Midlothian

Audit Scotland Report: Local Government in Scotland Overview 2020

Report by: Dr Grace Vickers, Chief Executive

Report for Noting

1   Recommendations

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

2   Purpose of Report

The purpose of this report is to provide Audit Committee with a summary of the Audit Scotland report, 'Local Government in Scotland: Overview 2020' and the Council's position in relation to the report's recommendations. The following is a link to the full report:

https://www.audit-scotland.gov.uk/report/local-government-in-scotland-overview-2020

Whilst the report was produced prior to the pandemic, it still contains important messages which should be helpful as part of the recovery out of the crisis which emphasised the essential importance of effective leadership, good governance and good financial management for all councils.

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3 Background

3.1 This report is the Accounts Commission's annual summary of the key challenges and performance issues faced by councils. The report was produced prior to the pandemic and, after careful consideration, a decision was taken to issue the report now.

3.2 The evidence used in the overview report was compiled before the escalation of the COVID-19 pandemic and it sets out the Accounts Commission's view before the pandemic began to unfold. It provides an independent overview of the challenges facing councils in Scotland, how councils are responding to tightening budgets and how this affects the services provided to the communities they serve.

3.3 As well as informing the public, the report aims to inform local government councillors and senior council officers, to support them in their complex and demanding roles. Although this report does not address the impact that the COVID-19 pandemic will have on local government and its communities, the issues and the messages remain relevant.

3.4 The overview report covers the following areas;

1. The context councils were operating in prior to the pandemic, with increasing need for services for communities but also with financial pressures and uncertainties.

2. It looks at some of the main tools that contribute to change and how effectively councils are using these to respond to increasing demand and strained budgets.

3. The final section of the report sets out a case study on planning services as an example of how these challenges are affecting an individual service, how that service is responding and the impact on its performance.

To help councillors the report includes additional supplements as follows:

4. A scrutiny tool which sets out questions that councillors could ask to help them understand their council's position, scrutinise its performance and make difficult decisions (see appendix C).

5. A tool which provides a further breakdown of data by council area to provide more detail at a local level is also available on Audit Scotland's website here:

   https://www.audit-scotland.gov.uk/local-government-in-scotland-overview-2020

3.5 The report draws on findings from Local government in Scotland: Financial overview 2018/19, published performance data and local government audit work in 2019. It also draws on a range of sources of evidence. Financial information is taken from the local government financial circulars, the Scottish Government's local financial returns (LFRs), and councils' annual accounts. Performance information is gathered from the Local Government Benchmarking Framework (LGBF) data, the National Performance Framework (NPF) indicators and relevant reports from other scrutiny bodies, such as Education Scotland and the Care Inspectorate.

3.6 The overview report contains a number of references specific to Midlothian Council, including data references to Midlothian's population, deprivation levels and the level of council tax (pages 12, 13, 15 and 21). In addition there are a number of references which have previously appeared in Midlothian's Best Value Assurance Report (BVAR) which was published by the Accounts Commission on 4 July 2019 (pages 25, 27, 28, 30, 31, 33 and 36). For those items identified as areas for improvement in the BVAR a separate Improvement Action Plan was put in place and an update regarding progress will be presented to Council before the year end.

3.7 The report covers the following key areas:

1. **The challenges** - The overview illustrates the challenges and complex landscape that contribute to the significant pressures on local government and its partners through a series of infographics.

2. **Doing things differently** - This section of the overview sets out progress against the following previously identified areas of importance and other important contributing factors to effective change, which reflect some of the core characteristics of Best Value.

   - developing leaders, staff, and skills to deliver change. This requires effective leadership and workforce planning that is clear about the workforce needs now and in the future, where the gaps are and what training or other action is needed to fill them.

   - improving services' efficiency and performance through transformation and redesigning services around the needs of the people who use them.

   - collaborating with partners, the third sector (such as charities) and communities to think differently about how to deliver and fund services and to continue to seek and implement innovative ways of working.

   - undertaking medium- and long-term financial planning to deliver national policy commitments while continuing to sustain local services with reducing budgets and increasing demands.

3. **Service case study** - This section focuses on planning services to illustrate how the challenges for local government have affected this service area, and how it is responding.

4.   Overview 2020 Report - Key Messages/Recommendations

4.1   The report identifies the following key messages and states that COVID-19 pandemic brings unprecedented challenges across communities and public services. It notes the effect on the health and wellbeing of our communities, as well as the financial difficulties and increased levels of poverty, that will be significant. The impact on the economy, on national finances and on local public services will also be considerable. The overview report was compiled before the escalation of the pandemic and is an overview of local government in 2019. But its messages remain relevant. The pandemic multiplies the challenges for local government further and so the need to do things differently to meet the needs of communities more efficiently and effectively is even more important.

1. Councils are working hard to deliver services to their communities. But the context they are working in is increasingly uncertain and complex. Demographic and social change is creating demand for services, while the strain on budgets continues to intensify. National policy commitments are increasing and the stresses on other public and third sector partners add to the difficulties in delivering services. The cumulative effect of these pressures on councils is beginning to show across service performance and use of financial reserves.

2. Scottish Government revenue funding to councils has reduced in real terms over the period 2013/14 to 2020/21 by 3.3 per cent. Since 2017/18 however, it has increased by 3.9 per cent in real terms, to £10.7 billion in 2020/21. This does not include additional funding in response to the COVID-19 pandemic. The strain on budgets is evident as councils continue to dip into their reserves to make ends meet. Medium-term funding levels are uncertain, making continued use of reserves to manage the funding gap unsustainable. Long-term financial planning is not well enough developed in many councils and in integration joint boards. Medium- and long-term financial planning are important tools for making well-informed decisions and to effectively manage continuing financial challenges.

3. Alongside the uncertainty of funding levels, the scale and complexity of the challenges for councils and integration joint boards will continue to grow in the coming years. Change is needed in how they serve their communities, so that they are able to respond to the needs and improve outcomes for people into the future, in the most efficient and effective ways. More radical thinking is needed for longer-term solutions. It requires investment of time and capacity by political and management leaders, to analyse the range of challenges for the area, develop the thinking and planning for the medium and longer term. This is difficult, in already demanding roles, but this investment is important.

4. Councils alone cannot improve outcomes for communities and achieve local priorities. The full potential of collaborative working with partner organisations and communities is not yet being realised. More progress is needed. Councils need to demonstrate strong leadership and collaborate with partners, including integration joint boards, NHS boards, the voluntary and private sectors, and their local communities. This is essential if they are to make best use of local resources, including the workforce, and demonstrate Best Value.

5. Workforce planning is fundamental to ensure that councils have the staff, skills and leaders they need to deliver change. Some progress has been made to improve workforce planning, but much more needs to be done. As the workforce ages, councils need to be more flexible and agile in how they deploy staff, work with partners and attract younger people to work in local government and respond to specific skills gaps. This also requires comprehensive workforce data and planning.

4.2 The recommendations identified within the report cover the following key areas: Governance, Collaboration, Capacity and Skills and Services which are set out in the report as follows:

The report states that 'To respond to the challenges facing local government and deliver local priorities and improve outcomes for their communities:

1. **Governance - councils and integration joint boards need to:**
   - invest leadership capacity in analysing the challenges and planning for the future, including:
     - o plans for how services will be delivered that reflect the scale of the challenges ahead and will deliver demonstrable improvement in outcomes for communities
     - o putting in place and continuing to develop medium- and long-term financial planning that will inform ongoing review and implementation of plans for change.
   - monitor and report on delivery of local priorities and outcomes while improving public performance reporting.

2. **Collaboration - councils and integration joint boards need to:**
   - maximise the potential of collaborative working by:
     - o working alongside partners to improve community planning partnerships, so that they have a clearer strategic direction and take a more active role in leading local partnership working
     - o engaging with other councils, partners and communities in developing plans to improve and change the way services are delivered.

- increase the opportunity for communities to influence or take control of local decision-making and, demonstrate how communities are supported to help design or deliver local services and improve outcomes.

3. **Capacity and skills - councils and integration joint boards need to:**

   - develop leadership capacity and workforce planning arrangements including:
     - effective succession planning and capacity development for leadership positions
     - approaches to increase the uptake of learning and development opportunities by councillors, to ensure that they are equipped to respond to the challenging context and their role in planning for the future
     - improving the quality and range of workforce data to give a comprehensive profile of the current organisation-wide workforce
     - using this comprehensive workforce data to:
       - identify and address skills gaps, including those related to lack of capacity or the age profile of staff
       - plan for the skills required to deliver services, both now and in the future, including using skills from the third and private sectors, with a greater focus on collaborative and flexible working
     - prioritising the development of staff across their organisations, to build more resilient teams, focused on improving the lives of local people
     - building a learning culture to learn from experience both within and outside the organisation.

4. **Services - councils and integration joint boards need to:**

   - consider how the recommendations above relate to each service.
   - For planning services this specifically includes:
     - ensuring the role of chief planning officer is positioned to contribute at a strategic level to corporate level discussion and planning
     - developing detailed workforce planning and strategies that will respond to the changing skills needs of the service and consider at a national level how collectively the limited availability of planning professionals can be addressed

  o providing effective leadership to staff for the cultural changes needed to respond to the shift in focus for this service

  o implementing changes to how the service works to improve the level of partnership working and community engagement.

4.3 The Council is well aware of the context noted within the key messages of the report, as evidenced in a number of reports previously presented to Council and more recently in Midlothian's Route Map through and out of the crisis and regular financial monitoring and update reports.

4.4 Whilst the recommendations noted in the report were identified prior to the Covid-19 pandemic, they remain a key focus and inform Midlothian's strategy for recovery as we continue to respond and emerge from the crisis. The strategy detailed in the Route Map is based on the creation of a Wellbeing Economy, designed to achieve wellbeing, inclusion and fairness for communities and to protect and enhance the environment.

4.5 Building on the 9 key drivers for change as shown in Figure 1 and prioritising a range of interventions to support recovery such as Economic Renewal, Accelerated Capital Programme, Education Recovery Plan, Hub and Spoke Place Service Delivery, Health and Social Care Transformation and introducing policies such as Remote Working, the Council is in alignment with the recommendations noted in the overview report.

Holistic Working	Hub and Spoke	Modern	Sustainable	Transformational	Preventative	Asset Based	Continuous Improvement
• One Council - joined up - Serivces • All through support, minimising transition points	• Local by default supported by 4 Locality Place Teams • Minimal services delivered centrally	• Digital by Default • Place based front facing services • Home working for those services able to be delivered at home • Digital, rather than physical, attendance at meetings	• Climate Change commitment to be Carbon nuetral by 2030 • Minimising travel by committing to working as locally as possible	• This strand supports the delivery of the other 8 drivers for change	• Continued investment in early intervention and prevention as a priority	• Local by default • Only retaining physical buildings where required • Maximising opportunities for social housing solutions • Eliminate homelessness	• Committed to achieving "better than our previous best"

Figure 1: Key Drivers for Change

4.6 The recovery strategy is filled with hope and ambition to rebuild Midlothian following the global pandemic. It represents a significant shift for the council in order to help Midlothian deliver services which are digital by default with services delivered at the most local level, within the resources available. With an overarching principle being that in delivering services, whether commissioned internally or externally, that we keep our communities, our employees and our environment safe and at the same time meeting our commitment to being carbon neutral by 2030.

5   Report Implications (Resource, Digital and Risk)

5.1   Resource

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

5.2   Digital

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

5.3   Risk

Whilst there are no additional direct risks associated with this report, the Audit Scotland Report – Local government in Scotland: Overview 2020 does provide members with a tool to consider the wider scrutiny and performance management and risk elements associated with their role.

5.4   Ensuring Equalities (if required a separate IIA must be completed)

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

5.5   Additional Report Implications (See Appendix A)

See Appendix A

Appendices
Appendix A – Additional Report Implications
Appendix B – Background information/Links
Appendix C – Supplement. Local government in Scotland: Overview
**   2020 – Questions for Councillors**

APPENDIX A – Report Implications

A.1   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:-

- 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 the Governance and Collaboration recommendations within the Audit Scotland Report do make reference to the importance of local priorities and outcomes and working with community planning partners and communities.

A.2   Key Drivers for Change

Key drivers addressed in this report:

☐ Holistic Working
☐ Hub and Spoke
☐ Modern
☐ Sustainable
☒ Transformational
☐ Preventative
☐ Asset-based
☒ Continuous Improvement
☐ One size fits one
☐ None of the above

A.3   Key Delivery Streams

Key delivery streams addressed in this report:

☐ One Council Working with you, for you
☒ Preventative and Sustainable
☐ Efficient and Modern
☐ Innovative and Ambitious
☐ None of the above

A.4   Delivering Best Value

The overview report reiterates the need for good governance and effective management of resources, with a focus on improvement, to deliver the best possible outcomes for the public which is supported in the planning and delivery frameworks adopted by the Council.

A.5   Involving Communities and Other Stakeholders

This report supports involving communities and the Audit Scotland Report references the need to work with communities and other stakeholders.

A.6   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.

A.7   Adopting a Preventative Approach

This report supports current actions and plans in place to adopt preventative approaches.

A.8   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: Overview 2020 and supports ongoing sustainable development.

APPENDIX B

Background Papers/Resource Links

1. Midlothian Route Map through and out of the crisis

   https://www.midlothian.gov.uk/downloads/download/721/midlothian_route_map

2. Council Agenda and supporting Papers – Financial Monitoring 2020/21 and Covid-19 Financial Update

   https://midlothian.cmis.uk.com/live/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/941/Committee/10/SelectedTab/Documents/Default.aspx

Appendix C: Supplement. Local government in Scotland: Overview 2020 – Questions for Councillors

This tool captures a number of questions for councillors to consider and relates to *Local government in Scotland: Overview 2020 report*. It is designed to prompt thinking on a range of issues to better understand your council's position and to consider areas you may want to seek further information on or scrutinise.

How well informed am I?		
Questions for councillors to consider	**What do I know?**	**Do I need to ask any further questions?**
Leadership		
1 Am I aware what succession planning and leadership development arrangements are in place for the corporate management team? Am I satisfied that these are appropriate?		
2 Do I know what issues I need to develop my knowledge or understanding of? How do I plan to get the appropriate training?		
3 Do I have access to training and learning materials that meet my needs? Do I have a personal development plan in place for training, learning and development that will assist me to be as effective as possible in my role?		
4 How effectively do the council's medium- and long-term financial plans reflect the population projections for my area and the resulting need for services and infrastructure?		
Change and improvement		
5 How clear are my council's plans for the changes needed so that outcomes for communities are improved alongside managing the financial and demand pressures?		
6 How do I know my council is delivering on the outcomes it has committed to achieve for local communities?		
7 Do I receive clear, timely and sufficiently detailed performance information to effectively scrutinise service and corporate performance?		
8 Is my council systematically using self-evaluation approaches corporately and in services to inform improvement? How involved or informed am I of the results and monitoring of improvement		

	plans?		
Workforce planning			
9	Do we have detailed corporate and service level workforce planning? How clearly do they set out the current and future staff capacity and skills required and how this will be managed? How am I involved in scrutinising the effectiveness of workforce planning? Do I know how the council is addressing any specific issues with the workforce age profile or skills gaps in services?		
Partnership working			
10	How well do I understand all the partnership arrangements of my council? How effectively is my council working with partners to deliver services better and/or save money? What steps is the council taking to ensure partnership arrangements meet their full potential?		
11	What obstacles are facing our area's IJB? Am I aware of the steps taken to identify and address these obstacles and to improve the pace of integration?		
Community empowerment and engagement			
12	What do I know about the purpose and aims of participatory budgeting? What do I know about my council's approach to participatory budgeting, and how effectively is it using this to empower communities?		
13	How well is my council providing clear, balanced and accessible information to the public about how well it is performing, what needs to improve and how it is addressing this?		
Planning services			
14	How well informed am I about the requirements of the Planning (Scotland) Act 2019 and what this means for the council?		
15	What do I know about the demographic makeup and the projected changes within the council area? How effectively is the council using this information to plan how we deliver services, including planning services?		

16	Do I know how well prepared my council is to deliver the requirements of the Planning (Scotland) Act 2019? How do I know if the planning service has the skills, capacity and resources to implement the new responsibilities the Act brings?		
17	What am I and the council doing to improve or restore community trust, confidence and respect in planning services?		
18	How confident am I and what assurance do I have that the council is well prepared to make the shift in planning services from the regulatory role to include more proactive engagement with communities and other partners?		
19	Do I know how the council is addressing any specific issues with the workforce age profile or skills gaps in services, such as planning services?		