing, monitoring and reviewing the code and governance statement.
- 3.2 Following the chief officer re-structuring the task group now comprises the Monitoring Officer (Executive Director Services for Communities), Section 95 Officer (Head of Council Resources), Chief Social Work Officer (head of Adult Wellbeing), Head of Policy and Partnerships and Internal Audit Manager. Phil Denning, Chair of the Local Authority Network attended this year's meeting to provide a 'critical friend' perspective.
- 3.3 The group considered documentary evidence and practice around each of the six supporting principles and code requirements as detailed in the

corporate governance code and reviewed progress made against the improvement points identified in the 2012 self-evaluation.

3.4 The corporate governance self-evaluation has found that East Lothian Council generally has good governance and control arrangements in place across the six principles. However, a number of areas where improvement is required were identified and these have been detailed in the self-evaluation in Appendix 1.

3.5 The following improvement points have been identified as actions that will ensure the Council can better meet its corporate governance responsibilities.

- Develop toolkit for self-evaluation of strategic partnerships
- Review consultation strategy with view to ensuring that service users' views about quality of services is measured and used effectively
- Roll out Continuous Professional Development for elected members and continue to support elected member and senior management development
- Hold training session for elected members on new Standing Orders including session on Members' Conduct delivered by the Standards Commission
- Induction programme for all members of new Community Planning Partnerships, including elected members
- Training for Audit & Governance Co and PPR Co members
- Review and revise the Improvement Framework
- Make more effective use of benchmarking, develop guidance and training on the use of benchmarking, Best Value reviews and options appraisal
- Focused work with Local Area Network on an agreed programme of self-evaluation for improvement
- Implement programme of action to respond to the results of the Employee Engagement Survey
- Review Whistleblowing Policy and publicise to all staff
- Review People Strategy including the how the values from the East Lothian Way are disseminated to staff
- Introduce Combined Impact Assessment and process for identifying and monitoring the needs of minority and vulnerable groups, including Looked After Children

3.6 These improvement points will be included in the Council Improvement Plan that will be considered by Council, 25 June 2013.



#### **4 POLICY IMPLICATIONS**

- 4.1 The corporate governance code and self-evaluation framework detailed in Appendix 1 complement the Council's *How Good is Our Council* self-evaluation. The corporate governance self-evaluation fulfils the Council's commitment to assess whether it meets the principles and requirements set out in the guidance on Delivering Good Governance in Local Government. The addition of the summary of the self-evaluation to the Internal Financial Control statement will fulfil the remit to include an Annual Governance Statement in the Council's Annual Accounts.

#### **5 EQUALITIES IMPACT ASSESSMENT**

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

#### **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – none.  
6.2 Personnel – none.  
6.3 Other – none.

#### **7 BACKGROUND PAPERS**

- 7.1 Delivering Good Governance in Local Government: Guidance Note for Scottish Authorities. (CIPFA 2008)  
7.2 Report on Corporate Governance Self-evaluation; Corporate Governance PPRP, 22 June 2010  
7.3 Appendix 1: Corporate Governance Self-evaluation, May 2013

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## APPENDIX 1: CORPORATE GOVERNANCE SELF-EVALUATION: May 2013

**PRINCIPLE 1: Focusing on the purpose of the authority; on outcomes for citizens; and, service users and creating and implementing a vision for the area**

Supporting Principle & Code Requirements	Evidence	2012 Update and Improvement Points	Update and 2013 Improvement Points
<b>1.1 Exercising strategic leadership by developing and clearly communicating the authority's purpose, vision and its intended outcome for citizens and service users</b>			
1.1.1 Develop and promote the authority's purpose and vision	<ul style="list-style-type: none"> <li>• 2020 Vision</li> <li>• Council Plan 2012-12017</li> <li>• Council Improvement Plan</li> <li>• Single Outcome Agreement (SOA)</li> <li>• HGIOC Self Evaluations</li> <li>• Communications of corporate objectives across services</li> <li>• Incorporation of objectives and outcomes in new Service Planning guidance</li> <li>• Corporate Induction Pack and training Course</li> <li>• Three –year Financial Strategy</li> </ul> <p>Employee Engagement Survey showed 94% of staff agreed "I know how my job contributes to the Council's objectives"</p>	<p>The refresh of the Corporate Plan became the Draft Council Plan 2012-2017. This includes commitment to the 2020 Vision and a new Council Mission Statement and Focus</p> <p>2012 Improvement Point: Promote the Council Plan, Vision, Mission and Focus to staff and East Lothian citizens</p>	<p>Council Plan approved in August 2013. Work has begun on promoting it to staff. Service Plans are to include clear links to the Council Plan priorities. Staff should be engaged in the service planning process</p> <p>Staff PRD's should include reference to Council Plan</p> <p>Continue with programme of communicating Plan priorities to staff and citizens</p> <p>No further action required</p>

<p>1.1.2 Review on a regular basis the authority's vision for East Lothian and its implications for the authority's governance arrangements</p>	<ul style="list-style-type: none"> <li>• Corporate Governance Code and self-evaluation framework adopted in May 2010</li> <li>• Report on Council's vision, priorities and policies (Council, 22<sup>nd</sup> Feb 2011)</li> <li>• Council Plan 2012-2017</li> <li>• Chief Officers/ Council Management Team re-structured March 2012</li> </ul>	<p>No action required</p>	<p>Area based model of service delivery Local Community Planning framework being developed</p> <p>No further action required</p>
<p>1.1.3 Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners</p>	<ul style="list-style-type: none"> <li>• Community Plan and SOA</li> <li>• Agreements between ELC and partners</li> <li>• Shared Services agreement with Midlothian Council continuing through Joint Liaison Group</li> <li>• EL CPP Improvement Plan 2011/12 and Review of structures and governance arrangements</li> </ul>	<p>Draft Partnership Financial Strategy to be finalised</p> <p>CPP Improvement Plan 2011/12 based on HGIOIP agreed and being implemented</p> <p>CPP Review has been delayed until summer 2012</p> <p>2012 Improvement Point: Complete Review of CPP governance arrangements and structures</p>	<p>Review of CPP completed with new more strategic structure created</p> <p>Scrutiny and engagement arrangements for Police and Fire and Rescue services agreed</p> <p>Council commitment to appointment of Jointly Accountable Officer responsible for Health and Social care integration</p> <p><b>2013 Action:</b> <b>Develop toolkit for self-evaluation of strategic partnerships</b></p>
<p>1.1.4 Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance</p>	<ul style="list-style-type: none"> <li>• Annual Accounts</li> <li>• Annual Performance Reports</li> <li>• SOA Annual Report</li> </ul>	<p>Annual Performance Report 2011/12 being published in August</p> <p>Unaudited accounts submitted to special meeting of Audit &amp; Governance Committee in July 2012</p> <p>No action required</p>	<p>Unaudited accounts to be submitted to July meeting of Audit &amp; Governance Committee</p> <p>Annual Performance Report 2012/13 to be published in September</p> <p>No further action required</p>

<b>1.2 Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning</b>			
<p>1.2.1 Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available</p>	<ul style="list-style-type: none"> <li>• Service standards</li> <li>• HGIOC, Business Plans and Improvement Plans</li> <li>• SOA Annual Report</li> <li>• PPR Co reporting and Performance briefings for elected members</li> <li>• Complaints and compliments feedback</li> <li>• Independent inspection reports</li> <li>• CSWO Annual Report</li> <li>• Service users' surveys</li> <li>• 2011 Residents' Survey</li> </ul>	<p>2011 Residents' Survey results used to inform the Council Plan</p> <p>Consultation and Engagement Strategy has been agreed with the aim of improving feedback to the Council and services of the views of citizens and service users</p> <p>No action required</p>	<p>Consultation hub has been set up</p> <p>Consideration being given to future Residents' Survey or alternative means of surveying East Lothian citizens and service users</p> <p>Data profiles are being developed for all wards to inform the development of the new SOA and provide indicator data</p> <p>No consultation on 2013/14 budget but consideration being given to future budget consultation exercise</p> <p>Service users' groups have been involved in the development of Commissioning Strategies for Adult and Children's social care services</p> <p><b>2013 Action:</b>  <b>Review consultation strategy with view to ensuring that service users' views about quality of services is measured and used effectively</b></p>

<p>1.2.2 Put in place effective arrangements to identify and deal with failure in service delivery</p>	<ul style="list-style-type: none"> <li>• PPR Co reporting on key Performance indicators</li> <li>• HGIOC and service improvement plans incorporated into Service Plans</li> <li>• Significant case reviews in Social Work</li> <li>• Social Work Appeals Sub-Co</li> <li>• Social Work Complaints Review Co</li> <li>• Regular reporting of complaints and feedback</li> <li>• Responding to issues raised by elected members</li> </ul>	<p>New 2-stage Complaints procedure being out in place (by July 2012)</p> <p>No action required</p>	<p>New 2-stage procedure has been established and is being reported on to PPR Co</p> <p>Corporate and Service Risk registers are in place</p> <p>No further action required</p>
<p><b>1.3 Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money</b></p>			
<p>1.3.1 Decide how value for money (VFM) is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions</p>	<ul style="list-style-type: none"> <li>• Procurement Strategy</li> <li>• Performance Management framework</li> <li>• PPR Co reporting</li> <li>• Audit &amp; Governance Co reporting</li> <li>• 2011 Residents' Survey</li> <li>• Customer feedback / surveys</li> <li>• Consultation and Engagement Strategy</li> </ul>	<p>Procurement Improvement Plan and Action Plan has been established</p> <p>Consultation and Engagement Strategy and Action Plan has been agreed</p> <p>Process for carrying out Environmental Impact Assessments is being developed</p> <p>No action required</p>	<p>New Combined Impact Assessment incorporating Environmental Impact has been agreed and will be established</p> <p>Process for benchmarking and carrying out Best Value Reviews, incorporating Value for Money is being established as part of the Transformation Programme</p> <p>Review of Key Performance Indicators almost completed</p> <p>No further action required</p>

**PRINCIPLE 2: Members and Officers working together to achieve a common purpose with clearly defined functions and roles**

Supporting Principle & Code Requirements	Documentary Evidence <i>(new items in italics)</i>	2012 Update and Improvement Points	Update and 2013 Improvement Points
<b>2.1 Ensuring effective leadership throughout the authority and being clear about executive and non executive functions and of the roles and responsibilities of the scrutiny function</b>			
2.1.1 Set out a clear statement of the respective roles and responsibilities of Members generally and of Senior Officers	<ul style="list-style-type: none"> <li>• Scheme of Delegation</li> <li>• Member/ officer protocol</li> <li>• CPD pilot for elected members</li> <li>• Review of Impact of Multi-Member Wards and Officer Member Relations carried out in 2011</li> <li>• Induction programme for new elected members</li> <li>• Improvement Service Notebooks for new elected members</li> <li>• Guide to Scrutiny for elected members</li> </ul>	<p>Induction programme for new elected members including session the Code of Conduct</p> <p>Improvement Service Notebooks for new elected members included sections on role and responsibilities</p> <p>2012 Improvement Point: Roll out elected members' CPD to allow all members to participate</p>	<p>Induction programme for new members was delivered in May/ June</p> <p>Draft revised Standing Orders include Roles and Responsibilities of Elected Members</p> <p>Series of senior managers Masterclasses has been held and further consideration being given to Leadership development programme</p> <p><b>2013 Action:</b>  <b><i>Roll out CPD for elected members and continue to support elected member and senior management development</i></b></p> <p><b><i>Hold training session for elected members on new Standing Orders including session on Members Conduct delivered by the Standards Commission</i></b></p>

<b>2.2 Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard</b>			
2.2.1 Determine a Scheme of Delegation and reserve powers within constitution, including a formal scheme on those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required	<ul style="list-style-type: none"> <li>• Scheme of Delegation</li> <li>• Policies such as HR policies include delegation of powers to officers</li> </ul>	<p>Completion of the review of Scheme of Delegation held back until after the 2012 elections</p> <p>2012 Improvement Point: Complete Review of Scheme of Administration and Scheme of Delegation</p>	<p>Review of Standing Orders and Scheme of Delegation completed with CMT approval. Consultation with elected members taking place in May before revised SO and SoD go for approval to June Council meeting</p> <p>No further action required</p>
2.2.2 Ensure the Chief Executive is responsible and accountable to the authority for all aspects of operational management within the Scheme of Delegation	<ul style="list-style-type: none"> <li>• Chief Executive's job description</li> <li>• Appraisal of Chief Executive</li> <li>• Peer review by Executive Directors</li> <li>• Scheme of Delegation</li> <li>• Members Library reports record decisions taken under delegated powers</li> </ul>	As above	As above
2.2.3 Develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained	<ul style="list-style-type: none"> <li>• Member/ officer protocol within Council Standing Orders</li> <li>• Regular meetings between Chief Executive and Council Leader</li> <li>• Annual appraisal for Chief Executive with Leader and Depute Leader</li> <li>• New Council Plan based on joint working between Chief Executive and Council Management Team and Council Leader and Administration agreed by Council</li> <li>• Chief Executive and Council Leader jointly represent the Council at various forums</li> </ul>	<p>Induction programme for new elected members included session the Code of Conduct</p> <p>Improvement Service Notebooks for new elected members included sections on role and responsibilities</p> <p>2012 Improvement Point: Roll out elected members' CPD to allow all members to participate</p>	As per 2.1.1 above

<p>2.2.4 Make a Senior Officer (the Section 95 Officer) responsible to the authority for ensuring appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining effective systems of internal financial control</p>	<ul style="list-style-type: none"> <li>• Section 95 Officer</li> <li>• Annual Accounts and Statement of Internal Financial Control</li> <li>• Internal and external audit reports</li> </ul>	<p>New Section 95 Officer (Head of Council Resources) appointed April 2012</p> <p>2012 Improvement Point: The roles and responsibilities of the Council's Statutory Officers will be detailed in the revised Scheme of Administration</p>	<p>The roles and responsibilities of the Council's Statutory Officers are included in the revised draft Scheme of Administration</p> <p>No further action required</p>
<p>2.2.5 Make a senior officer (the Monitoring Officer; and for social work services the Chief Social Work Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</p>	<ul style="list-style-type: none"> <li>• Monitoring Officer</li> <li>• Chief Social Work Officer</li> <li>• Internal audit reports</li> <li>• CSWO Annual Report</li> <li>• Scottish Government guidance on the role of CSWO and registered social workers</li> </ul>	<p>New Monitoring Officer (Executive Director, Services to Communities) appointed April 2012</p> <p>2012 Improvement Point: The roles and responsibilities of the Council's Statutory Officers will be detailed in the revised Scheme of Administration</p>	<p>As above</p>
<p><b>2.3 Ensuring relationships between the authority, its partners and the public are clear so that each know what to expect of each other</b></p>			
<p>2.3.1 Develop protocols to ensure effective communication between Members and Officers in their respective roles</p>	<ul style="list-style-type: none"> <li>• Member/ officer protocol within Council Standing orders</li> <li>• New Council Plan based on joint working between Chief Executive and Council Management Team and Council Leader and Administration agreed by Council</li> <li>• Regular Joint Senior Officers and Members group meetings held</li> </ul>	<p>Induction programme for new elected members included session the Code of Conduct</p> <p>Improvement Service Notebooks for new elected members included sections on role and responsibilities</p> <p>2012 Improvement Point: Roll out elected members' CPD to allow all members to participate</p>	<p>As per 2.1.1 above</p>



<p>2.3.2 Ensure that an established scheme for remuneration of Members and Officers and an effective structure for managing the process including an effective remuneration panel (if applicable) are in place</p>	<ul style="list-style-type: none"> <li>• The Council follows the recommendations of the Scottish Local Authorities Remuneration Committee</li> <li>• Chief Executives' scheme of remuneration</li> <li>• Registers of Interest for Members and Chief Officials</li> <li>• Auditors reviewed the outcome of the review of senior officers</li> </ul>	<p>No action required</p>	<p>The roles and responsibilities of the Council's Statutory Officers and elected members are included in the revised draft Scheme of Administration</p> <p>No further action required</p>
<p>2.3.3 Ensure that effective mechanisms exist to monitor service delivery</p>	<ul style="list-style-type: none"> <li>• Performance Management / Improvement framework</li> <li>• Performance website includes details of key performance indicators</li> <li>• Members' quarterly briefings and reports to PPR Committee</li> <li>• HGIOC</li> <li>• Service Plans and Corporate Improvement Plan</li> <li>• Independent inspections</li> <li>• Assurance and Improvement Plan agreed with Local Area Network</li> </ul>	<p>No action required</p>	<p>Review of Key Performance Indicators and use of benchmarking being completed</p> <p><b>2013 Action:</b> <b>Review and revise the Improvement Framework</b></p> <p><b>Focused work with Local Area Network on an agreed programme of self-evaluation for improvement</b></p>
<p>2.3.4 Ensure that the authority's vision, corporate plans, priorities and targets are developed, through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</p>	<ul style="list-style-type: none"> <li>• New Council Plan based on draft approved in Jan 2012 and administration party manifestos</li> <li>• Single Outcome Agreement</li> <li>• 2011 Residents' Survey</li> <li>• Consultation and Engagement Strategy</li> <li>• Council's vision, Plan and priorities are communicated to the extended Council Management Team, including Head Teachers</li> </ul>	<p>Draft Council Plan 2012-2017 was based on the priorities established through the SOA, Christie Commission and views of residents from the 2011 Residents' Survey. The Plan includes commitment to the 2020 Vision and a new Council Mission Statement and Focus</p> <p>2012 Improvement Point: Promote the Council Plan, Vision, Mission and Focus to staff and East Lothian citizens</p>	<p>Council Plan has been disseminated to staff and the public. Service Plans are to include clear links to the Council Plan priorities</p> <p>Programme to ensure that Council's vision, Plan and priorities are clearly articulated and disseminated will continue</p>

<p>2.3.5 When working in partnership ensure that Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority</p>	<ul style="list-style-type: none"> <li>• Scheme of Administration, including Scheme of Delegation and Councillors' Code of Conduct</li> <li>• Memorandums and Articles of arms length companies</li> <li>• Induction programme for new elected members</li> <li>• Improvement Service Notebooks for new elected members</li> <li>• Advice provided to members on partnerships and outside bodies (e.g. Enjoy Leisure and Musselburgh Joint Racecourse Committee)</li> </ul>	<p>Induction programme for new elected members included a Meet the Partners session</p> <p>Improvement Service Notebooks for new elected members included sections on role and responsibilities</p> <p>2012 Improvement Point: Roll out elected members' CPD to allow all members to participate</p>	<p>Induction programme for new members was delivered in May/ June</p> <p>Draft Standing Orders include Roles and Responsibilities of Elected Members</p> <p>CPD for elected members to be rolled – including 360 degree appraisal involving partners and stakeholders</p> <p><b>2013 Action:</b> <b>Induction programme for all members of new Community Planning Partnerships, including elected members</b></p>
<p>2.3.6 When working in partnership, ensure that there is clarity about the legal status of the partnership; ensure that representatives of organisations both understand and make clear to all other partners the extent of their authority to bind their organisations to partner decisions</p>	<ul style="list-style-type: none"> <li>• As above</li> <li>• Draft Partnership Funding Strategy</li> <li>• CPP Improvement Plan</li> <li>• Service Level Agreements increasingly used when funding outside organisations</li> <li>• Procurement Improvement Plan</li> <li>• Adult and Children's Services Commissioning strategies</li> </ul>	<p>Draft Partnership Financial Strategy to be finalised</p> <p>CPP Improvement Plan 2011/12 based on HGIOP agreed and being implemented</p> <p>CPP Review has been delayed until summer 2012</p> <p>2012 Improvement Point: Complete Review of CPP governance arrangements and structures</p>	<p>Partnership Financial Strategy being developed</p> <p>Review of CPP completed with new more strategic structure created</p> <p>Proposals being developed for community asset transfer to Community Centre Management Committees include consideration of legal status</p> <p>No further action required</p>

**PRINCIPLE 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behavior**

Supporting Principle & Code Requirements	Documentary Evidence <i>(new items in italics)</i>	2012 Update and Improvement Points	Update and 2013 Improvement Points
<b>3.1 Ensuring authority Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance</b>			
3.1.1 Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	<ul style="list-style-type: none"> <li>• Scheme of Administration, including Councillors' Code of Conduct</li> <li>• Various mechanisms used to inform council staff and the public of council decisions and policies</li> <li>• Customer Excellence</li> <li>• East Lothian Way</li> <li>• Joint Consultative Machinery with local JTU</li> <li>• Annual Employee Engagement Survey and feedback to staff</li> <li>• All FOI responses are on the Council's website</li> <li>• Whistleblowing Policy</li> <li>• Council's website has been improved and achieved positive SOCITM score</li> </ul>	No action required	<p><b>2013 Action:</b>  <i>Implement programme of action to respond to the results of the Employee Engagement Survey</i></p> <p><i>Review Whistleblowing Policy and publicise to all staff</i></p>

<p>3.1.2 Ensure that standards of conduct and personal behaviour expected of all Members and staff, and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols</p>	<ul style="list-style-type: none"> <li>• Scheme of Administration, including Councillors' Code of Conduct</li> <li>• Community Planning Board, Local Area Forums and SOA theme groups remits</li> <li>• Disciplinary Code of Conduct for Employees</li> <li>• The East Lothian Way</li> <li>• Performance Review and Development Scheme for employees</li> <li>• Transformational Leadership Programme for senior officers and managers</li> <li>• Review of Impact of Multi-Member Wards and Officer Member Relations</li> <li>• SSSC Code of Conduct</li> </ul>	<p>Draft Partnership Financial Strategy to be finalised</p> <p>CPP Improvement Plan 2011/12 based on HGIOP agreed and being implemented</p> <p>CPP Review has been delayed until summer 2012</p> <p>2012 Improvement Point: Complete Review of CPP governance arrangements and structures</p> <p>Roll out elected members' CPD to allow all members to participate</p>	<p>Partnership Financial Strategy being developed</p> <p>Review of CPP completed with new more strategic structure created</p> <p>CPD for elected members to be rolled out</p> <p><b>2013 Action: see 2.1.1 above</b></p> <p><b><i>Review People Strategy including the how the values from the East Lothian Way are disseminated to staff</i></b></p>
<p>3.1.3 Put in place arrangements to ensure that Members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice</p>	<ul style="list-style-type: none"> <li>• Members' and Officers Codes of Conduct and Registers of Interests</li> <li>• Standing Orders</li> <li>• Single Equality Scheme</li> <li>• Standing Orders including Scheme of Delegation and Councillors' Code of Conduct with provisions for Declarations of Interest</li> <li>• Equalities Policies</li> <li>• Whistleblowing Policy</li> <li>• Gifts and Hospitality policy</li> <li>• Induction programme for new elected members</li> </ul>	<p>Induction programme for new elected members included session the Code of Conduct</p> <p>Improvement Service Notebooks for new elected members included sections on role and responsibilities</p> <p>2012 Improvement Point: Roll out elected members' CPD to allow all members to participate</p>	<p>see 2.1.1above</p>

<b>3.2 Ensuring that organisational values are put into practice and are effective</b>			
3.2.1 Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicating these with Members, staff, the community and partners	<ul style="list-style-type: none"> <li>• East Lothian Way</li> <li>• Council Plan 2012-2017</li> <li>• SOA and Community Plan</li> <li>• Customer Excellence</li> <li>• Transformational Leadership Programme</li> <li>• Performance Review &amp; Development Scheme for employees</li> <li>• Corporate Induction Pack and Course for Managers</li> <li>• Code of Conduct and Disciplinary Procedures for all employees</li> <li>• Team Talk communication channel</li> </ul>	No action required	<p><b><i>2013 Action:</i></b>  <b><i>Review People Strategy including the how the values from the East Lothian Way are disseminated to staff</i></b></p> <p><b><i>Implement programme of action to respond to the results of the Employee Engagement Survey</i></b></p>
3.2.2 Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	<ul style="list-style-type: none"> <li>• Standing Orders including Councillors' Code of Conduct</li> <li>• Gifts and Hospitality policy</li> </ul>	No action required	See above
3.2.3 Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority	<ul style="list-style-type: none"> <li>• Standing Orders</li> <li>• East Lothian Way</li> <li>• Roll out of Performance Review and Development for all employees</li> <li>• Annual Employee Engagement Survey</li> <li>• Council Plan 2012-2017</li> </ul>	No action required	See above

**PRINCIPLE 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

Supporting Principle & Code Requirements	Documentary Evidence <i>(new items in italics)</i>	2012 Update and Improvement Points	Update and 2013 Improvement Points
<b>4.1 Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny</b>			
4.1.1 Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible	<ul style="list-style-type: none"> <li>• Scheme of Administration</li> <li>• Audit &amp; Governance and PPR Committees</li> <li>• Reviews of the use of Scrutiny Guide by Audit &amp; Governance and PPR Committees</li> </ul>	<p>Reviews of the use of Scrutiny Guide by Audit &amp; Governance and PPR Committees carried out in March – June 2012</p> <p>No action required</p>	<p><b>2013 Action:</b> <b><i>Training for Audit &amp; Governance Co and PPR Co members</i></b></p> <p><b><i>Focused work with Local Area Network on an agreed programme of self-evaluation for improvement</i></b></p>
4.1.2 Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	<ul style="list-style-type: none"> <li>• Scheme of Administration including Scheme of Delegation</li> <li>• Members Library Service and Bulletin to report delegated decisions</li> <li>• E-gov provides access to all reports and minutes</li> </ul>	<p>New e-gov system has been in place since April 2011</p> <p>No action required</p>	<p>No further action required</p>
4.1.3 Put in place arrangements to safeguard Members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice	<ul style="list-style-type: none"> <li>• Standing Orders including Scheme of Delegation and Councillors' Code of Conduct with provisions for Registers and Declarations of Interest</li> <li>• Recruitment and Selection procedures and training</li> <li>• Discipline and Grievance Procedures</li> <li>• Whistleblowing Policy</li> <li>• Gifts and hospitality policy</li> <li>• 2011 Procurement Strategy</li> </ul>	<p>No action required</p>	<p><b>2013 Action:</b> <b><i>Review Whistleblowing Policy and publicise to all staff</i></b></p>

<p>4.1.4 Develop and maintain an effective Audit Committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee</p>	<ul style="list-style-type: none"> <li>• Standing Orders and Scheme of Administration</li> <li>• Audit &amp; Governance Committee</li> <li>• Elected members Scrutiny Guide</li> <li>• Assurance and Improvement Plan agreed with Local Area Network</li> <li>• Quarterly briefing on performance indicators</li> </ul>	<p>No action required</p>	<p><b>2013 Action:</b> <b>Training for Audit &amp; Governance Co and PPR Co members</b></p>
<p>4.1.5 Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints</p>	<ul style="list-style-type: none"> <li>• Complaints policy 'Feedback'</li> <li>• Publicity about complaints procedures</li> <li>• Six-monthly report on complaints and feedback made to PPR Committee</li> </ul>	<p>No action required</p>	<p>New 2-stage complaints procedure has been established with six-monthly performance reports to PPR Co</p> <p>No further action required</p>
<p><b>4.2 Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs</b></p>			
<p>4.2.1 Ensure that those making decisions are provided with information that is fit for purpose - relevant, timely and gives clear explanations of technical issues and their implications</p>	<ul style="list-style-type: none"> <li>• Format of Council, Cabinet, Audit &amp; Governance Co, PPR Co and Community Planning Board reports</li> <li>• Calendar of meetings and timely preparation of agendas and papers</li> <li>• Three -year Financial Strategy</li> <li>• Advice in preparing annual budget</li> <li>• Performance website and quarterly briefing for elected members</li> </ul>	<p>No action required</p>	<p>No further action required</p>

<p>4.2.2 Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately</p>	<ul style="list-style-type: none"> <li>• Agendas and papers for Council, Cabinet, Audit &amp; Governance Co, PPR Co and Community Planning Board</li> <li>• Monitoring Officer, s95 Officer and Chief Social Work Officer provide advice on legal or financial implications as required</li> </ul>	<p>Completion of the review of Scheme of Delegation held back until after the 2012 elections</p> <p>2012 Improvement Point: Review reports template following on from the Review of Scheme of Administration</p>	<p>Review of Standing Orders and Scheme of Delegation completed with CMT approval. Consultation with elected members taking place in May before revised SO and SoD go for approval to June Council meeting</p> <p>No further action required</p>
<p><b>4.3 Ensuring that an effective risk management system is in place</b></p>			
<p>4.3.1 Ensure that risk management is embedded into the culture of the authority, with Members and Managers at all levels recognising that risk management is part of their jobs</p>	<ul style="list-style-type: none"> <li>• Risk Management Strategy</li> <li>• Risk Management Groups</li> <li>• Role of Audit &amp; Governance Co</li> <li>• Corporate and Service Risk Registers</li> <li>• Service Plans reflect corporate and service risks</li> </ul>	<p>Corporate Risk Register is being reviewed</p> <p>No action required</p>	<p>Revised Service Registers being presented to Audit &amp; Governance Co</p> <p>No further action required</p>
<p>4.3.2 Ensure that arrangements are in place for whistleblowing to which staff and all those contracting with the authority have access</p>	<ul style="list-style-type: none"> <li>• Standing Orders including Codes of Conduct</li> <li>• Whistleblowing Policy</li> </ul>	<p>The Whistleblowing Policy is being reviewed and contacts updated.</p>	<p><b>2013 Action:</b> <b>Review Whistleblowing Policy and publicise to all staff</b></p>
<p><b>4.4 Using the authority's legal powers to the full benefit of the citizens and communities in their areas.</b></p>			
<p>4.4.1 Actively recognise the limits of lawful activity placed on the authority by, for example, the ultra vires doctrine, but also strive to utilise powers to the full benefit of East Lothian's communities</p>	<ul style="list-style-type: none"> <li>• Senior officers and elected members have a general understanding of statutory powers</li> <li>• Standing Orders detail statutory powers under which senior officers operate</li> <li>• Monitoring Officer, s95 Officer and Chief Social Work officer provide appropriate advice</li> <li>• Internal and external Audit reports</li> </ul>	<p>No action required</p>	<p>Council responds to consultations on new legislative proposals (e.g. Children's Bill, Community Empowerment and Renewal Bill) and is actively involved in preparing for new legislation (e.g. creating shadow Health and Social Care Partnership)</p> <p>No further action required</p>



<p>4.4.2 Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law</p>	<ul style="list-style-type: none"> <li>• Scheme of Administration including Scheme of Delegation</li> <li>• Monitoring Officer, s95 Officer and Chief Social Work officer provide I appropriate advice</li> <li>• Internal and external Audit reports</li> </ul>	<p>Completion of the review of Scheme of Delegation held back until after the 2012 elections</p> <p>2012 Improvement Point: Complete Review of Scheme of Administration and Scheme of Delegation then review reports template</p>	<p>Review of Standing Orders and Scheme of Delegation completed with CMT approval. Consultation with elected members taking place in May before revised SO and SoD go for approval to June Council meeting</p> <p><b>2013 Action:</b> <b>Hold training session for elected members on new Standing Orders including session on Members Conduct delivered by the Standards Commission</b></p>
<p>4.4.3 Observe all specific legislative requirements placed upon the authority, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into the authority’s procedures and decision making processes</p>	<ul style="list-style-type: none"> <li>• Standing Orders including establishment of quasi judicial committees and sub-committees</li> <li>• Monitoring Officer, s95 Officer and Chief Social Work Officer provide appropriate advice</li> <li>• Legal advice provided to elected members to support decision-making; for example: <ul style="list-style-type: none"> <li>○ Procurement</li> <li>○ Coastal car park charging</li> <li>○ School catchment areas</li> </ul> </li> </ul>	<p>No action required</p>	<p>No further action required</p>

**PRINCIPLE 5: Developing the capacity and capabilities of members and officers to be effective**

Supporting Principle & Code Requirements	Documentary Evidence <i>(new items in italics)</i>	2012 Update and Improvement Points	Update and 2013 Improvement Points
<b>5.1 Make sure that Members and Officers have the skills, knowledge, experience and resources they need to perform their roles well.</b>			
5.1.1 Provide induction programmes tailored to individual needs and opportunities for Members and Officers to update their knowledge on a regular basis	<ul style="list-style-type: none"> <li>• Induction programme for officers, CPD and training opportunities for staff</li> <li>• Piloted CPD for members</li> <li>• Performance Review and Development for all employees</li> <li>• Corporate Learning</li> <li>• E-Learning / LearnNet on Elnet</li> <li>• Induction programme for new elected members</li> <li>• Induction Notebooks on Elnet</li> </ul>	<p>Induction programme for new elected members included session the Code of Conduct</p> <p>Improvement Service Notebooks for new elected members included sections on role and responsibilities</p> <p>2012 Improvement Point: Roll out elected members' CPD to allow all members to participate</p>	<p>Draft Standing Orders include Roles and Responsibilities of Elected Members</p> <p>CPD for elected members to be rolled out</p> <p><b>2013 Action:</b> <b>Roll out CPD for elected members and continue to support elected member and senior management development</b></p>
5.1.2 Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority	<ul style="list-style-type: none"> <li>• Job descriptions for statutory officers</li> <li>• Networking and development opportunities for statutory officers through professional associations</li> <li>• Role of statutory officers recognised in Scheme of Administration</li> <li>• People Strategy</li> </ul>	As above	<p>Series of senior managers Masterclasses has been held and further consideration being given to Leadership development programme</p> <p>Rigorous recruitment process undertaken to fill Heads of Service posts following review and adoption of new Chief Officers structure in April 2012</p> <p><b>2013 Action:</b> <b>Review People Strategy including the how the values from the East Lothian Way are disseminated to staff</b></p>
<b>5.2 Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group</b>			

<p>5.2.1 Assess the skills required by Members and Officers and make a commitment to develop those skills to enable roles to be carried out effectively</p>	<ul style="list-style-type: none"> <li>• CPD pilot for elected members</li> <li>• Performance Review and Development all employees</li> <li>• Guide to Scrutiny and Review published and scrutiny training provided for elected members</li> <li>• Elected members' Performance Briefings to encourage scrutiny of performance information</li> </ul>	<p>As above</p>	<p>See 2.1.1 above</p>
<p>5.2.2 Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed</p>	<p>As above</p>	<p>As above</p>	<p><b>2013 Action:</b> <b><i>Focused work with Local Area Network on an agreed programme of self-evaluation for improvement</i></b></p>
<p>5.2.3 Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan, which might, for example aim to address any training or development needs</p>	<ul style="list-style-type: none"> <li>• CPD pilot for elected members</li> <li>• Elected Members' Code of Conduct &amp; complaints about performance</li> </ul>	<p>As above</p>	<p>See 2.1.1above</p>
<p><b>5.3 Encouraging new talent for membership of the authority so that best use can be made of individual's skills and resources in balancing continuity and renewal.</b></p>			

<p>5.3.1 Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority</p>	<ul style="list-style-type: none"> <li>• Local Area Forums</li> <li>• Community Planning Community Engagement Strategy</li> <li>• Tenants and Residents Panel</li> <li>• Support for Voluntary Action east Lothian to participate in the Community Planning structures</li> <li>• Community Councils</li> <li>• Petitions Committee, including new online features</li> <li>• new media strategy</li> <li>• Consultation and Engagement Strategy</li> </ul>	<p>Consultation and Engagement Strategy has been agreed</p> <p>Draft Council Plan includes commitment to complete roll out of Local Area Forums to all wards</p> <p>No action required</p>	<p>Consultation strategy being implemented</p> <p>New CPP structure involves greater participation from voluntary and community sector representatives</p> <p>New Local Community Planning framework being developed</p> <p>Volunteering Strategy being developed in association with VDEL</p> <p>No further action required</p>
<p>5.3.2 Ensure that career structures are in place for members and officers to encourage participation and development</p>	<ul style="list-style-type: none"> <li>• CPDs for officers</li> <li>• People Strategy</li> <li>• Transformational Leadership Programme</li> <li>• Performance Review and Development for all employees</li> </ul>	<p>No action required</p>	<p><b>2013 Action:</b>  <b>Review People Strategy including the how the values from the East Lothian Way are disseminated to staff</b></p>

**PRINCIPLE 6: Engaging with local people and other stakeholders to ensure robust public accountability**

Supporting Principle & Code Requirements	Documentary Evidence <i>(new items in italics)</i>	2012 Update and Improvement Points	Update and 2013 Improvement Points
<b>6.1 Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.</b>			
6.1.1 Make clear to all staff and the community to whom the authority's leadership are accountable and for what	<ul style="list-style-type: none"> <li>• Council Plan 2012-2017, SOA, Corporate Improvement Plan, Service and Business Plans</li> <li>• Information on Executive Directors and Department responsibilities on <a href="http://www.eastlothian.gov.uk">www.eastlothian.gov.uk</a></li> <li>• Annual Performance Reports</li> <li>• Living newspaper</li> </ul>	No action required	<p>Area based integrated service delivery model being developed</p> <p>New Local Community Planning framework being developed</p> <p>No further action required</p>
6.1.2 Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required	<ul style="list-style-type: none"> <li>• Various forums for engaging with stakeholders including the CPP, Local Area Forums, ELTRP, Community Councils and Parents Councils</li> <li>• Consultation and Engagement Strategy</li> </ul>	<p>Consultation and Engagement Strategy has been agreed</p> <p>Draft Council Plan includes commitment to complete roll out of Local Area Forums to all wards</p> <p>No action required</p>	<p>Consultation strategy being implemented</p> <p>New Local Community Planning framework being developed</p> <p>Combined Impact Assessment has been developed with requirement to consider views of protected groups</p> <p>No further action required</p>

<p>6.1.3 Produce an annual report on the activity of the scrutiny function</p>	<ul style="list-style-type: none"> <li>• Annual Performance Reports</li> <li>• Internal and external Audit Plans reviewed</li> <li>• Quarterly performance information published on-line</li> <li>• Internal controls assurance statement</li> </ul>	<p>Review of the use of Scrutiny Guide by Audit &amp; Governance reported in June 2012 recommending that an annual Audit &amp; Governance Co report be produced</p> <p>2011/12 Annual Performance Report will include report on activity of the scrutiny committees</p> <p>No action required</p>	<p>2012/13 Annual Performance Report will include report on activity of the scrutiny committees</p> <p>No further action required</p>
<p><b>6.2 Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority or in partnership or by commissioning</b></p>			
<p>6.2.1 Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively</p>	<ul style="list-style-type: none"> <li>• Communications Strategy</li> <li>• Community Planning Community Engagement Strategy</li> <li>• VOiCE used to monitor community engagement activities</li> <li>• 2011 Residents' Survey</li> <li>• Consultation and Engagement Strategy</li> <li>• Complaints procedures and monitoring reports</li> </ul>	<p>No action required</p>	<p>New Local Community Planning framework being developed</p> <p>Combined Impact Assessment has been developed with requirement to consider views of protected groups</p> <p><b>2013 Action:</b> <b>Review consultation strategy with view to ensuring that service users' views about quality of services is measured and used effectively</b></p>
<p>6.2.2 Hold meetings in public unless there are good reasons for confidentiality</p>	<ul style="list-style-type: none"> <li>• Council meetings are held in public</li> <li>• Agendas, papers and minutes are published on the Council's website</li> </ul>	<p>New e-gov system has been in place since April 2011</p> <p>No action required</p>	<p>No further action required</p>

<p>6.2.3 Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands</p>	<ul style="list-style-type: none"> <li>• Equality and Diversity Network</li> <li>• Community Planning Community Engagement Strategy</li> <li>• Community Councils</li> <li>• Local Area Forums</li> <li>• ELTRP</li> <li>• 2011 Residents' Survey</li> <li>• Consultation and Engagement Strategy</li> </ul>	<p>Consultation and Engagement Strategy has been agreed</p> <p>Draft Council Plan includes commitment to complete roll out of Local Area Forums to all wards</p> <p>No action required</p>	<p>Consultation strategy being implemented; Consultation hub with feedback section has been established</p> <p>New Local Community Planning framework being developed</p> <p>Combined Impact Assessment has been developed with requirement to consider views of protected groups</p> <p><b>2013 Action:</b> <b>Introduce Combined Impact Assessment and process for identifying and monitoring the needs of minority and vulnerable groups, including Looked After Children</b></p>
<p>6.2.4 Establish clear policy on the types of issues the authority will meaningfully consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result</p>	<ul style="list-style-type: none"> <li>• Community Planning Community Engagement Strategy</li> <li>• ELTRP</li> <li>• Community Councils consulted on planning matters</li> <li>• Consultation and Engagement Strategy</li> </ul>	<p>As above</p>	<p>As above</p>
<p>6.2.5 Publish an annual performance plan giving information on the authority's vision, strategy, plans and finances well as information about incomes, achievements and satisfaction of service users in the previous period</p>	<ul style="list-style-type: none"> <li>• Annual Performance Reports</li> <li>• Annual Accounts</li> <li>• Improvement Framework</li> </ul>	<p>Comprehensive Annual Performance Report published on-line in October</p> <p>No action required</p>	<p><b>2013 Action:</b> <b>Review and revise the Improvement Framework, including performance reporting</b></p>

<p>6.2.6 Ensure that the authority as a whole is open and accessible to the community, service users and its staff, and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so</p>	<ul style="list-style-type: none"> <li>• Compliance with the Freedom of Information Act and Data Protection Act</li> <li>• Council meetings held in public</li> <li>• Agendas for meetings, minutes and reports published on the Council website</li> <li>• Living newspaper</li> <li>• Star Awards Public Nominations</li> <li>• Petitions Committee</li> <li>• Performance website</li> </ul>	<p>New e-gov system has been in place since April 2011</p> <p>No action required</p>	<p>Consultation hub has been set up</p> <p>Consideration being given to future Residents' Survey or alternative means of surveying East Lothian citizens and service users</p> <p>No consultation on 2013/14 budget but consideration being given to future budget consultation exercis</p> <p>Service users' groups have been involved in the development of Commissioning Strategies for Adult and Children's social care services</p> <p>New CPP structure involves greater participation from voluntary and community sector representatives</p> <p>New Local Community Planning framework being developed</p> <p>No further action required</p>
<p><b>6.3 Making best use of human resources by taking an active and planned approach to meet responsibility to staff</b></p>			
<p>6.3.1 Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making</p>	<ul style="list-style-type: none"> <li>• People Strategy</li> <li>• JCC and JC Groups</li> <li>• Employee and JTU Consultations</li> <li>• Annual Budget Review and Development Discussions for JTU</li> <li>• Employee Engagement Survey</li> <li>• Annual Working Together Forum</li> <li>• Staff involved in HGIOC</li> </ul>	<p>No action required</p>	<p><b>2013 Action:</b></p> <p><b><i>Review People Strategy including the how the values from the East Lothian Way are disseminated to staff</i></b></p> <p><b><i>Implement programme of action to respond to the results of the Employee Engagement Survey</i></b></p>



Date	Internal Audit Reports	External Audit Reports	Accounts Commission/ Audit Scotland reports	Governance	Risk
11/6/13			Health Inequalities Reducing Reoffending in Scotland Major Investments in Councils Responding to Challenges and Change: An Overview of Local Government in Scotland 2013 Improving Community Planning in Scotland	2013 Corporate Governance Self-evaluation/ Annual Governance Statement	Housing and planning Service Risk Register Infrastructure Service Risk Register
23/07/13				Draft 2012/13 Council Annual Accounts	
17/09/13	Electronic Document and Records Management System Gifts and Hospitality Policy Law and Licensing Tyne Esk LEADER Programme Statutory Performance Indicators	External Auditors Year-end Report	Assurance and Improvement Plan 2013-2016 Update	Efficient Workforce management Update Council Improvement Plan 2013/14 Enjoy Annual Report	Policy and Partnership Service Risk Register Council Resources Service Risk Register

	Follow-up Report Internal Audit Progress Report 2013/14				
19/11/13	Payments to Scottish Water Schools Audit Contracts Audit Insurance and Claims Housing Repairs and Maintenance Internal Audit Progress Report 2013/14				
21/01/14	East Lothian Investments Ltd Mobile Payment Devices Residential Units for Young People Scottish Welfare Fund National Fraud Initiative Internal Audit Progress Report 2013/14	Presentation of Audit Strategy and Plan: Interim report			Council Improvement Plan 2013/14 monitoring report
18/03/14	Housing Allocations Modernisation Programme Community Care Finance Unit (CCFU) Follow-up Report Internal Audit Plan 2014/15 Internal Audit Progress	Presentation of Audit Strategy and Plan Auditor's Interim Report			

	Report 2013/14				
20/05/14	Creditors Housing Revenue Account Journal Processing Trading Operations Procurement – Scheme of Delegation Controls Assurance Statement 2013/14 Internal Audit Progress Report 2013/14			2014 Corporate Governance Self-evaluation/ Annual Governance Statement	Corporate Risk Register
15/07/14				Draft 2013/14 Annual Accounts	