Audit Scotland Report: Local government in Scotland: Challenges and Performance 2019

Report by: Dr Grace Vickers, Chief Executive

1   Purpose of the Report

The purpose of this report is to provide Audit Committee with a summary of the Audit Scotland report, 'Local government in Scotland: Challenges and performance 2019' and the Council's position in relation to the report's findings. The following is a link to the full report:

http://www.audit-scotland.gov.uk/report/local-government-in-scotland-challenges-and-performance-2019

2   Background

2.1   Each year the Accounts Commission produces an overview of issues that have arisen from their local authority audits. In line with previous publications this encompasses two reports; Local government in Scotland: Financial Overview and Local government in Scotland: Challenges and performance. This report complements the Commission's Local government in Scotland: Financial Overview 2017/18 which was published in November 2018 and presented to Audit Committee in January 2019.

2.2   Local government in Scotland: Challenges and performance 2019 was published by the Accounts Commission in March 2019. The report provides a high-level, independent view of the challenges facing councils in Scotland, how councils are responding to tightening budgets and how this has affected services. The report aims to inform the public and its representatives and, in particular, local government councillors and senior council officers as a source of information and to support them in their complex and demanding roles.

2.3   The report covers the following three areas:

- Part 1 - The current and future challenges facing councils.

- Part 2 – How Council are responding to these challenges.

- Part 3 – The impact on performance in key service areas and public satisfaction.

To help councillors the report includes additional supplements as follows:

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

should feel they fully understand, and are satisfied with, the answers to the questions that are most relevant to them in their role within the council. (See Appendix 1)

http://www.audit-scotland.gov.uk/uploads/docs/report/2019/nr_190321_local_government_performance_supp1.pdf

- An interactive online tool that shows how councils are performing. It is designed to allow councillors, officers and members of the public to better understand how their council is performing compared to others and can be accessed via the following link:

    http://www.audit-scotland.gov.uk/local-government-in-scotland-challenges-and-performance-2019

2.4 The report draws on findings from local government audit work in 2018 (including annual audit reports, Best Value assurance reports and national performance audits) and published performance data. All audit reports are available on Audit Scotland's website which can be accessed via the following link (http://www.audit-scotland.gov.uk/about-us/audit-scotland).

3   Challenges and performance 2019 – Report findings

3.1 This section details the key messages from the report, the recommendations included and Midlothian's position in relation to the recommendations.

3.2 The key messages identified in the report include:

- Councils face an increasingly complex, changing and uncertain environment which places different demands and expectations on them. Councils are also central to delivering many high-level public sector objectives, such as the integration of health and care services and involving citizens more in decisions about public services.

- These reforms require councils to collaborate with partners, with the third sector and with communities, to think differently about how they deliver and fund services. Thinking differently about services is important to meet the growing and changing needs of their communities in the coming years. New ways of working can lead to increasingly complicated lines of accountability.

- Scottish Government revenue funding to councils has reduced in real terms between 2013/14 and 2019/20, while national policy initiatives continue to make up an increasing proportion of council budgets. This reduces the flexibility councils have for deciding how they plan to use funding. At the same time, demands for council services are increasing from a changing population profile. All councils expect an increase in the proportion of people aged over 65 and almost a third of councils expect an increase in the proportion of children under 15.

- Councils have made good progress in developing medium-term financial planning and continue to manage their funding gaps through savings and use of reserves. All councils increased council tax to the maximum three per cent in 2018/19 and many increased their fees and charges to raise income. Some councils are looking at other options to raise income.

- Councils need to ensure they have the staff, skills and leaders to deliver change. This requires effective workforce planning, but the quality of planning is inconsistent across councils. An increasing proportion of the workforce is nearing retirement. If there is insufficient succession planning, skills and knowledge will be lost as these people retire. Recruitment into some service areas is becoming increasingly difficult, but national workforce data is insufficient to clearly understand how individual services areas are affected.

- Despite reducing funding and increasing demands, across local government most performance indicators are improving or being maintained, although some service areas show more strain. There remains performance variation among councils that cannot be readily explained by differences in context or spend. Better use of data and benchmarking could lead to further improvement and efficiencies.

3.3 The report notes that while councils have continued to find ways to manage funding gaps and have made good progress with medium-term financial planning, they face an increasingly complex, changing and uncertain time ahead. To continue to improve the outcomes for their communities within this context, councils need to be open to transformational change and implement new ways of working.

3.4 The recommendations identified within the report state that in order to make effective progress Councils should:

- assure themselves that they have adequate leadership and management capacity in place. This should include development arrangements that prepare and support councillors and senior managers to respond to the challenging and changing local and national demands

- undertake long-term financial planning to set out how they will deliver national policy commitments, while continuing to sustain local services with reducing budgets and increasing demands

- continue to seek and implement innovative ways of working and collaborate with communities, partners and the third sector to drive transformational change

- improve data to:

  o help inform the difficult decisions councils have to make

  o support benchmarking, learning and sharing of experience and effective practice with others that will contribute to improving service quality, efficiency and outcomes for communities

- ensure they have workforce planning that is clear about the workforce needed now and in the future, where the gaps are and what training or other action is needed to fill them. This should be supported by better workforce data

- be able to demonstrate how spending decisions and priorities have impacted on service delivery and the outcomes of residents, as well as how they are delivering against the national performance framework.

3.5 Midlothian's position in relation to the recommendations noted is as follows:

- assure themselves that they have adequate leadership and management capacity in place. This should include development arrangements that prepare and support councillors and senior managers to respond to the challenging and changing local and national demands

  - *Whilst the initial Elected Member induction programme, followed by a series of councillor briefings and seminars to better inform key areas such as Education Seminars, Destination Hillend, and the Learning Estates and Capital Investment Strategies have been delivered, further consideration of ongoing Elected Member development is required.*

  - *Officer development is informed by a range of options including the Leadership Forum programme, Leadership Pathways with further development sessions focusing on areas such People Policies and Mindfulness, Resilience and Wellbeing.*

- undertake long-term financial planning to set out how they will deliver national policy commitments, while continuing to sustain local services with reducing budgets and increasing demands

  - *The Chief Executive, with approval from members has initiated the development of a Medium Term Financial Strategy (MTFS) to better inform the Council's approach to the long-term financial and demand challenges for Midlothian. Development of the MTFS and supporting governance framework also responds to concerns previously raised by the External Auditor regarding financial management and financial sustainability.*

- continue to seek and implement innovative ways of working and collaborate with communities, partners and the third sector to drive transformational change

  - *The MTFS is being developed with our communities, partners and the third sector to ensure a collaborative approach as well as officers being tasked with identifying creative and new ways of delivering services in future.*

- improve data to:

  o help inform the difficult decisions councils have to make

  o support benchmarking, learning and sharing of experience and effective practice with others that will contribute to improving service quality, efficiency and outcomes for communities

    - *A move towards a more timely and accessible approach towards data analytics and presentation has been initiated with data specific dashboards such as the Investing In Our Workforce Dashboard being developed. Further development in terms of providing supporting data analytics is ongoing, including the roll out of the 'browser' version of Pentana, the Council's performance management system.*

    - *Midlothian participates fully in Local Government Benchmarking and family groups and ensures an active internal focus on the agreed LGBF indicators by incorporating them within the ongoing planning and performance management reporting.*

- ensure they have workforce planning that is clear about the workforce needed now and in the future, where the gaps are and what training or other action is needed to fill them. This should be supported by better workforce data

  o *The Workforce Strategy previously presented to Council is underpinned by Service specific Workforce Plans and Action Plans; the Workforce Strategy is under review and will incorporate improvements recommended in a recent Internal Audit review to consider both the current and future needs of the service in alignment with the Medium Term Financial Strategy.*

- be able to demonstrate how spending decisions and priorities have impacted on service delivery and the outcomes of residents, as well as how they are delivering against the national performance framework.

  o *A clear set of priorities for the Council and its partners have been developed through the Single Midlothian Plan process, which is informed by an annual refresh of the Midlothian Profile which details county wide demographic data. The Midlothian Profile and the annual Citizens Panel survey is used to inform discussion and development of the SMP at the annual Community Planning Partnership development day which focuses on refreshing the plan to ensure that it remains focused on the needs of the county. Council service plans which flow from the SMP include performance indicators which focus on the key priority areas.*

    The activity undertaken to produce the developing Medium Term Financial Strategy ensures a clear link between priorities

and budgets with the governance for the agreed delivery programme being provided via the Business Transformation Board and Business Transformation Steering Group.

Midlothian's public performance reporting activities respond well to national standards and over the last few years has received a largely positive report when externally assessed.

4   Report Implications

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

4.2   Risk
Whilst there are no additional direct risks associated with this report, the Audit Scotland Report – Local government in Scotland: Challenges and performance 2019 does ask members to consider the wider scrutiny and performance management and risk elements associated with their role.

4.3   Single Midlothian Plan
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 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:-

- Reducing the gap in learning outcomes
- Reducing the gap in health outcomes
- Reducing the gap in economic circumstances

This report does not directly impact Midlothian Council's key priorities but a key message within the Audit Scotland Report does make reference to the need for clear priorities.

4.5   Impact on Performance and Outcomes
The report does not directly impact Midlothian Council's and wider partners performance and outcomes but it does stress the need to ensure consideration is given to the wider strategic planning and objectives as part of the council's response to Audit Scotland's findings noted in their report.

4.6   Adopting a Preventative Approach
This report supports current actions and plans in place to adopt preventative approaches.

4.7   Involving Communities and Other Stakeholders
This report supports involving communities and the Audit Scotland Report references the need to ensure that communities see the impact of community empowerment.

4.8   Ensuring Equalities
This report does not recommend any change to policy or practice and therefore does not require and 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 Local government in Scotland: Challenges and performance 2019 and supports ongoing sustainable development.

4.10   IT Issues
There are no direct IT issues arising from this report at this time.

5   Recommendations

The Committee is asked to note the Audit Scotland report and the position of Midlothian Council in relation to the report's recommendations.

Appendix 1: Local government in Scotland: Challenges and performance 2019
        – Supplement 1: Scrutiny tool checklist for councillors

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Background Papers:

– Accounts Commission - Local government in Scotland: Challenges and performance 2019 (March 2019)
– Accounts Commission – Local government in Scotland: Financial overview 2017/18 (November 2018)

Appendix 1 - Supplement Local Government in Scotland: Challenges and performance 2019 - Scrutiny tool checklist for Councillors

Scrutiny tool checklist for councillors

This scrutiny tool captures a number of potential questions for councillors and relates to the report Local government in Scotland: Challenges and performance 2019. It is designed to provide councillors with examples of questions they may wish to consider to help them better understand their council's position and to scrutinise performance.

Questions for councillors to consider	How well informed am I?	
	What do I know?	Do I need to ask any further questions?
Factors affecting demand for services and council funding		
Have you considered how policy and legislative change will affect how your council operates?		
What scenario planning has your council put in place for events such as EU withdrawal and increasing budget uncertainty?		
Do you have a clear understanding of the demographic circumstances within your council area? Do you know how effectively your council uses this information to decide how to provide services in the future?		
Governance and accountability		
Do you know if your council's governance and accountability structures are fit for purpose, given increasingly complex ways of working?		
If you sit on a board, do you fully understand your responsibilities to that board and the council?		

Questions for councillors to consider	How well informed am I?	
	What do I know?	Do I need to ask any further questions?
Transformational change		
Do you understand how your council's approach to transformational change will improve services, benefit users and save money?		
How will you monitor and scrutinise progress of transformational projects?		
What is your council's risk appetite for transformational change? Are risks properly monitored?		
Do you know what the financial repercussions will be if your council's transformation activity fails to meet its savings targets?		
Is your council's transformation activity supported by good governance arrangements and robust management?		
Do you know if the governance arrangements factor in time needed to ensure projects are properly scoped?		

Questions for councillors to consider	How well informed am I?	
	What do I know?	Do I need to ask any further questions?
Financial planning		
Does your council have medium and long-term financial planning in place?		
Does your council link budgets to plans and outcomes and report on these?		
Generating income		
Do you know what options your council is considering to maximise income?		
How is your council considering the impact that these changes might have on equalities?		
If your council is considering generating commercial income, do you know how it plans to mitigate the risks?		
Partnership working		
Does your councils consider sharing services in options appraisals and change programmes?		
Do you know if there are processes in place in your council to facilitate collaborative working on a local, regional or national basis?		

	How well informed am I?	
Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
Integrated joint boards		
Do you know how your council is ensuring the good governance and financial sustainability of its Integration Authority?		
Do you know what your council is doing to ensure that it works with partners to be more open and realistic about changes needed?		
Community empowerment		
Does your council engage with communities in decisions about services, budget proposals and priorities?		
Are you clear what community empowerment involves and what it means for your council?		
What is your council doing to implement community empowerment arrangements at a local level?		
Does the Local Outcome Improvement Plan focus on areas where the Community Planning Partnership can make the biggest impact?		
Do you know what your council is doing to reach out to 'seldom heard' and disadvantaged groups?		
What is your council doing to ensure that one per cent of revenue budgets is allocated through participatory budgeting by 2020/21?		

	How well informed am I?	
Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
Workforce		
What is your council doing to ensure that it has the right capacity, skills and leadership in its workforce?		
What training does your council make available to officers and councillors to ensure that they have the skills to deliver services in the future?		
Does the training you are offered meet your needs? If not, do you know who to speak to?		
Does your council have an organisation-wide workforce plan? Does it contain information about the numbers, costs and skills of the actual and desired workforce?		
Do you know how your council is ensuring that changes to staff numbers and working practices do not have a negative impact on morale and wellbeing?		
Strategic priorities and performance reporting		
Does your council clearly link its budget setting to its strategic priorities and plans?		
Are you assured that performance reporting by your council is accurate and accessible?		
Can your council demonstrate progress in delivering its key outcome priorities?		

Questions for councillors to consider	How well informed am I?	
	What do I know?	Do I need to ask any further questions?
Service performance		
Does your council make use of the Local Government Benchmarking Framework data to consider where and how it might make improvements to service delivery?		
Have you considered what lessons you can learn from other councils who are delivering services well?		
Do you know the impact of spending reductions on the services your council provides?		
How is your council adjusting to meet changing demands for care services? How is this reflected in the performance data?		
Do you know what your council is doing to ensure that it understands how satisfaction with different services is changing?		
Is your council meeting its statutory duty to provide temporary and settled accommodation to households assessed as homeless?		