

Audit Scotland Report: Local Government in Scotland: Challenges and Performance 2018

Report by: Kenneth Lawrie, 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 2018' 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-2018>

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 2016/17 which was published in November 2017 and presented to Audit in December 2017.

2.2 Local government in Scotland: Challenges and performance 2018 was published by the Accounts Commission in April 2018. The report provides a high-level, independent view of the challenges facing councils in Scotland, how councils are responding to these challenges and how service performance has been affected. It is aimed primarily at Councillors and senior council officers as a source of information and to support them in their complex and demanding roles.

2.3 The report highlights key challenges councils face and looks at some of the main ways councils are responding to increasing demand and reduced funding. 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 who are new to the role, those who are re-elected, and council officers, the report includes additional supplements as follows:

- A scrutiny tool for councillors – 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)
- An interactive online tool which contains performance information for individual councils. 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-2018>

- 2.4** The report draws on findings from local government audit work in 2017 (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 2018 – 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:
- Local government in Scotland continues to operate in a complex and changing environment that involves increasing levels of uncertainty. While details of the terms for the UK's withdrawal from the European Union are not yet clear, there will likely be significant and profound implications for our 32 councils. Meanwhile, the Scottish Government remains committed to a significant pace of public sector reform, with some major changes for local government at key stages of implementation. These events are taking place in the overall context of substantial reductions in public spending alongside increasing demand for many local public services.
 - Developing new ways of working – or transformational change – is now an essential part of the agenda for councils as they respond to these challenges. Delivering savings is becoming increasingly critical, with forecast funding gaps higher than current levels of reserves for some councils. Where councils have properly scoped, resourced and managed their transformational work, they are more likely to successfully deliver sustainable service change. Cohesive, decisive leadership is required that brings officers, councillors and their communities together to address the major challenges councils face.

- Councils are engaging with the increasingly difficult task of managing the competing priorities of reducing costs and maintaining services for an ageing population. Under current arrangements, some councils can expect to see government funding fall further than others as their total population declines while their older population grows and demand for key services, such as social care, increases. Councils are also implementing significant policy and legislative changes, some of which increase expectations on, or the duties of, councils and many will have additional resource implications. The detail of what these changes will mean is not yet clear in some cases.
- Councils have done a considerable amount to manage the impact of continued budget reductions, and national indicators suggest they have maintained or improved performance in a number of areas. However, there is also evidence that budget cuts are having an impact on services, and customer satisfaction levels have fallen. Some services are not keeping up with demand and there is a risk that quality is being affected. Smaller services, which often include important regulatory functions, have borne the brunt of funding reductions although the impact of this on these services is not always made clear. In making difficult choices, councils need to continue to work with communities to understand the impact of reduced spending on services and communities and to clearly report this to the public.

3.3 The report notes that while councils have done much to reduce spend, deliver services differently and work with their communities, financial and population pressures are likely to continue. It further notes the importance of effective leadership and robust planning to ensure services remain sustainable.

3.4 The recommendations identified within the report state that Councils should ensure they are continuously improving their work in key areas by:

- looking to the future:
 - continuing to improve understanding on how the landscape within which their council operates may change, by considering its demographics, the public spending environment and policy changes
 - using this information to inform council priorities
 - developing long-term financial and scenario planning that takes these factors into account and considers the impact on all their services and their users
 - considering how to make the most of new technology, for example streamlining processes and communicating differently with service users
- working with communities - so that they are actively involved in decision-making, know the effect decisions are expected to have on services and communities and see the impact of community empowerment

- focusing on the delivery of priority outcomes through:
 - working with communities to understand their needs
 - establishing effective cross-party relationships to work together and make the sometimes difficult decisions needed to achieve the council's priorities
 - clearly linking budgets to plans and outcomes
- establishing robust change strategies and developing realistic plans for transforming services, which incorporate:
 - effective leadership and good governance arrangements
 - robust options appraisal
 - strong financial management
 - properly scoped and resourced plans
- ensuring change strategies are supported by:
 - realistic savings plans with long-term implications and mitigation against unintended impact on other services and communities
 - effective workforce planning to retain and recruit people with the right skills to deliver sustainable future services
 - income generation plans
 - workforce and member support, training and development
- evaluating and reporting:
 - the impact that significant budget reductions, savings, workforce changes and service redesign are expected to have and have had on service delivery and quality
 - using the data collected and monitored to report publicly on the quality of services, as well as user satisfaction with those services.

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

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.

A key activity carried out as part of the Single Midlothian Plan annual review and identified as an expected delivery model to be considered as part of any service redesign is community engagement and consultation and, where possible, co-production is a targeted method of delivery. The 'Shaping Our Future' exercise carried out in 2016/17 demonstrates a clear focus on the need to encourage participation from communities, and this will be developed further in delivery of the Enterprising with Communities strand of transformation.

The Financial Strategy presented to Council in February 2018, and the earlier introduction of the 'Delivering Excellence' framework responds to the need to develop medium term plans. The Strategic Leadership Group, in finalising the 2018/19 budget have also initiated development of a five year financial plan linked to a clear vision for Midlothian through to 2021/22. This looks to articulate and provide further clarity regarding the direction of travel and the ambition for Midlothian longer term, together with the financial implications of that.

The budget exercise reflected in the Financial Strategy which was presented to Council in February 2018 was largely informed by the work of the Strategic Leadership Group and in particular followed a robust review and challenge exercise for each Head of Service from their peers and relevant support functions such as finance. This resulted in a more cohesive 'Delivering Excellence' programme and provided clarity of spend and savings projections going forward. The exercise also clarified the future focus for transformation activity which will be taken forward against the following strands:

- *Enterprising with Communities*
- *Digitally Led Customer Service*
- *Entrepreneurial Council*
- *Shared Services*

A key area of focus for the Enterprising with Communities transformation strand is to continue with the focus to transform the relationship with our communities, the intent is demonstrated further with the previous name change from a Services with Communities strand to Enterprising with Communities.

The activity undertaken to produce both the Financial Strategy and Delivering Excellence Change and Transformation Strategy ensures a clear link between priorities and budgets with the governance for the agreed change programme being provided via the Business Transformation Board and Business Transformation Steering Group. The proposal development and early initiation stage of the programme is also subject to an Internal Audit review.

Planned, ongoing activity to support the programme of change includes a new workforce strategy approved in December 2017 and the associated workforce plans for each service area which are also used to inform service and workforce planning decisions. As part of these plans each Head of service completes projections of future workforce requirements and an associated action plan which supports their programme of change and transformation. .

The wider service review and continuous improvement agenda is supported by the Delivering Excellence Framework, which includes the need to gather and analyse data robustly, carry out a self-evaluation exercise and present proposals and changes which have considered a range of service delivery models to peers and the senior management group as appropriate.

Midlothian's public performance reporting activities meet current national standards and over the last few years has received a largely positive report when externally assessed. Areas previously noted for improvement have been addressed such as clear links to all SPIs (Statutory Performance Indicators) categories.

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.

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 2018 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 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 Local government in Scotland: Challenges and performance 2018 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 2018 – Supplement 1: Scrutiny tool checklist for councillors

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Background Papers:



- Accounts Commission - Local government in Scotland: Challenges and performance 2018 (April 2018)
- Accounts Commission – Local government in Scotland: Financial overview 2016/17 (November 2017)



Appendix 1 - Supplement Local Government in Scotland: Challenges and performance 2018 - Scrutiny tool checklist for Councillors


Scrutiny tool checklist for councillors

This scrutiny tool captures a number of potential questions for councillors and relates to our report [Local government in Scotland: Challenges and performance 2018](#) . 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.

	How well informed am I?	
Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
Community empowerment (paragraphs 7 to 12) 		
How are you involving local communities and empowering them to design and deliver services that suit local need?		
Does your council have regular discussions with communities about service priorities and what level of service the council can afford to provide in the future? What is your role as a councillor in this?		
Training for councillors (paragraphs 13 to 16) 		
Do you know what training is available to help you fulfil your duties?		
Does the training meet your needs? If not, do you know who to speak to?		
Factors affecting demand for services and council funding (Exhibit 1 and paragraphs 24 to 33) 		
Have you considered how policy and legislative change will affect how your council operates?		
Have you considered the demographics of your council and how this will impact on service delivery and funding in the future?		

Questions for councillors to consider	How well informed am I?	
	What do I know?	Do I need to ask any further questions?
Financial planning (paragraphs 34 to 38) 		
Does your council have medium and long-term financial plans in place?		
Does your council link budgets to plans and outcomes and report on these?		
Making savings and generating income (paragraphs 39 to 51) 		
Does your council have the right structures in place to ensure that all your efficiency, improvement and transformational approaches are working together to maximise savings?		
How is your council looking to maximise income?		
Does your council compare its policies and priorities to raise income with other councils?		
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?		

	How well informed am I?	
Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
Transformation (paragraphs 52 to 65) 		
Does your transformation strategy contain plans for truly transformational change? Will it improve services and save money?		
Have you invested in the right resources for your transformation strategy to achieve its planned savings?		
Does your council have the necessary governance structures to effectively oversee and monitor its transformation activity?		
What is your council's risk appetite for transformational change? Are risks properly monitored?		
What will the financial repercussions be for your council if your transformation strategy fails to meet its savings targets?		
Does your council follow the core principals for successfully planning digital projects outlined in our Principles for a digital future  published in May 2017?		

	How well informed am I?	
Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
Service performance and performance reporting (paragraphs 66 to 95) 		
How well does your council report performance to local communities? Is there a link to priorities and budgets in your performance reporting?		
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 can you better engage with local communities to understand why public satisfaction is declining?		
How are your council and IJB managing demand for social care services? What preventative measures are available in your council?		
Do you know how budget cuts have affected your smaller services?		



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