

Audit Scotland Report: Local government in Scotland: Performance and Challenges 2017**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: Performance and challenges 2017' 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/uploads/docs/report/2017/nr_170307_local_government_performance.pdf

2 Background

2.1 Local government in Scotland: Performance and challenges 2017 was published by the Accounts Commission in March 2017. The report provides a high-level, independent view of the challenges facing councils, how well they are addressing these and what more they can do. 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. The report covers the following three areas:

- The current and future challenges facing councils.
- Council progress in meeting these challenges, including performance in key service areas, public satisfaction and unit costs
- What more councils can do to ensure they are best placed to successfully manage the changes and challenges they face.

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 self-assessment checklist for councillors – this has questions that councillors could ask to help them understand their council's position, scrutinise performance and make difficult decisions. Councillors should feel that they fully understand, and are satisfied with, the answers to the questions most relevant to them in their role within the council. (See Appendix 1)
- Good practice supplement – a summary of the good practice identified during the audit. It is not an exhaustive list of all good practice across Scotland but provides examples of councils improving performance

and processes or using innovative techniques. This may be a useful source of reference for councillors or senior officers when appraising options for changes. (See Appendix 2)

2.2 The report draws on findings from local government audit work in 2016 (including annual audit reports, Best Value audit 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>).

3.0 Performance and challenges 2017 – 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 have faced significant challenges from a long-term decline in revenue funding and from an ageing and growing population. The scale of these challenges continues to grow. Policy and legislative changes are also placing additional demands on councils and changing how councils work.
- Councils are responding to the challenges by continuing to adopt alternative ways of working, reducing the level of service they provide and reviewing fees and charges. While some councils are making good progress in managing services and delivering savings, others are not. The pace and scale of reform needs to increase in some councils. Despite these challenges, councils' performance has been maintained or improved.
- With reducing budgets and workforces, councils will find delivering improvements increasingly difficult. It is critical, therefore, that they set clear long-term strategies and plans that target effort on priority areas. This includes organisation-wide workforce plans to ensure councils have the capacity to manage change and deliver services going forward.
- A councillor's role is complex, demanding and evolving. They are required to provide effective and strategic leadership, and it is therefore critical that their knowledge is up to date and skills are refreshed to enable them to establish strategic priorities, fully assess options for change and hold services to account.
- Long-term financial strategies must be in place to ensure Council spending is aligned with priorities, and supported by medium-term financial plans and budget forecasts. Even where the Scottish Government only provides Councils with one-year financial settlements, this does not diminish the importance of medium and longer-term financial planning. This is necessary to allow Councillors and officers to assess and scrutinise the impact of approved spending

on future budgets and the sustainability of their Council's financial position.

3.3 The recommendations identified within the report state that Councils should:

- set clear priorities supported by long-term strategies and medium-term plans covering finances, services, performance and workforce. These plans should inform all council decision-making, service redesign, savings and investment decisions.

A clear set of priorities for the Council and its partners have been developed through the Single Midlothian Plan process and the Council service plans which flow from that. Performance monitoring is focused on the key priority areas.

Whilst the Financial Strategy presented to Council in December 2016 (updated February 2017), and the earlier introduction of the 'Delivering Excellence' framework responds to the need for the medium term, the Strategic Leadership Group, have identified the need to develop 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.

- ensure that budgets are clearly linked to their medium-term financial plans and long-term financial strategies. Budgets should be revised to reflect true spending levels and patterns. This requires good financial management and real-time information to ensure spending is accurately forecast and monitored within the year

The budget exercise reflected in the Financial Strategy which was presented to Council in December 2016 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. This resulted in a more cohesive 'Delivering Excellence' programme and provided clarity of spend and savings projections going forward. However the need to utilise reserves in 2017/18 and the projected greater decline in revenue funding in future years demands a new focus on the forward financial plan. Improved financial information is an important basis for this.

- have an organisation-wide workforce plan to ensure the council has the people and skills to manage change and deliver services into the future

An annual workforce plan is now produced for each service area and this is used to inform service and workforce planning decisions. Each Head of service completes projections of future workforce requirements and an associated action plan. The completed service level plans are then amalgamated into a council level report and action plan.

- ensure workforce data allows thorough analysis of changes to the workforce at an organisation-wide and department level. This will allow councils to better assess the opportunities and risks in staff changes

The workforce planning data, at service level, is currently updated on an annual basis, however, ways of providing workforce updates on a quarterly basis to ensure service managers have the most accurate data on which to base decisions is currently being developed.

- thoroughly evaluate all options for change and service redesign, including options for investing to save, and monitor the impact of change on council priorities and desired outcomes

The service review and continuous improvement agenda is supported by the Delivering Excellence Framework, which includes the need to consider a range of service delivery models. Service planning is also informed by the Single Midlothian Plan which ensures a focus on agreed priorities and desired outcomes.

- support communities to develop their ability to fully participate in setting council priorities and making decisions about service redesign and use of resources

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 demonstrates a clear focus on the need to encourage participation from communities, but this will need to be further developed for future years. The Council is responding positively to the Community Empowerment Act and has supported participatory budgeting exercises.

- ensure councillors get support to develop the right skills and knowledge to fulfil their complex and evolving roles

A full induction programme was developed for implementation following the May 2017 elections and is ongoing. This provides a strong basis for further development work with Elected Members to support them in their roles.

- ensure there is clear public reporting of performance linked to council priorities to help communities gauge improvements and understand reduced performance in lower priority areas

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.

- continue to work to understand the reasons for variation in unit costs and performance, and collaborate to identify and adopt good practice from each other.

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: Performance and challenge 2017 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 finding 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 address the requirements in the Community Empowerment (Scotland) Act 2015.

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: Performance and challenges 2017 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: Performance and challenges 2017
– Supplement 1: Self-assessment tools for councillors

Appendix 2: Local government in Scotland: Performance and challenges 2017
– Supplement 2: good practice

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Background Papers:

Accounts Commission - Local government in Scotland: Performance and challenges 2017– (March 2017)

Appendix 1 - Supplement 1: Self-assessment tools for councillors

Local government in Scotland: Performance and challenges 2017

Key messages

1. Councils have faced significant challenges from a long-term decline in revenue funding from an ageing and growing population. The scale of these challenges continues to grow. Policy and legislative changes are also placing additional demands on councils and changing how councils work.
2. Councils are responding to the challenges by continuing to adopt alternative ways of working, reducing the level of service they provide and reviewing fees and charges. While some councils are making good progress in managing services and delivering savings, others are not. The pace and scale of reform needs to increase in some councils. Despite these challenges, councils' performance has been maintained or improved.
3. With reducing budgets and workforces, councils will find delivering improvements increasingly difficult. It is critical, therefore, that they set clear long-term strategies and plans that target effort on priority areas. This includes organisation-wide workforce plans to ensure councils have the capacity to manage change and deliver services going forward. A councillor's role is complex, demanding and evolving. They are required to provide effective and strategic leadership, and it is therefore critical that their knowledge is up to date and skills are refreshed to enable them to establish strategic priorities, fully assess options for change and hold services to account.

Recommendations

Councils should:

- set clear priorities supported by long-term strategies and medium-term plans covering finances, services, performance and workforce. These plans should inform all council decision-making, service redesign, savings and investment decisions. [Exhibit 14 \(page 34\)](#) sets out the main elements of a councils' financial planning processes and how these link with other council plans
- ensure that budgets are clearly linked to their medium-term financial plans and long-term financial strategies. Budgets should be revised to reflect true spending levels and patterns. This requires good financial management and real-time information to ensure spending is accurately forecast and monitored within the year
- have an organisation-wide workforce plan to ensure the council has the people and skills to manage change and deliver services into the future
- ensure workforce data allows thorough analysis of changes to the workforce at an organisation-wide and department level. This will allow councils to better assess the opportunities and risks in staff changes
- thoroughly evaluate all options for change and service redesign, including options for investing to save, and monitor the impact of change on council priorities and desired outcomes
- support communities to develop their ability to fully participate in setting council priorities and making decisions about service redesign and use of resources
- ensure councillors get support to develop the right skills and knowledge to fulfil their complex and evolving roles
- ensure there is clear public reporting of performance linked to council priorities to help communities gauge improvements and understand reduced performance in lower priority areas
- continue to work to understand the reasons for variation in unit costs and performance, and collaborate to identify and adopt good practice from each other.

Self-assessment tool for councillors

This self-assessment captures a number of potential questions for councillors and relates to our report *Local government in Scotland 2017: Performance and challenges*. It is designed to help councillors identify how well informed they are about key issues in their council and to highlight areas where they may wish to ask further questions of officers.

As part of *Local government in Scotland: Financial overview 2015/16* published in November 2016, we produced a **checklist for councillors** related to financial matters. This may be useful to help councillors identify how well informed they are about financial issues in their council.

How well informed am I?		
Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
Workforce planning (paragraphs 24-32)		
What do you need the workforce to look like in terms of numbers, skills and knowledge?		
Does your workforce data allow accurate analysis of changes to the workforce at an organisation and department level?		
Do you have an organisation-wide workforce plan with realistic targets and timescales for meeting objectives?		
Do you think your organisation-wide workforce plan will ensure staff reductions do not have a negative impact on the skills mix and ability of your council to scrutinise, manage and deliver services effectively?		
Do you have the staff and skills necessary to manage change and deliver services?		
Scrutiny (paragraphs 39-40)		

How well informed am I?

Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
How well do you scrutinise decisions on financial and service performance?		
How do you ensure you have the knowledge and expertise you need to scrutinise effectively?		
Community engagement (paragraphs 52-53 and 61-63)		
How are you involving local communities and empowering them to design and deliver services to suit local needs?		
Does your council have regular discussions with communities about service priorities and what level of service the council can afford to provide going forward? What is your role as councillor in this?		
How can you consider more business in public?		
Public satisfaction (paragraphs 50-51)		
How can you better engage with local communities to understand why public satisfaction is declining?		
What level of complaints does your council receive? For which departments? How has this changed?		

How well informed am I?

Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
Are appropriate systems in place to deal with complaints?		
Councillor skills and training (paragraphs 54-57)		
How can you ensure that you have the right skills and knowledge to help carry out increasingly complex and challenging roles efficiently?		
Transformational change and service redesign (paragraph 61-63)		
How fully have you appraised all options for delivering services differently?		
Do you need to invest in any skills, for example, change management?		

Appendix 2 - Supplement 2: Good Practice

Local government in Scotland:
Performance and challenges 2017

Good Practice

This supplement provides a summary of the good practice we identified during the audit. It is not an exhaustive list of all good practice across Scotland but provides examples of councils improving performance, improving processes, making savings or adopting innovative approaches. This may be a useful source of reference for councillors and senior officers when considering service redesign.

The Improvement Service and SOLACE also maintain the Innovation Exchange www.innovationexchange.scot/. This may also be a useful source of information on innovative projects being taken forward by Scottish councils. Councils can also access contact details for each project if they would like to find out more about a particular case study.

Digital and online solutions

Digital and online solutions provide opportunities for councils to significantly reduce costs. The estimated cost of a face-to-face visit is £8.21, a telephone call is £2.59 and an online transaction is £0.09. (Figures from Society of Information Technology Management).

Glasgow City Council

Glasgow City Council has launched a myglasgow app and a new website which allows users to request services online (for example, request a bulk uplift). This is expected to deliver savings of £3 million a year and improve the customer experience.

Improving procurement

East Ayrshire Council

Through service redesign, councils are also procuring new models of care. For example, in East Ayrshire Council, changes to its model of care for supported living from 24-hour care per person to more flexible care that promotes independence has saved the council almost £500,000 in 2016/17 (around 40 per cent of costs). The council also reports improved service user satisfaction.

Reducing unit costs

Glasgow City Council

Glasgow City Council reduced the cost of collecting council tax in real terms from £18.48 per dwelling in 2010/11 to £10.98 in 2015/16. It achieved this by redesigning processes, better use of technology and closer working with partner organisations. Over the same period, the collection rate increased from 92.3 per cent to 94.7 per cent.

City of Edinburgh Council

City of Edinburgh Council has reduced the net cost of street cleaning per 1,000 residents by over 50 per cent in real terms, from £37,006 to £16,646, with the council's cleanliness score only falling by 0.4 percentage points from 90.5 per cent to 90.1 per cent.

Community engagement

North Ayrshire Council

North Ayrshire Council reviewed its library opening hours in consultation with local communities and reduced the service by 475 hours a year, saving £315,000.

Options appraisal/review

South Ayrshire Council

The council has developed a comprehensive review system to help approve and reform services. This follows a nine-step process and includes topic selection, approval, consultations and options appraisal. The reviews and consultation procedures involve staff at all levels, trades unions and service users.

Through this approach, the council has reported that it is starting to achieve positive results. For example, in April 2015, the council carried out a property maintenance service review that concluded that there has been an overall average increase in productivity of staff of 15 per cent from 2014; and an increase in the number of jobs completed on time, from 68 per cent in 2013/14 to 87 per cent in 2015/16.

Stirling Council

Auditors at Stirling Council reported that the council has a project-driven approach where all projects need to be fully backed up by business cases and completed option appraisals before a decision is taken. Options are effectively challenged throughout the process to ensure that they are achievable and that the project provides value for money.

Sharing services

East Dunbartonshire, Inverclyde and West Dunbartonshire councils

East Dunbartonshire, Inverclyde and West Dunbartonshire councils are exploring opportunities to share a range of services, beginning with roads and transportation services. In February 2016, the councils estimated that they may be able to generate recurring savings of 15 per cent of current spending on these services by 2020.

Participatory budgeting

Comhairle nan Eilean Siar

Community members were involved in designing and procuring the Uist and Barra public bus service. The procurement process involved using an 'output performance specification'. In this, participants were asked at various public meetings to define their priorities, rank types of services and vote for their preferred price/quality ratio. The final decisions were made by panels of local people. This participatory budgeting approach has provided a more responsive service for the local community and the council has reported an increase in uptake since it began in March 2016.

City of Edinburgh Council

'£eith Decides' is the longest-running participatory budgeting project in Scotland and has been used by Leith Neighbourhood Partnership since 2010/11. The approach involves the local community deciding how 50 per cent of the partnership's community grants fund is spent. In 2014/15, a total of 1,625 people took part in scoring projects (an increase of 66 per cent on the previous year) and £22,092 (in grants of up to £1,000) was allocated to 25 projects. In addition to this, the number of people engaged in local decisions has increased significantly, from 320 in 2010/11 to 1,625 in 2014/15.

North Ayrshire Council

In November 2016, the council launched one of Scotland's largest online participatory budgeting projects in collaboration with Young Scot. Around 5,000 young people aged 11-25 years in North Ayrshire used Young Scot's online voting platform to allocate a share of £60,762 to youth projects in their local area.