

**Audit Scotland Report: An Overview of Local Government in Scotland 2014
(Audit Scotland, March 2014)****Report By: Kenneth Lawrie, Chief Executive****1 PURPOSE**

1.1 To provide Audit Committee with a summary of the Audit Scotland report, '*An overview of local government in Scotland 2014*' and the Council's position in relation to the report's findings.

2 BACKGROUND

2.1 Each year the Accounts Commission produces an overview of issues that have arisen from their local authority audits. The overview assists councils in identifying and planning for pressures that they may face in the coming year and outlines the main challenges faced by Scottish Local Government and suggests the over-arching priorities for local authorities in the coming year.

2.2 ***An overview of local government in Scotland 2014*** was published by the Accounts Commission in March 2014. The report is based on the local government audit work in 2013 and provides a high level, independent view on the progress councils are making in managing their finances and in achieving Best Value, and to help councillors identify priorities in 2014. The overview report highlights key findings that are common to Local Authorities, for example, financial position, reform agenda, demands for services and leadership and governance. The key priorities identified for councillors in 2014 are:

1. Understanding the changing context and the crucial role of councillors
2. Meeting user demands and the financial challenges
3. Providing strong leadership and governance to support change

2.3 Each priority is supported by a number of specific recommendations. Each recommendation is outlined in section 3 of this report along with a summary of the audit findings. Midlothian Council's position in regard to each recommendation, largely drawing from the Council's own strategic documents and plans such as the Single Midlothian Plan, Council Transformation Strategy, Financial Strategy and the People Strategy which seek to provide a clear focus and set of priorities for the Council in the context of the external and internal challenges, are also outlined.

2.4 The Audit Scotland report also sets out the complexity and demanding role of councillors, and the difficulty of making decisions in a time of reducing budgets. The report highlights that councillors are involved at the start of the process (getting views from people and communities and setting policies) and at the end (holding officers to account for the implementation of policies and keeping people and

communities informed about services changes and performance). The part in the middle, the management of the service, is the responsibility of council officers.

3 AUDIT SCOTLAND REPORT OVERVIEW

KEY PRIORITY 1: UNDERSTANDING THE CHANGING CONTEXT AND THE CRUCIAL ROLE OF COUNCILLORS

Recommendation 1: Maintaining a clear understanding of the financial position.

3.1 Audit Scotland found that spending by local government broadly matches its current income from government grants, council tax, charges for services and the application of reserves. However, the report notes that 'Upward pressures on the costs involved in providing services, including energy costs, waste disposal and maintenance, are continuing and need to be managed alongside increasing expectations and demands for services'.

3.2 The report refers to the need for councils to deal with challenging financial circumstances against a backdrop of increasing expectation and demand and the need for councillors to maintain a good understanding of the rapidly change economic, social and political context within which their Council operates. It highlights a number of specific areas including the following:

- Reshaping care for older people as they are living longer with more complex care needs. Resulting in the need to target resources at preventing or delaying illness and helping to keep people living at home.
- Housing pressures increased by ageing population, number of single person households and the impact of welfare reform.
- Equal pay claims/costs of settlements – provisions for those not yet settled and associated costs i.e. legal and HR.

Midlothian Council Positions

3.3 The Council's Financial Strategy 2015/16 and 2016/17 states:

'..... it is clear that over the coming years all Councils will need to reposition themselves, through the withdrawal and dilution of services and by having a greater emphasis on those most disadvantaged and vulnerable. The need to transform and reposition services has never been greater and the proposed Financial Strategy sets out the work streams that will provide a means to secure financial sustainability.

The Financial Strategy also needs to provide a means to prioritise available resources to focus these resources on the delivery of the Council's priority outcomes of Early Years, Positive Destinations and Economic Growth whilst maintaining financial sustainability.'

3.4 The Strategy also incorporates the Council's Transformation Delivery Plan which sets out how the Council will deliver the transformation of current services and expenditure to focus the available resources on priority outcomes and states:

'The actions the Council will need to take to address the budget shortfall and reprioritise spend during what will be a continued period of austerity fall into three broad categories:

Efficiencies: *Actions which aim to reduce costs of Council services without changing service levels as far as the public are concerned;*

Investment: *Actions which aim to reduce the need for Council services or reduce the cost of services in future;*

Retrenchment: *Actions which reduce the Council's role in terms of the services it provides and for who it provides them.*

The extent of the financial challenge will require the adoption of all three and will see a repositioning of services to ensure they have a greater emphasis on those most disadvantaged and vulnerable in the community. The financial outlook is such that it is clear that over the coming years there will be a need for retrenchment bringing the withdrawal and dilution of services.'

Recommendation 2: Understanding the public reform agenda, including the impact of welfare reform.

3.5 Audit Scotland reference a number of wider public sector reforms and the 'four pillars' approach for change: shifting resources towards prevention; integrated local services through better partnership working; workforce development; and transparent and improving performance.

3.6 The report highlights a number of reforms impacting local government including:

- Establishment of single Police and Fire services – councils are working with their local commanders (police) and local senior officers (fire and rescue) to develop approaches to local scrutiny and engagement, including links to community safety partnerships and Community Planning Partnerships.
- Welfare Reform Act – significant implications for households, councils and the services they provide.
- Community Empowerment Bill highlighting the important role that communities can play in participating in new models of service delivery and developing models of 'co-production' that draw upon the knowledge, skills and experience of local people in ways that maximise the impact and value of public assets, eg people, buildings and local knowledge. This may lead to changes in the relationship between councils and communities.

Midlothian Council Positions

3.7 **Single Police and Fire Service** - The Midlothian Safer Communities Board encompasses the strategic remit of the Community Safety Partnership, in addition to the statutory remits involving the police and fire and rescue services. There are well established multi-agency delivery groups responding to a range of anti-social behaviours. The Community Safety Partnership adopts a balanced approach taking action against perpetrators of antisocial behaviour, including not only enforcement but also prevention, early intervention and support measures.

3.8 **Welfare Reform Act** - The council's strategic response to welfare reform has been based on a preventative approach. A cross divisional Welfare Reform Working Group has been established to plan for and mitigate the impact of welfare reform. Core actions have therefore included training for front line staff from the council, its partners and voluntary agencies. The council has also taken steps to strengthen welfare rights provision and money advice provision and has also focused on employability services and awareness. In addition the council has allocated its former Fairer Scotland funding of £500,000 annually to identified services to mitigate the impact of welfare reform as well as multi agency advice and support services and partnership working with local church and third sector groups.

3.9 **Community Empowerment Bill** – Community councils are in place and a Community Asset Transfer Policy is under consideration by the council. A review of community councils was developed in a co-productive manner and is now out for formal consultation. The 'Future Model of Service Delivery' update report considered by Council at its meeting on 12 August 2014, set out the considerable progress made by the Council and its partners in projects built around the principles of early intervention, prevention and co-production.

Recommendation 3: Preparing for changes in health and social care.

3.10 Audit Scotland have highlighted the need for barriers to partnership working to be addressed and the importance of a joint vision and clear priorities for the use of shared resources.

Midlothian Council Positions

3.11 A joint shadow board set up by Midlothian Council and NHS Lothian aimed at providing improved integration of social care and health services is making good progress. The new Health and Social Care Partnership is firmly embedded in the Community Planning Partnership with the Shadow Board assuming responsibility for the Adult Health and Care Thematic Group. The new shadow board was established in April 2013 and will run until April 2015, at which point it is planned to become fully operational and take over the management and budget for health and social care services in Midlothian. In addition, work is underway with the Scottish Health Council to strengthen approaches to user/carer engagement, work has progressed on the development of the joint strategic commissioning plan and a strategic issues consultation will be published as part of the consultation process for the new strategy. Integrating social and health services should lead to a more joined up approach to the care individuals receive in Midlothian.

3.12 The Community Planning Partnership for Midlothian has a clear joint vision and shared priorities but has further progress to make in terms of joint resourcing.

Recommendation 4: Keeping up to date through training and development.

3.13 The crucial role of Councillors is highlighted in the report as their effectiveness has a strong bearing on the achievement of Best Value and the overall success of councils. Audit Scotland found that there is a continuing demand and need for more training and development for councillors and also highlighted that it is essential that officers provide councillors with sufficient, well-researched and presented information to support effective democratic decision-making.

Midlothian Council Positions

3.14 The Elected Member CPD (Continuous Professional Development) Framework is available to all councillors and to date of the 6 members noting interest, 3 have completed development plans based on the 360 degree feedback tool available. The CPD Framework is supported by regular briefings and master classes which all members are informed of and a substantial online resource to support individual development areas. An ongoing development programme, aligned with the current 6 weekly meetings schedule for members has been in place since May 2012 and covers a range of topics to support members in their role. Development is further supported by members' seminars which cover a range of topics, including the Standards Commission briefing members on the Councillor's Code of Conduct.

3.15 An appendix within the report provides a check list which elected members may find useful to identify a range of questions related to the challenges highlighted in the report and there is also reference to additional resources. Elected members may find the check list useful to identify areas for further personal development planning and a copy is available in Appendix 1 of this report and will be circulated to all elected members to support identification of areas for further personal development.

KEY PRIORITY 2: MEETING USER DEMANDS AND THE FINANCIAL CHALLENGES

Recommendation 1: Appraising the options for delivering services and charging for services.

3.16 Audit Scotland note that options appraisal should be a standard part of decision-making involving changes in how services are delivered and involving major capital projects.

3.17 The report also notes that Councils should have clear policies in place for charges and concessions and that they should regularly review charges to ensure that they are appropriate and meet their intended objectives.

Midlothian Council Positions

3.18 The Council has recently reviewed its approach to Service Reviews and refreshed its project management guidelines. This has resulted in the introduction of 'Systems Thinking' as the key methodology for service development and improvement and which includes an element of options appraisal which is also captured in the project management guidelines. In addition Audit Committee will receive a report in

response to Audit Scotland's report 'Options Appraisal: Are you getting it right?' from the Head of Service Finance and Integrated Service Support.

- 3.19 A cross party working group recently reviewed Midlothian's Fees and Charges incorporating the principle in Audit Scotland's report 'Charging for services: Are you getting it right?'

Recommendation 2: Requiring good quality cost and performance information for decisions and scrutiny.

- 3.20 Audit Scotland highlight that in order to scrutinise and assess services, councillors need good information on performance and costs of current service activities as this will highlight what is working well and where there may be emerging problems, where improvement may be needed and whether value for money is being achieved. Priorities for 2014 are noted as:

- Include more information on costs, outcomes and service users' views.
- Use performance information alongside cost information to assess value for money.
- Identify and prioritise areas for improvement.
- Evaluate the impact of improvement activity, including the impact of self-evaluation using approaches such as the Public Sector Improvement Framework (PSIF).

- 3.21 In addition to the above, councillors need to have sufficient information in respect of reserves which clarifies why they are held and how this fits with the overall financial strategy and how they will be used. In addition being aware of the importance of the role and contributions provided by statutory officers and ensuring that transparency and perceived independence of the Audit Committee is not compromised and that members have sufficient information and understanding to provide appropriate challenge.

Midlothian Council Positions

- 3.22 A revised Planning and Performance Management Framework is being rolled out for the 2014/15 planning cycle which focuses on ensuring that the 'golden thread' is visible from the targeted outcomes in the Single Midlothian Plan through to Service Plans which demonstrate their contributions to those outcomes and how they will be measured. The existing monitoring and evaluating of performance will continue through the quarterly reporting framework and governance process initiated by the Chief Executive and followed by Special Cabinet and Special Performance Review and Scrutiny Committee. The 2014/15 planning cycle will also be supported by the introduction of the Councils' Balanced Scorecard which focuses on priority outcomes and supports the provision of further clarity in relation to performance data.
- 3.23 The Midlothian Excellence Framework (MEF) which is based on the Public Sector Improvement Framework for Self Evaluation was also rolled out to Heads of Service and their management teams, in the first instance, to identify improvement activity and to establish a framework for ongoing self evaluation and improvement activity across the Council.

3.24 The September Council received an update to the Financial Strategy which included information in respect of reserves and re-stated the current Financial Strategy and plans to deliver the targeted savings.

Recommendation 3: Making better use of benchmarking to support service improvement and public reporting.

3.25 Audit Scotland note that as part of their Best Value responsibilities, councils have a duty to report their performance publicly so that local people and other stakeholders know what quality of service is being delivered and what they can expect in future. They further noted the developments in local government benchmarking and the work being lead by SOLACE, COSLA and the Improvement Service through the Local Government Benchmarking Framework (LGBF) providing comparative benchmarking covering all major service areas, with a strong emphasis on cost.

3.26 The report further noted that the LGBF will facilitate comparisons on spend and performance between similar councils so that councils can identify strengths and weaknesses, learn from councils that seem to be doing better and improve their performance.

Midlothian Council Positions

3.27 Midlothian Council adheres to Public Performance Reporting requirements which include publication of local government benchmarking data following presentation of the council's data to both Special Cabinet and Special Performance Review and Scrutiny Committee. The 2012/13 Local Government Benchmarking is published on the Council's website.

3.28 An evaluation of Midlothian Council's approach to Public Performance Reporting carried out as part of a wider review by Audit Scotland noted that generally Midlothian was performing well compared to other local authorities, with 18 of the 21 areas considered being met and the remaining 3 areas partially met.

3.29 Midlothian Council officer's are currently participating in the LGBF Family Group activities which provides a platform to better understand the benchmarking information by drilling down further on the comparison data and encouraging a wider discussion on policies and practice within councils. An evaluation of the early development work of the Family Group was published during the summer 2014 and additional Family Group activities have been planned over the coming months.

KEY PRIORITY 3: PROVIDING STRONG LEADERSHIP AND GOVERNANCE TO SUPPORT CHANGE

Recommendation 1: Maintaining good professional working relationships and providing strong political leadership.

3.30 Audit Scotland previously highlighted the significant changes in the make-up of the people leading, managing and working in councils. Over a third of councillors elected in May 2012 were new to local government. They further noted substantial changes in council senior management teams in recent years and the need to ensure that management restructuring and significant changes in the role of officers

need to be handled carefully to ensure consistency and continuity of leadership and governance.

- 3.31 The report further highlights the need for councillors and officers to work together to lead and manage their councils to provide vital services for the people and the communities they serve. Against a background of changes in people leading and managing councils, Audit Scotland highlighted the need to build and maintain strong working relationships, and the potential risks to leadership and Best Value where problems emerge.
- 3.32 Audit Scotland further notes that councils have relied mainly on staff reductions but that this is not sustainable in the longer term and they face having to consider policy options which they may have previously rejected because they are politically unacceptable or unpopular. This reliance also calls for the need to monitor the impact of staff reductions on front line services but also on capacity and resilience of support functions. There is emerging evidence that councils are considering options to reduce or stop services and as noted previously good decision-making requires good quality information on costs and performance and rigorous options appraisal.
- 3.33 The report advises that implementation of difficult decisions should be supported by strong leadership to see them through and be based upon a clear rationale with ongoing monitoring of the impact and consequences of the changes in terms of cost, performance and value for money being provided.

Midlothian Council Positions

- 3.34 A financial strategy setting out the challenge ahead and incorporating revised council Transformation Programme targets and delivery plans was presented to council most recently in September 2014. The strategy outlines savings from planned management reviews, supported by a time-limited and enhanced voluntary early release scheme, following a recent leadership restructure. The need for a comprehensive review of the pay and grading arrangements for the Local Government Staff Group to ensure that they are fit for purpose and sustainable was also identified in the Financial Strategy.
- 3.35 The council is refreshing its people strategy and a major area of challenge will be providing direction for managing the council's human resources. The council's management is re-structuring and an integrated service support (ISS) approach is being implemented. The Mi Future projects means realigning the council's human resources with the service focus outlined in the Single Midlothian Plan. This area will be a focus of the Best Value 2 follow up as savings generated will be crucial to the achievement of the Business Transformation Programme.

Recommendation 2: Getting assurance that governance is sound, including where arm's length external organisations (ALEOs) are in place.

- 3.36 The report highlights that sound governance arrangements ensure clarity of roles and responsibilities supporting good working relationships and so ensuring delivery of Best Value. Audit Scotland also note the importance of providing clear direction and strong control, regardless of how services are provided, ie by in-house services, through contracts and, through other options including ALEOs.

Midlothian Council Positions

3.37 Key policies and priorities are in place through the Single Midlothian Plan and the Business Transformation Programme and these are regularly reported upon and are adapted to fit with the emerging financial forecasts. The council reports on these on a regular basis, but there is a need to ensure that the focus of governance and accountability is maintained in what is a key transition period for the council. The area of governance and scrutiny has also been a focus of the Best Value 2 follow up activity.

Recommendation 3: Providing stronger leadership of CPPs and working with partners to make the best use of the public resources available in the area.

3.38 With a renewed focus on community planning providing a clear opportunity to deliver step change in performance, there is a requirement for strong and sustained leadership from CPP Boards. Audit Scotland note that Partnership working is 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 introduced, CPPs are not able to show that they have had a significant impact in delivering improved outcomes across Scotland. CPP audits in 2013 concluded that CPPs need to:

- focus more clearly on where they can make the greatest difference in meeting complex challenges facing their communities
- ensure that all partners align their service and financial planning arrangements with community planning priorities
- significantly improve their governance and accountability, and planning and performance management arrangements

Midlothian Council Positions

3.39 There is a strong and effective approach to understanding the communities of Midlothian, based around comprehensive data collection and engagement with stakeholders and communities. There is an increased focus on key localities in council plans and strategies. Community councils are in place and a Community Asset Transfer Policy is under consideration by the council. A review of community councils was developed in a co-productive manner and is now out for formal consultation. Community councils play a key role in neighbourhood planning and work in relation to capacity building is continuing.

3.40 Key policies and priorities are in place through the Single Midlothian Plan and the Business Transformation Programme and these are regularly reported upon and are adapted to fit with the emerging financial forecasts. The council reports on these on a regular basis, but there is a need to ensure that the focus of governance and accountability is maintained in what is a key transition period for the council.

3.41 The council's future models of service delivery recognises that the scale of the challenge ahead is too large for the council alone. Community planning arrangements remain a point of focus as a mechanism to improve economy, efficiency and effectiveness in service delivery. Transparent and robust data about

the performance and risks associated with services, and the achievement of savings, will be critical to inform elected member decision-making. Financial discipline will also be critical during the period to 2017-18 and beyond.

4 Report Implications

4.1 Resource

There are no direct resource implications as a result of this report.

4.2 Risks

There are no additional direct risks to be considered as a result of this report.

4.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

4.4 Key Priorities within the Single Midlothian Plan

Midlothian Council and its Community Planning Partners have made a commitment to treat the following areas as key priorities under the Single Midlothian Plan:-

- Early years and reducing child poverty
- Economic Growth and Business Support
- Positive destinations for young people

This report does not directly impact Midlothian Council's key priorities.

4.5 Impact on Performance and Outcomes

Whilst not directly impacting Midlothian Council's and wider partners performance and outcomes the report does ensure consideration is given to the wider strategic planning and objectives as part of Midlothian Council's response to Audit Scotland's findings for the areas noted in the report.

4.6 Adopting a Preventative Approach

This report does not directly impact actions and plans in place to adopt a preventative approach.

4.7 Involving Communities and Other Stakeholders

This report does not directly relate to involving communities and stakeholders, but Audit Scotland's findings in relation to this area are supported by examples of

Midlothian Council's activities supporting the wider community and stakeholder involvement.

4.8 Ensuring Equalities

This report does not recommend any change to policy or practice and therefore does not require an Equalities Impact Assessment.

4.9 Supporting Sustainable Development

The recommendations in this report support Midlothian Council's position in relation to Audit Scotland's findings for the wider overview of local government in Scotland and therefore support ongoing sustainable development.

4.10 IT Issues

There are no direct IT implications arising from this report.

5 RECOMMENDATIONS

The Committee is asked to:

5.1 Note the Audit Scotland report and the position of Midlothian Council in relation to the report's recommendations.

5.2 Note that an additional report 'Options Appraisal: Are you getting it right?' is also being presented to this Audit Committee meeting and it further supports this report.

5.3 Note that the report will be discussed with the Council's community planning partners as recommended.

Appendix 1 – Checklist to support the local government overview report

6 BACKGROUND PAPERS

6.1 *An Overview of local government in Scotland 2014; Accounts Commission, March 2014*

http://www.audit-scotland.gov.uk/docs/local/2014/nr_140327_local_government_overview.pdf

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Checklist to support the local government overview report

Question	Assessment	
Understanding the changing context and the crucial role of councillors (paragraphs 10 – 37)		
Do I have a good understanding of the changing context in my council around:	YES	NO
• financial and service pressures?	Y	N
• the impact of police and fire reforms?	Y	N
• the impact of welfare reform?	Y	N
• the integration of health and social care?	Y	N
Do I understand my role and responsibilities and those of officers?	Y	N
Am I supported in my role?	Y	N
Do I have access to, and take up, appropriate development opportunities?	Y	N
Meeting user demands and the financial challenges (paragraphs 38 – 64)		
Do officers provide me with performance information which is clear and concise and enables me to judge how well we are doing?	Y	N
Does the information I receive cover:		
• service performance?	Y	N
• service costs?	Y	N
• customer satisfaction?	Y	N
• trend data?	Y	N
• benchmarking data?	Y	N
• targets and outcomes?	Y	N
Do I have good understanding of performance and value for money across the council?	Y	N
Do we, as a council, provide clear information to the public on our performance?	Y	N
Am I provided with options and supporting information to support the decisions on services and capital projects that I have to take?	Y	N
Do I receive cost information that helps me make decisions?	Y	N
Does the way our services are designed and delivered meet people's needs?	Y	N
Am I clear on our objectives, purpose and role when involved with ALEOs?	Y	N
Do I give direction over aims and priorities for charges (in areas where the council has discretion)?	Y	N
Do I understand the non-financial contribution of charges, eg to behaviours and service uptake?	Y	N
Providing strong leadership and governance to support change (paragraphs 65 – 116)		
Is my relationship with other councillors, and with officers, professional and constructive?	Y	N

Appendix 1

How effective am I in contributing to constructive challenge and debate at meetings?		
How well do we work together as councillors, and with officers, to deliver the best outcomes for our communities?		
Do I receive information on early retirements along with associated costs and savings?	Y	N
How effective is the Audit Committee (or equivalent)? Is it challenging to officers?		
Do I know who the council's statutory officers are and what they do?	Y	N
How well is the council working with the leaders of community planning partners to deliver better outcomes for communities?		
Are we working with community planning partners to deploy resources jointly in our partnership objectives?	Y	N

Useful resources

Councillors may find the following publications in Audit Scotland's 'how councils work' series, along with their checklists useful. These publications explore some of the issues highlighted throughout this report in more detail.

- Roles and working relationships: are you getting it right?
- Arm's-length external organisations (ALEOs): are you getting it right?
- Using cost information to improve performance: are you getting it right?
- Managing performance: are you getting it right?
- Major capital investment in councils: good practice guide
- Charging for services: are you getting it right?
- Options appraisal: are you getting it right?