REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 23 MAY 2018

SUBJECT: LOCAL GOVERNMENT IN SCOTLAND CHALLENGES AND PERFORMANCE 2018

BY: CHIEF EXECUTIVE

1. REASON FOR REPORT

1.1 To inform the Committee of Audit Scotland's report on the Challenges and performance 2018, part of the Local Government in Scotland series of national reports.

1.2 This report is submitted to Committee in terms of Sections III (I) (3) of the Council's Scheme of Administration to consider reports from Audit Scotland concerning Council functions.

2. RECOMMENDATION

2.1 The Audit and Scrutiny Committee is asked to consider Audit Scotland's Challenges and performance 2018 report.

3. BACKGROUND

3.1 This report complements the Local government in Scotland: Financial overview 2016/17, submitted to this committee on 28 June 2017 (para 6 of the Minute refers).

3.2 This report provides a view of the challenges and issues facing councils, as well as their performance and the impact of reduced financial resources **(Appendix 1).**

3.3 The Report Supplement – Scrutiny tool checklist for councillors is attached as an appendix to this report **(Appendix 2).**

4. KEY MESSAGES

4.1 The report identifies the following key messages –

4.1.1 Local government in Scotland continues to operate in a complex and changing environment that involves increasing levels of uncertainty. While details of the terms for the UK's withdrawal from the European Union are not yet clear, there will likely be significant and profound implications for our 32 councils. 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.

4.1.2   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, with forecast funding gaps higher than current levels of reserves for some councils. Where councils have properly scoped, resourced and managed their transformational work, they are more likely to successfully deliver sustainable service change. Cohesive, decisive leadership is required that brings officers, councillors and their Communities together to address the major challenges councils face.

4.1.3   Councils are engaging with the increasingly difficult task of managing the competing priorities of reducing costs and maintaining services for an ageing population. Under current arrangements, some councils can expect to see government funding fall further than others as their total population declines while their older population grows and demand for key services, such as social care, increases. 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.

4.1.4   Councils have done a considerable amount to manage the impact of continued budget reductions, and national indicators suggest they have maintained or improved performance in a number of areas. However, there is also evidence that budget cuts are having an impact on services, and customer satisfaction levels have fallen. Some services are not keeping up with demand and there is a risk that quality is being affected. Smaller services, which often include important regulatory functions, have borne the brunt of funding reductions although the impact of this on these services is not always made clear. 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.

5.   **AUDIT SCOTLAND REPORT RECOMMENDATIONS**

5.1   Councils have done much to reduce spend, deliver services differently and work with their communities, financial and population pressures are likely to continue. Effective leadership and robust planning is more important than ever to ensure council services remain sustainable. Councils should ensure they are continuously improving their work in key areas by:

Looking to the future:

- 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
- using this information to inform council priorities

- developing long-term financial and scenario planning that takes these factors into account and considers the impact on all their services and their users
- considering how to make the most of new technology, for example streamlining processes and communicating differently with service users

Response –
The Council's Corporate Plan 2018-2023 sets out how the Council will meet community planning priorities and any additional targets. Geographical profiling across Moray helped inform these plans. Below sits a range of plans and frameworks that set out how resources will be needed to deliver the Corporate Plan.

The council prepares and considers a three year revenue overview and a ten year indicative capital plan. The council's annual budget is based on these medium term financial plans, and the capital plan is underpinned by the council's Capital Strategy. The most recent update to the Capital Plan was approved by Policy and Resources Committee on 29 August 2017 (para 11 of the Minute refers). The current revenue and capital budgets were approved by Council on 14 February 2018 (paras 9 and 10 of the Minute refers). Budgets are regularly revised to ensure that they reflect true spending levels and patterns, with the primary revision taking place annually after the draft annual accounts are available.

The Digital Public Services project was approved by Policy and Resources committee on 14 April 2015 (para 9 of the Minute refers) delivered across five key themes targeting nine customer groups. Progress was reported to the Policy and Resources Committee on 13 June 2017 (para 6 of the Minute refers). The Audit Scotland report references the Council's more efficient housing repair service as a result of introducing mobile working.

5.1.2 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.

Response –
The Council continues to work with the Community Engagement Group within the Community Planning Partnership to support engagement. Reports on a review of Community Engagement Activity and the Community Engagement Strategy were approved by the Community Planning Board on 7 December 2017 (paras 5 and 6 of the Minute refers).

The Council's Community Support Unit continues to facilitate significant engagement activity, more recently; two pilot Locality Planning (LOIP) projects, around twenty Community Asset Transfer projects, Participatory Budgeting with local community groups, Planning for Real events that received national recognition, as well as engagement activities relating to the Dorenell Wind Farm (near Keith) and Drummuir21, aimed at enabling everyone to enjoy the Drummuir countryside and environment.

5.1.3 Focusing on the delivery of priority outcomes through:

- working with communities to understand their needs
- 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

Response –
The Local Outcome Improvement Plan (LOIP) was developed under the guidance of the Community Empowerment Act, where significant time and energy was invested to gather evidence to 'understand Moray' in relation to the needs, circumstances and aspirations of residents at both a Moray-wide and small community level.

The information was presented to key stakeholders to encourage the addition of professional experience to the evidence base in order to inform the further development of priorities and identify existing strategies that link to the issues.

This rigorous approach has ensured that other high level Council strategies and plans contribute to the delivery of priority outcomes.

5.1.4 Establishing robust change strategies and developing realistic plans for transforming services, which incorporate:

- effective leadership and good governance arrangements
- robust options appraisal
- strong financial management
- properly scoped and resourced plans

Response –
At the Council meeting on 25 May 2016, the establishment of a small dedicated team to support and administer appropriate strategic projects and programmes was approved (para 7 of the Minute refers). Improved governance arrangements for council projects has involved a greater role for Councillors in many larger, strategic projects which the Council is committed to with their inclusion on Programme Boards.

There are three Programme Boards;
- Transforming Learning
- Transforming the Economy
- Transforming the Council (Business)

A more fluid approach to project management provides more relevant and up-to-date information for elected members and stakeholders and brings project governance into line with other major area of project governance within the Council. The approach resonates with best practise nationally.

5.1.5 Ensuring change strategies are supported by:

- realistic savings plans with long-term implications and mitigation against unintended impact on other services and communities
- effective workforce planning to retain and recruit people with the right skills to deliver sustainable future services

- income generation plans
- workforce and member support, training and development

Response –
Workforce Strategy and Workforce Plan for 2017/18 was agreed at the Policy and Resource Committee on 13 June 2017 (para 4 of the Minute refers). Progress against the Plan is reviewed routinely by the Committee, the Corporate Management Team and the Personnel Forum.

5.1.6 Evaluating and reporting:

- the impact that significant budget reductions, savings, workforce changes and service redesign are expected to have and have had on service delivery and quality
- Use the data collected and monitored to report publicly on the quality of services, as well as user satisfaction with those services.

Response –
As part of the Council's Performance Management Framework and other national requirements, the council produces a range of Public Performance Reports annually, signposted on the Council's internet pages.

6 SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))
While key messages from inspectorates inform planning processes, there are no issues directly arising from this report.

(b) Policy and Legal
Inspection processes provide assurances on the policy and practice adopted by services and contributes to the assessment of, and improvements to, governance arrangements of the council.

(c) Financial implications
No financial implications.

(d) Risk Implications
No risk implications.

(e) Staffing Implications
No staffing implications beyond supporting inspection processes from within existing resources.

(f) Property
None.

(g) Equalities/Socio Economic Impact
None.

(h)   Consultations
The Corporate Policy Unit Manager was consulted on this report and comments have been incorporated.

7.   CONCLUSION

7.1   This report provides Committee with key messages from Audit Scotland's Local Government in Scotland Challenges and Performance 2018 report.

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Background Papers:
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