Report

Report to:	**Performance and Review Scrutiny Forum**
Date of Meeting:	**26 October 2021**
Report by:	**Executive Director (Finance and Corporate Resources)**

Subject:	**Audit Scotland Report: Local Government in Scotland Overview 2021**

1.   Purpose of Report
1.1.   The purpose of the report is to:-

   ♦ provide the Forum with a summary of the Audit Scotland Report 'Local Government in Scotland: Overview 2021' published in May 2021

2.   Recommendation(s)
2.1.   The Forum is asked to approve the following recommendation(s):-

   (1)   that the key messages and recommendations be noted.

3.   Background
3.1.   In May 2021 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.

3.2.   The report notes that the Covid-19 pandemic has created an unprecedented set of issues and challenges for councils, their partners and for communities. The shape of the recovery and renewal curve is not yet clear, nor are many of the longer-term impacts on the economy, communities, and public services.

3.3.   The latest Local Government Overview (LGO) is the first in a series of reports that will reflect on the evolving and long-term nature of the impact of Covid-19. The 2021 report considers the initial response of councils while future reporting will give a more detailed analysis of the impact and lessons learned from the pandemic.

3.4.   This report provides a summary of the Local Government in Scotland Overview document, which can be read in full here: Local government in Scotland Overview 2021 | Audit Scotland (audit-scotland.gov.uk).

4.   Report Content and Key Messages
4.1.   The report considers the impact of the pandemic across 3 themes:-

   ♦ **Communities and people.** Community wellbeing and the role of communities in responding to the crisis.

- **Service delivery and partnership working**. The adaption of service provision and working with partners.
- **Service case study focusing on planning.** The financial impact of responding to Covid-19, use of resources and changes to governance arrangements.

The key messages and lessons learned are considered in turn below.

5.   Communities and People
5.1.   Key messages:-

- The Covid-19 pandemic is having a profound impact on all aspects of society, including the economy, jobs, and the physical and mental health of the public. The negative impacts have been greater for those already experiencing socio-economic disadvantage, and existing inequalities have intensified.
- Councils have been at the centre of the response to the pandemic, supporting communities through these difficult times. They responded quickly and put their initial focus on maintaining service delivery and protecting communities.
- Relationships with communities have been vital. Councils and communities have worked well together to manage local responses to Covid-19. These included supporting initiatives to promote wellbeing and support people who were shielding and facilitating community support hubs.
- Existing partnerships that were stronger before the pandemic made a smoother transition into the response phase, as there were fewer barriers. Moreover, some communities were able to offer a faster and more targeted response and deliver some vital services as a result of having fewer formal decision-making structures.

5.2.   Lessons learned:-

- The impact of Covid-19 has been extremely detrimental for many of Scotland's most vulnerable people and communities. The impact will be long-lasting and will significantly increase inequalities. Recovering from the pandemic will require tackling inequalities to be a priority.
- As councils may look to embed longer-term changes to service provision as seen during the pandemic, it is important that they are adaptable in their approach, to ensure that services are reaching communities in the right way. Councils need to understand the needs of those experiencing digital exclusion and put a strategy in place to ensure equal access to services for all citizens and communities.
- Action taken by communities has been vital in supporting councils and their partners to deliver an emergency response. Partnerships that were well-established before the pandemic had a smoother transition into the response phase and acted more quickly than others. The importance of strengthening relationships with communities has been apparent.
- Greater flexibility in decision-making structures has been an effective tool for communities, empowering them while allowing the council to operate more efficiently. Giving communities more scope to use initiatives like this will be important in the future but must be balanced with the return of robust governance arrangements and continued openness and transparency in decision-making.

6.   Service Delivery and Partnership Working
6.1.   Key messages:-

- Councils were central to the national Covid-19 pandemic response to supporting communities and vulnerable groups, alongside partners in health and social care and voluntary sectors. They responded quickly to the pandemic, placing their initial focus on maintaining essential services and protecting communities.

- Councils proved agile in adapting service provision, by redirecting resources and using digital technology, which allowed them to rapidly change service delivery arrangements. Council workforces demonstrated versatility by adapting quickly, taking on new roles and working under pressure to maintain key services.
- Levels of service disruption have varied. Services such as education, social care and culture and leisure were badly affected, while other core services continued on a reduced basis. Services that could be delivered by people working from home were most resilient.
- The disruption to services had significant negative impacts on vital areas and on some client groups. These included carers who lacked access to respite care, people with learning disabilities who lacked access to important services and wider support, and school children, who experienced significant disruption to their education.
- Communities experienced significant service disruptions alongside the wider impact of the pandemic. This created further challenges including job losses and increased economic uncertainty, the impact on people's mental health, and increased child protection risks during lockdown.
- There will be an increased need in future for staff to be agile as services continue to evolve in line with the pandemic and the recovery phases. Councils must also manage the pressures on staff to ensure their people are not put at risk of burnout as the pandemic continues.

6.2. Lessons learned:-

- Councils must closely monitor the impacts of service changes and disruptions on people and communities. There are growing concerns about the effects of service disruptions on different groups, for example the impacts of moving school education into homes and online on disadvantaged and vulnerable children and young people, and of reduced or paused care services on people who rely on them and their carers.
- Councils must develop targeted responses to tackle both the immediate negative impacts of the pandemic and the long-term inequalities that have been exacerbated. As councils embrace longer-term digital service provision, they must balance the efficiencies digital services bring against the needs of communities and the workforce. Citizens must be at the heart of decisions about the services they rely on.
- Councils and their staff have been at the centre of unprecedented efforts to protect and support people and communities through the Covid-19 pandemic. Demands on people have been intense, and both council staff and the citizens they serve will need continued targeted support through the move to recovery and renewal. Councils' recovery and renewal efforts must be informed by comprehensive understanding of the issues that affect all those who live and work in their communities, and the positive partnerships built on during their initial response should be a core element in this.
- The impacts of the pandemic, particularly its unequal impacts on groups in society and the awareness it has raised of issues of fairness and equality, the importance of community and the value of local services are all key to deciding future priorities for public services and what 'building back better' might mean for communities.

7.   Resources and Governance

7.1.   Key messages:-

♦   There were significant changes in council governance structures and processes. At the onset of the crisis, councils suspended or revised their meeting schedules, and adopted different approaches to decision-making. Virtual meetings were established in growing numbers of councils, and all councils now hold remote meetings. There is now less reliance on delegation to officers or emergency committees than in the early stage of the pandemic, but councils must continue to balance the need for urgent decision-making with transparency.

♦   Councils continue to face significant financial challenges, and these have been exacerbated by the pandemic The Convention of Scottish Local Authorities (COSLA) estimated that the total net financial impact of Covid-19 in 2020/21 would be £767 million. This includes forecast financial pressures of £855 million, with loss of income accounting for around £400 million of this total. The financial pressures have been offset slightly by estimated cost reductions of £88 million from a range of areas such as lower property costs and reduced school meal costs.

♦   The Scottish Government has provided substantial additional financial support, but the nature and timing of funding has created further challenges for councils. Funding announced by the Scottish Government by February 2021 is likely to support councils in covering the net financial impact of the pandemic for 2020/21. This additional funding includes a significant element of one-off grant funding, therefore, this may present financial sustainability risks for some councils in future years.

♦   Furthermore, funding announcements have been frequent but not regular, and in some cases specific conditions are attached. This has created an additional administrative burden for the Scottish Government and councils arising from awarding and accepting grants and completing the related reporting requirements.

♦   The differential impact of Covid-19 on some groups and communities has implications for the Scottish Government's approach to the distribution of funding, which comes on top of difficult fiscal decisions about the funding of public services in the wake of the pandemic.

7.2.   Lessons learned:-

♦   The timing and nature of funding for local government is creating pressure and uncertainty for councils beyond the current financial year. Funding is being provided incrementally and the lack of certainty regarding future budgets makes effective short and medium-term planning very difficult for councils.

♦   Covid-19 will have long-term impacts on councils and the communities that they serve. Councils are likely to require additional support to address the challenges of remobilising services, and supporting social and economic recovery. If additional funding is provided with specific conditions or is ring-fenced for specific purposes councils will then be forced to make difficult prioritisation decisions with potential negative impacts on other services. A lack of flexibility in future funding may lead to a differential impact on service delivery and exacerbate existing financial sustainability risks.

♦   As reported in Local government in Scotland: Challenges and performance 2018, services such as planning, cultural services, environmental health and roads have borne the brunt of service cuts in recent years. The trend has been one of larger reductions to relatively smaller service areas with no change in real terms to social care and education spending. The increased financial constraints created by Covid-19 are likely to create a further risk to recovery should smaller

services face further cuts. This will adversely affect councils' ability to provide important services that people and communities rely on.

♦ Councils have reacted well to the changing environment and have acted quickly to implement new governance arrangements that are safe and flexible. Although delegation to officers and emergency committees was undertaken at some councils in the early stages, it is welcome that all 32 councils now have arrangements in place to support remote meetings. It is likely that the requirement for remote meetings will continue for some time, therefore all councils should ensure that public participation is facilitated as soon as possible to provide openness and transparency in decision-making.

♦ Councils' medium-term financial plans will need to be updated to reflect the significant financial impact of the Covid-19 pandemic. Although considerable challenge and uncertainty still exists, it is important that councils have a plan in place that identifies medium-term impacts so that steps can be taken to manage risk and plan effectively. Good medium-term financial planning, based on modelling various future scenarios and focusing on clear priorities, is more important now than ever.

8.   General Conclusions

8.1.   Looking to the future, councils have started to plan for longer term recovery from the crisis. In progressing towards this, there must be recognition that a return to 'business as usual' will not be possible and that the negative impacts of the pandemic will be felt for years to come.

8.2.   We are still learning about the significant long-term challenges, and councils' recovery and renewal plans should address the longer-term implications of the pandemic for local economies, communities and individuals. Recovery plans must also recognise the longstanding issues of inequality that exist and set out actions to address the differential impact of Covid-19 on different groups.

8.3.   There has been some ongoing learning resulting from the emergency response to the pandemic. Councils' service delivery arrangements and working practices changed at an unprecedented pace and on a scale that would have been considered impossible in the past. The need to respond quickly with simplified procedures has allowed councils to operate more flexibly and achieve outcomes that would previously have taken much longer. It is important that councils now consolidate and build on the factors that allowed this level of change and innovation to take place so quickly.

8.4.   Councils should also identify the positive developments to take forward into renewal planning to maintain this momentum. It is also important for councils to avoid the risk of reverting to 'business as usual' in areas where new ways of working are having positive outcomes, for example flexible working and an increase in digitally enabled services. We will consider further lessons learned in more detail in future local government overview reports.

9.   Employee Implications

9.1.   There are no direct employee implications.

10.   Financial Implications

10.1. There are no direct financial implications.

11.   Climate Change, Sustainability and Environmental Implications

11.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

12.   Other Implications

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

13.   Equality Impact Assessment and Consultation Arrangements

13.1. 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.

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

Paul Manning
Executive Director (Finance and Corporate Resources)

18 October 2021

Link(s) to Council Values/Ambitions/Objectives
- Accountable, effective, efficient and transparent
- Ambitious, self aware and improving

Previous References
- None

List of Background Papers
- Audit Scotland Report 'Local Government in Scotland: Overview 2021'

Contact for Further Information
If you would like to inspect the background papers or want further information, please contact:-
Tom Little, Head of Communications and Strategy
Ext: 4904 (Tel: 01698.454904)
E-mail: Tom.Little@southlanarkshire.gov.uk