Report

Report to:	**Performance and Review Scrutiny Forum**
Date of Meeting:	**3 October 2023**
Report by:	**Executive Director (Finance and Corporate Resources)**

Subject:	**Audit Scotland Report: Local Government in Scotland Overview 2023**

1. Purpose of Report

1.1. The purpose of the report is to:-

♦ provide the Performance and Review Scrutiny Forum with a summary of the Audit Scotland Report 'Local Government in Scotland: Overview 2023' published in May 2023

2. Recommendation(s)

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

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

3. Background

3.1. In May 2023, 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 latest Local Government Overview (LGO) is the third (and final) report in a series reflecting on the impact of the Covid-19 pandemic. The 2021 and 2022 reports considered the initial response phase of the pandemic and the second year of the pandemic respectively.

3.3. The latest Local Government Overview builds on the work and examines:-

♦ how has the pandemic affected councils and their performance?
♦ what are the current and future challenges facing local government?
♦ how well placed are councils to deal with the current and future challenges?

3.4. This report provides a summary of the Local Government in Scotland Overview document along with a council position in relation to the recommendations within the LGO.

4. Key Messages

4.1. The Accounts Commission identifies five key messages arising from their analysis:-

♦ **Finances and resources.** Budget constraints and increasing cost pressures are putting councils' finances under severe strain. An increasing proportion of funding is ringfenced or directed for national policy initiatives. While this is important to help deliver national priorities, it prevents councils from making decisions about how funds can be used at a local level, to meet local need. Councils have had to make significant savings to balance their budgets. Increasingly difficult choices about spending priorities and service provision are having to be made.

♦ **Community needs and inequalities.** The pandemic has affected performance across all service areas. There are signs of growing backlogs and declining performance in some service areas. Councils have a clear focus on tackling inequalities but the extent and impact of needs not being met is unclear. Some communities are facing crisis, with persistently high levels of poverty and increasing financial hardship putting additional pressure on services, at a time when councils have less capacity to support them.

♦ **Collaboration.** The scale of the challenges ahead means that radical change is needed. It is only by working more collaboratively that councils and their local partners, communities and the third sector will be able to provide sustainable local services and deliver a significant programme of national reform to tackle issues such as climate change, child poverty and inequalities. The pandemic demonstrated the benefits of partnership working and shared local goals. This needs to continue. Few councils provide services jointly or share professional support services. Many councils engage well with communities and local partners to better understand local priorities and needs. Now councils must better involve service users and communities, including those with lived experience, as they redesign services.

♦ **Leadership.** Leaders must think radically and make fundamental changes to how councils operate in future, building on the collaborative and innovative ways of working many demonstrated during the pandemic. Leaders need to be open with their staff, communities and local partners about the difficult decisions ahead and be clear about how change will be achieved. The level of volatility, uncertainty (such as plans for a national care service) and immediate financial pressures make planning and delivering sustainable change more difficult. Ineffective leadership and high turnover identified at several councils, alongside tensions with central government present risks to their ability to make fundamental changes at the pace needed.

♦ **Workforce.** Increasing workforce challenges, including a competitive labour market and high sickness absence levels, are putting councils under continued pressure. Councils need to innovate by developing the skills and building on the agility, flexibility and joint working demonstrated during the pandemic to make best use of their existing workforce. Wellbeing initiatives must continue and councils should monitor the impact of new ways of working such as hybrid working on both performance levels and staff wellbeing.

4.2. Summing this up, the Overview report states: "Councils have never faced such a challenging situation, with demand and workforce pressures deepening after the Covid-19 pandemic and funding forecast to reduce in real terms. Radical change, achieved through greater collaboration, is urgently needed if councils are to maintain services."

5. Key Themes and Messages
5.1. The report is structured around three main topics:-

- The impact of the pandemic on councils' performance
- What are the current challenges facing local government?
- How are councils responding?

5.2.   The impact of the pandemic on councils' performance.

- Service performance was beginning to stall before the pandemic as a result of long-term reductions in funding and wider pressures. The pandemic has affected performance across all service areas. Some services are showing signs of recovery, but there are also signs of growing backlogs, declining performance in some areas and services at capacity. The extent and impact of needs not being met is not clear.
- Given the service demand and cost pressures facing councils it is unlikely that they will be able to maintain performance across all of the services they currently provide without radical change.
- Councils will need to make difficult choices about what their service and performance priorities are. Strengthening the use of data and consulting and involving communities, especially the experience of service users, will be critical to informing these decisions.

5.3.   What are the current challenges facing local government?

- Councils are operating in an increasingly volatile and uncertain landscape, as pressures increase after Covid-19 and funding is forecast to be reduced in real terms. Some communities are facing crisis, with increasing poverty and financial hardship putting additional pressure on services at a time when councils have less capacity to support them.
- Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected.
- Councils are managing an increasing programme of national reform, including plans for a national care service, which comes with substantial funding implications and increased uncertainty.
- Although local government agrees that reform is necessary, it disagrees that centralising services and structural reform will achieve the improvements needed. While the Scottish Government wants consistency of service across the country, stakeholders have raised concerns about the scale of reform and the time it will take to implement it.
- Increasing workforce challenges such as recruitment difficulties and high sickness absence levels are putting councils under continued pressure.
- While many councils demonstrated strong collaborative leadership during the pandemic, ineffective leadership and high levels of change in senior officers identified at several councils present a risk.

5.4.   How are councils responding?

- Councils must focus urgently on solutions that will deliver a sustainable future for local government.
- Councils need to balance immediate financial pressures with planning for and delivering long-term sustainable services.

- Leaders need to invest time and capacity into thinking radically about their councils' future operating model, how it will be achieved and be open with communities and staff.
- Councils need to collaborate with communities, other councils and the wider public sector to tackle the challenges.
- Workforce planning must improve so that councils have the staff, skills and leaders needed to bring about change and create a resilient workforce for the future.
- Councils have a clear focus on tackling inequalities and strengthening the use of data will help them to better understand community needs and focus fundamental change on improving long-term outcomes.

5.5. The report's **recommendations** are shown below, with an assessment of the council's position and any action considered necessary.

Recommendation	South Lanarkshire Council position and action proposed if required
Finances and Resources Councils need to set out medium to long-term financial plans that detail:- • how they will make recurring savings and reduce reliance on reserves to fill budget gaps • how council resources are targeted to achieve their long-term policy and performance priorities	The Council produced Budget strategies that point towards the medium-term budget plans and includes estimates for budget gaps. Reliance on reserves has been explicitly covered in recent years' budget papers. Recurring savings have been identified in the following year to cover using one off monies. Budget papers highlight where funding is provided for priority areas. In an environment where budget gaps are significant, the ability to invest more funds is limited.
Community needs and inequalities • councils should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need • councils should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources. This includes equalities data, and learning from those with lived experience	Language used in committee reports and public communications has increasingly reflected issues being faced. Also our engagement exercises – example: Community Engagement Programme associated with the Local Governance Review includes information on the financial situation and impact on services. Work has been completed to align data and intelligence to the outcomes within the Council Plan, Connect, and this is reflected in the configuration of our online tools for analysing data on South Lanarkshire and local areas. Further work is underway to define the contents and functionality of a data dashboard which would bring together multiple streams of data under the Council Plan

	outcomes. This would include performance information (such as Local Government Benchmarking Framework (LGBF)); socio-demographic data (such as Scottish Index of Multiple Deprivation (SIMD), census outputs); qualitative data such as case studies and findings from consultation and engagement.
Collaboration Councils need to maximise the potential of collaboration by demonstrating they are:- • working with other councils, the wider public sector and the third sector to redesign and provide services	Participation through Heads of Human Resources (CoSLA) and related working groups, and Society of Personnel and Development Scotland (SPDS) to contribute to national discussion. Participation in Scottish Government working groups eg Fair Work, Effective Voice etc
• involving service users and local communities in the redesign of services	We are developing shared priorities with local residents through neighbourhood planning processes and community partnerships. The on-going engagement work required to develop and deliver these continues to be invested in and we are also involving communities in mainstream and grant based participatory budgeting exercises. Individual services are undertaking engagement across a range of service areas to inform the design of strategies and future plans.
Leadership Councils' leaders need to invest time and capacity in thinking radically about their future operating model, and:- • be open and clear with communities and staff about the need for change, what that means for future service delivery and involve communities in making difficult decisions • set out a clear vision for their long-term policy and performance priorities, and how it will be delivered and monitored • work with the Scottish Government to rebuild an effective relationship.	Public consultation exercises reflect the need for efficiencies and change, notably budget engagement in 2022/2023 and this will be repeated in 2023/2024. Also, Local Governance Review (LGR) exercise noted previously is in large part about involving communities in Shared Decision Making. Staff receive regular updates through personnel circulars and the Chief Executive's weekly blog. The council's long-term policy and performance priorities are set out in the Council Plan, Connect, and are reflected in other key strategic documents including the Community Plan, the Economic Strategy, Climate Change and Sustainable Development Strategy and the Community Wealth Building (CWB)

	Strategy. Delivery of the Council Plan is achieved through actions within annual Resource Plans and actions plans associated with specific strategies (e.g. CWB action plan). The Council's Improve system is used to monitor progress against Resource Plans, Connect and key strategies – reported to Elected Members at Quarter 2 and Quarter 4 each year.
Workforce Councils need to improve workforce planning to effectively develop and deploy their existing workforce. This includes:- • building the capacity, skills, strategic thinking and comprehensive workforce data needed for effective workforce planning • updating workforce plans to reflect new models of service delivery and ways of working, including how they are:- – identifying and addressing skills gaps, at operational and leadership levels – making best use of their existing workforce by collaborating with partners to overcome recruitment challenges – planning for the skills needed to deliver future services, focusing on collaborative and flexible working, including working with the higher education sector to plan and develop skills for the roles needed	Workforce Plans developed for each Resource and approved at Committee in September 2022 and Council-wide workforce plan approved by Executive Committee in November 2022. Any emerging issues or developments are reported through Resource Management Teams, Corporate Management Team and Resource Committees. Links with Scottish Government, SPDS and CoSLA.

5.6.   To accompany the Local Government Overview, the Accounts Commission has prepared a checklist of questions for elected members to consider. The questions cover much the same ground as the recommendations shown at 5.5 above. The checklist is attached at appendix 1 to this report. To aid scrutiny of these questions, officers of the Council have supplied a narrative response to the items in the checklist for elected members' consideration.

6.   Employee Implications
6.1.   There are no direct employee implications.

7.   Financial Implications
7.1.   There are no direct financial implications.

8. Climate Change, Sustainability and Environmental Implications

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

9. Other Implications

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

10. Equality Impact Assessment and Consultation Arrangements

10.1. 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.

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

Paul Manning
Executive Director (Finance and Corporate Resources)

15 September 2023

Link(s) to Council Values/Priorities/Outcomes
- Ambitious, self-aware and improving

Previous References
- Performance and Review Scrutiny Forum - 29 November 2022

List of Background Papers
- Audit Scotland Report 'Local Government in Scotland: Overview 2023'

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

Finances and Resources

Questions for elected members to consider	Suggested answer
1. Has my council developed clear and robust medium to long-term financial plans? Do these plans outline how:- • recurring savings will be delivered • the reliance on reserves to fill budget gaps will be reduced • council resources are aligned towards delivering long-term policy and performance priorities	The Council produced budget strategies that point towards the medium-term budget plans and includes estimates for budget gaps. Reliance on reserves has been explicitly covered in recent years budget papers. Recurring savings have been identified in the following year to cover using one off monies. Budget papers highlight where funding is provided for priority areas. In an environment where budget gaps are significant, the ability to invest more funds is limited.

Leadership

Questions for elected members to consider	Suggested answer
2. Are we (elected members and senior officials) being open with communities and staff about the need for change and the future direction? Is this information being communicated in a way that is transparent and accessible?	Communities, elected members and council officers engage in discussion through community networks and forums. Frequent consultation on budgets, services, strategies and more recently local governance, regularly create space for discussions on change and the difficult financial context we're in.
3. Are we (elected members and senior officials) investing time and capacity into thinking radically about the council's future operating model?	Through training and development, access to digital, through Committees, Forums which cover efficiencies, transformation programmes, budget and workforce planning.
4. Are we (elected members and senior officials) setting out a clear vision for our long-term policy and performance priorities? Does this align to financial plans?	The council's long-term policy and performance priorities are set out in the Council Plan, Connect, and are reflected in other key strategic documents including the Community Plan, the Economic Strategy, Climate Change and Sustainable Development Strategy and the Community Wealth Building Strategy. Budget papers highlight where funding is provided for priority areas. In an environment where budget gaps are significant, the ability to invest more funds is limited.

5. Do I have the leadership skills and knowledge to drive change and deliver priorities? Consider:- • a focus on strategic issues • partnership working (within council, with communities, with local partners) • data-driven approach to decision-making. Do I have access to training programmes or material for any skills or knowledge gaps I identify?	Elected members received a full package of induction training following their election to the Council. Ongoing training is available via the Learn on Line online tool and the Improvement Service which also offers coaching for elected members. Regular members awareness sessions are held on all strategic issues. There are Council Leadership and Management Programmes, professional memberships in place e.g. Solace. Community Planning Partnership, reporting and monitoring LGBF, CoSLA reporting and Scottish Government. Health and Wellbeing initiatives, hybrid working, supports culture and leadership.

Collaboration

Questions for elected members to consider	Suggested answer
6. How are we (elected members and senior officials) increasing opportunities for communities to influence decisions on local priorities? Do we regularly consult with communities to inform various aspects of decision-making including:- • service redesign • identifying strategic priorities • annual budget setting	Consultation takes place across the range of strategy development and there is an annual budget consultation. Likewise, service redesign consultations take place as and when they affect a community. Public views are one of the many factors that must be considered by both decision makers and by communities when changes are taking place.
7. How well is my council collaborating with local partners, communities and the third sector to address the challenges faced in the planning and delivery of services?	The Community Planning Partnership's Annual Report demonstrates that the Council and its partners collaborate well together to improve outcomes for South Lanarkshire. It likewise provides us with the vehicle to address issues of mutual concern as new ones arise. It has both an improvement and a risk plan.

Questions for elected members to consider	Suggested answer
8. Are we working closely enough with other councils to maximise efficiencies and help manage recruitment issues. For example, do we have any shared services or shared professional services?	Participation in national working groups and through SPDS working groups on workforce planning, employment law, pensions etc. These professional discussions support ongoing professional development. Lanarkshire Care Academy has a recruitment and retention workstream. The Council are members of Lanarkshire Firm Base. Lanarkshire Firm Base was created in partnership with North and South Lanarkshire Council's following a request by the Royal Regiment of Scotland for an Armed Forces Covenant to be established.

Workforce

Questions for elected members to consider	Suggested answer
9. Does my council have detailed corporate and service workforce planning in place? Have these plans been updated to:- • reflect the changing nature of services the council provides • ensure the delivery of long-term priorities • address specific skill shortages to build a resilient workforce for the future • consider the impact of an ageing workforce, succession planning and skills development, including leadership skills development?	Workforce Plans developed for each Resource and approved at Committee in September 2022 and Council-wide workforce plan approved by Executive Committee in November 2022. Any emerging issues or developments are reported through Resource Management Teams, Corporate Management Team and Resource Committees. Links with Scottish Government, SPDS and CoSLA. In addition, profiling of the workforce and data analysis forms part of the workforce planning approach.
10. How is my council making best use of the existing workforce in collaboration with partners to overcome recruitment, capacity and skills challenges? What innovative approaches are they using? Consider:- • is my council working with the further and tertiary education sectors to plan for and develop skills for the roles needed (in the short and longer term)?	Workforce Plans also cover this and involvement in national groups CoSLA, Scottish Government and Scottish Negotiating Committee for Teachers.
11. Am I assured that my council is monitoring staff wellbeing and putting initiatives in place to address any concerns?	Maximising Attendance Working Group will identify any areas of concerns and put steps in place to address.

| | Promotion of employee wellbeing initiatives (e.g. mindfulness, full annual calendar or events). |
| | Personnel Teams and managers work closely together to maximise capacity and support to workforce. |

Community needs and inequalities

Questions for elected members to consider	Suggested answer
12. Am I engaging with local communities to communicate the impact of changes on services and the local area? Am I clear on the areas communities would like to prioritise and how am I managing these expectations given the complex challenges the council is facing?	Neighbourhood planning, community partnerships, community asset transfers and participatory budgeting processes are taking place in South Lanarkshire, demonstrating the changes are happening and the community is participating in the future direction. Elected members are supporting this change through Investment Funding for communities to participate in the change and providing encouragement and practical support in some cases.