

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	14 November 2018
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Audit Scotland Report: Challenges and Performance 2018
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Provide the Committee with a summary of the information contained within the Audit Scotland Report 'Challenges and Performance 2018' published in April 2018.

2. Recommendation(s)

2.1. The Committee is asked to note the following recommendation(s):-

- (1) that the key messages and recommendations are noted;

3. Background

3.1. In April 2018, Audit Scotland published the above report on behalf of the Accounts Commission. This 'overview' report is prepared each year and covers key areas of current and future activity relative to local government and an opinion on how these are, or should be, managed. The document complements the Commission's *Local Government in Scotland: Financial Overview* report, published in November 2017.

3.2. The Accounts Commission regards these two reports as providing an overall statement of the state of the local government sector, including the key issues as they see it. They also inform the work of auditors preparing annual reports on councils, as well as the teams undertaking Best Value Assurance Review work on selected councils.

3.3. This report provides a summary of the challenges and performance document.

4. Key messages

4.1. The Audit Scotland report is divided into 3 parts, namely:

- Part 1: The challenges for councils
- Part 2: Councils' response to the challenges
- Part 3: The impact on council services

4.2. There are a number of key messages noted within the report:-

- ◆ Local government in Scotland continues to operate in a complex and changing environment that involves increasing levels of uncertainty. 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. 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. 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.
- ◆ While councils have done a considerable amount to manage the impact of continued budget reductions, and have maintained or improved performance in a number of areas, there is some evidence that budget cuts are having an impact on services, and customer satisfaction levels have fallen. 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.

4.3. On the **challenges** facing councils, the report highlights the following:-

- ◆ Councils are operating in a complex, changing and increasingly uncertain environment. The sector faces potentially significant change from the UK's decision to leave the European Union. The review of local governance announced by the Scottish Government and COSLA may have a significant impact on councils.
- ◆ Council revenue funding from the Scottish Government has fallen in real terms by 9.6 per cent between 2010/11 and 2018/19. This has presented councils with a major challenge in delivering services and making savings. However, some national policies and ongoing spending commitments, such as pension and debt costs, mean there are limitations on where councils can make savings. Education and social care services are taking up a growing proportion of council spend.
- ◆ Scotland's population is getting older, leading to increased demand for social care services and fewer working age people to fund public services. Under current arrangements, some councils can expect to see Scottish Government funding fall further than others as their total population declines, while their older population grows and demand for services increases.
- ◆ New legislation involves councils developing fresh approaches to community empowerment. There are some examples of good work taking place, however councils are, in the main, still at the early stages of realising the ambitions of the Community Empowerment Act. In 2016, only 23 per cent of adults agreed that they can influence decisions affecting their local area.

4.4. Turning to the way in which councils are **responding** to the challenges, the key messages are:

- ◆ Councils are increasingly using their reserves. Long-term financial planning is not easy but is vital in helping councils deliver sustainable services.
- ◆ Reducing staff numbers has been one of the main ways councils have reduced their spending. Given the changes in workforce to date and the expected new demands on councils, robust workforce planning is essential to ensure councils have the right people, who have the right training and skills, to deliver their priorities.

- ◆ Achieving transformational change is increasingly vital to councils as they respond to reductions in funding. Councils need to ensure they have effectively planned and invested to deliver their transformational programmes and that staff have the necessary skills. Cohesive and decisive leadership is essential to address the significant challenges councils face.

4.5. The report contains several recommendations for councils. These are listed below, together with an assessment of the position in South Lanarkshire Council:

Councils should ensure they are continuously improving their work in key areas by:	SLC position
Looking to the future:	
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> The Council developed its new strategic plan for the period 2017-2022 following a thorough review and analysis of PESTLE factors impacting on the work of the council. A mid-term review of the Council Plan will refresh this analysis to ensure the Plan remains responsive to the environment in which the Council operates. Annual Resource Plans contain detailed information on how Resources understand the landscape in which they operate. This includes demographics, policy and legislative changes, as well as social, economic and technological drivers of change.
<ul style="list-style-type: none"> using this information to inform council priorities 	<ul style="list-style-type: none"> The Council's investment decisions reflect its priorities and its understanding of current and future pressures, with additional support being provided for social care, education, roads and housing.
<ul style="list-style-type: none"> developing long-term financial and scenario planning that takes these factors into account and considers the impact on all their services and their users 	<ul style="list-style-type: none"> The Council has approved a medium / long term financial plan, covering 10 years from 2019/20. The strategy covers the short and medium term requirements and sets out the council's assumptions in terms of commitments, grant funding and efficiency requirements. With only one year notification of grant funding, there are inherent difficulties in planning longer term with any certainty.
<ul style="list-style-type: none"> considering how to make the most of new technology, for example streamlining processes and communicating differently with service users 	<ul style="list-style-type: none"> The Council has a Digital IT Strategy for the period 2017-2020 which addresses the need to make the most of new technology for delivering services and communicating with service users.

<p>Councils should ensure they are continuously improving their work in key areas by:</p>	<p>SLC position</p>
<p>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</p>	<ul style="list-style-type: none"> • The South Lanarkshire approach to community participation and empowerment is underpinned by the principles contained within the national standards for community participation and engagement. • A report to the Executive Committee on 27 June 2018 set out a new approach to community participation and engagement. • Communities have a wide range of opportunities to be consulted on council priorities, including on the Council Plan, the budget consultation process, and consultation on the Community Plan. • There was full consultation in the development of the LOIP, which articulates an agreed shared vision and an Overarching Objective to tackle poverty, inequality and deprivation. • The CPP is piloting a Locality planning approach – called Neighbourhood Planning in 3 of the most deprived areas of South Lanarkshire. This has involved a door to door and online survey of local residents to identify priorities and the establishment of joint resident and officer workstreams to progress issues further and pave the way for Neighbourhood Plans early in the New Year. Community engagement and capacity building on Neighbourhood Planning is being delivered by two third sector organisations - Community Links and Healthy n Happy Community Development Trusts. • Over 1,200 households took part in the Our Place, Our Plan survey mainly via door step dialogues, with others with the necessary skills and access engaging online. This represented around 15% of all households. • The Council is developing an approach to delivering on the requirements around participatory budgeting to ensure that the target spend that is subject to the Participatory Budgeting and community choice are met by 2020.

Councils should ensure they are continuously improving their work in key areas by:	SLC position
Focusing on the delivery of priority outcomes through:	
<ul style="list-style-type: none"> working with communities to understand their needs 	<ul style="list-style-type: none"> As noted above.
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> A full induction training programme to introduce Elected Members to both the role and objectives of the Council and their role and responsibilities as elected members both within the Council and in any outside bodies to which they have been appointed by the Council was delivered following the election in May 2017 until the end of the financial year. A training needs analysis has been conducted by Learning and Development to inform the elected members' training plan for 2018-19. Training sessions delivered or planned so far for 2018 include Personal Safety, Data Protection, Governance, Best Value, Longer Term Financial Strategy, The Role and Powers of the Integration Joint Board, Community Participation and Engagement. Members' Awareness sessions are held to allow members to understand the issues, and to assist them to take fully informed decisions. Monthly meetings of Leaders of the political groups in the Council are held to discuss relevant issues. As noted above, the council has a Budget Strategy and a longer term outlook covering 10 years. The strategy covers the short and medium term requirements and sets out the Council's assumptions in terms of commitments, grant funding and efficiency requirements. The Council recently approved the Council Plan for the period 2017-2022. The actions and measures associated with achieving the Objectives of the Council Plan are linked to the budget planning process, our workforce planning and also to the arrangements for performance management and public performance reporting. Taken as a whole, these arrangements ensure that we resource the Council Plan, manage its delivery and report our progress transparently and effectively.

Councils should ensure they are continuously improving their work in key areas by:	SLC position
	<ul style="list-style-type: none"> • Through the financial strategy, the Council can ensure that it sets a budget that aligns to the ambitions of its Council Plan. The Financial Strategy is a corporate plan which involves communication with senior officers of all Resources of the Council, uses horizon scanning, and ensures financial implications are considered. • The long term strategy approved on 15 August is an integral part of the Councils planning arrangements taking into account the councils aims and objectives, sitting alongside the Councils plans including Workforce Plan, Asset Management Plan, and the development of Local Outcome improvement Plans. The Council's approved capital and Treasury management plans also feed into the Financial Strategy. • The Financial Strategy covers the Councils use of reserves, which are held for specific purposes, including future budget pressures. A principle of the Finance Strategy is that we will consider the use of Reserves to support the council budget going forward.
Establishing robust change strategies and developing realistic plans for transforming services, which incorporate:	
<ul style="list-style-type: none"> • effective leadership and good governance arrangements • robust options appraisal • strong financial management 	<ul style="list-style-type: none"> • On an ongoing basis, the Council examines options for change, service redesign and opportunities for efficiencies. Examples of change and transformation projects include: <ul style="list-style-type: none"> ○ the Roads Review, which has strengthened governance, quality control and built additional

Councils should ensure they are continuously improving their work in key areas by:	SLC position
<ul style="list-style-type: none"> properly scoped and resourced plans 	<p>capacity in key areas;</p> <ul style="list-style-type: none"> the Property Review, which has cut property costs in excess of £2m per annum through reduction in rents and release of 9,200 square metres of office accommodation; and work with the Integration Joint Board to shift the balance of care enabling more people to be cared for at home or in homely settings. <ul style="list-style-type: none"> Impact assessments are carried out on reviews prior to implementation and impacts are monitored through ongoing performance management and reporting through Resource and service planning. Investment has been made in the 2018/19 budget in relation to Investment to support priorities. This included funding to provide additional teachers, classroom assistants, and expand Employability programmes for Early Years and Social Care.
Ensuring change strategies are supported by:	
<ul style="list-style-type: none"> realistic savings plans with long-term implications and mitigation against unintended impact on other services and communities 	<ul style="list-style-type: none"> As noted above.

Councils should ensure they are continuously improving their work in key areas by:	SLC position
<ul style="list-style-type: none"> • effective workforce planning to retain and recruit people with the right skills to deliver sustainable future services 	<ul style="list-style-type: none"> • The Workforce Planning Strategy was approved at the Executive Committee of the Council on 13th April 2016. • The Workforce Plan is supported by a range of policies to support the change processes. In particular, to support instances where redeployment may be required as an outcome of workforce planning or efficiency process, the Council updated its Switch2 policy in March 2016. The policy has been adapted to more easily allow us to match employees' skills and knowledge to the other areas of the council. • The Council's workforce plan 2017 – 20 was approved at Executive Committee in March 2017 and Resource specific workforce plans are in place and will be updated annually to take account of changing circumstances • There is a workforce planning review cycle for Council wide and Resource workforce plans and the plans will be reviewed in 2019. • The annual review of the workforce plan will commence Autumn 2018 and workforce planning sessions will be held with Resources to inform any proposed changes
<ul style="list-style-type: none"> • income generation plans 	<ul style="list-style-type: none"> • A Council wide charging policy is being prepared for members' consideration. Income and charges have featured as part of budget strategies over recent years. The charging policy takes into account the Audit Scotland guidance on charging.

<p>Councils should ensure they are continuously improving their work in key areas by:</p>	<p>SLC position</p>
<ul style="list-style-type: none"> workforce and member support, training and development 	<ul style="list-style-type: none"> The council has a comprehensive programme of learning and development which is reflected in each Resource Learning and Development Plan. The council is committed to building a workforce for the future, through our Foundation, Modern and Graduate Apprenticeship programmes. Councillors have access to Learn Online which provides a range of materials relevant to their role. Councillors are periodically asked if they have any specific training needs and the programme for 2018 includes training sessions on good governance, risk and audit, membership and role of ALEOs, and media training for Councillors with public roles. Briefing sessions are held on financial planning for the revenue budget and associated efficiencies. Briefings are held on other topics as required. As well as internal briefing sessions, members are given the opportunity to participate in the Improvement Service's Masterclasses. An induction programme, ongoing learning and development programme and access to Improvement Service training materials was made available to new and returning members following the Local Government Elections in May 2017. Finance services have delivered training, and Members have also received externally provided finance training from CIPFA. Members of the Risk and Audit Scrutiny group also received training over multiple sessions including one run by Audit Scotland.
<p>Evaluating and reporting:</p>	
<ul style="list-style-type: none"> the impact that significant budget reductions, savings, workforce changes and service redesign are expected to have and have had on service delivery and quality 	<ul style="list-style-type: none"> Equality Impact Assessments are conducted on all savings proposals and the outcomes of reviews. Potential impact on service delivery and quality is noted as part of the budget savings proposals which are approved by Committee each year.

Councils should ensure they are continuously improving their work in key areas by:	SLC position
<ul style="list-style-type: none"> • using the data collected and monitored to report publicly on the quality of services, as well as user satisfaction with those services. 	<ul style="list-style-type: none"> • Performance reports on the progress of the Council Plan, Connect, are provided to Councillors at Q2 and Q4 each year, and Resource Plans with more detailed information are also reported twice-yearly. Information in relation to how the Council performs relative to other councils is provided via the Local Government Benchmarking Framework, which is reported each year to the Executive Committee and the Performance and Review Scrutiny Forum. • The Council publishes an Annual Performance Report each year, and this is supplemented by a comprehensive suite of performance reports on the council's website. The Local Government Benchmarking results are also published on the website each year, together with narrative which explains the trends and how the information might be interpreted.

4.6. In addition to the recommendations shown above, the report is accompanied by a "scrutiny tool" for councillors, which has example questions that councillors could ask to help them perform their role. These questions are shown at Appendix 1.

4.7. The report also contains a link to an interactive online tool (<http://www.audit-scotland.gov.uk/local-government-in-scotland-challenges-and-performance-2018>) which allows users to access a range of data to assess how councils are performing relative to others.

5. Next Steps

5.1. The Committee is asked to note the contents of this report.

6. Employee Implications

6.1. There are no direct employee implications.

7. Financial Implications

7.1. There are no direct financial implications.

8. Other Implications

8.1. Considering the detail of the report and identifying actions as appropriate contribute towards effective risk management.

8.2. There are no significant implications for sustainability in terms of the information contained in this report.

9. Equality Impact Assessment and Consultation Arrangements

9.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.

9.2. There is no requirement for consultation on the content of the report.

Paul Manning
Executive Director (Finance and Corporate Resources)

5 November 2018

Link(s) to Council Objectives/Ambitions/Values

- Achieve results through leadership, good governance and organisational effectiveness

Previous References

- None

List of Background Papers

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

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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