NORTH AYRSHIRE COUNCIL

18 June 2019

Audit and Scrutiny Committee

Title:	**Audit Scotland report: Local Government in Scotland: Challenges and performance 2019**
Purpose:	To inform the Committee of the findings of the recent Audit Scotland national report.
Recommendation:	That the Audit and Scrutiny Committee notes the findings and position in North Ayrshire.

1. Executive Summary

1.1. Audit Scotland recently published its national report 'Local Government in Scotland: Challenges and performance 2019'. The summary with key messages and recommendations is attached at Appendix 1 with the full report and scrutiny tool for councillors available via the links below:

Challenges and Performance 2019 Report

Scrutiny Tool

1.2. The report complements the Audit Scotland report "Local Government; Financial overview 2017/18" which was considered by Council at its meeting on 13 February 2019.

1.3. This covering report highlights the key messages and issues from the recent Audit Scotland report and provides an update on North Ayrshire's position.

2. Background

2.1. The Audit Scotland report 'Local Government in Scotland: Challenges and performance 2019' provides a high-level view of the challenging role of Councils as they respond to the changing needs of their localities and delivery of a range of key national priorities for Scotland. This is in the context of tightening finances, reducing local flexibility, increasing demand for services and more people living in poverty.

2.2. The report highlights the challenges in planning for the future due to high levels of uncertainty including; the UK's withdrawal from the EU, changes to Scottish Government's financial powers and the review of local governance.

2.3. Good progress in developing medium term financial plans through savings, use of reserves and income generation is noted, recognising that Councils have stepped up to the challenge, but that more fundamental transformational change is needed.

2.4. Particular focus is given to the use of data which is fundamental to assessing performance, benchmarking and service improvement. The importance of good quality workforce data is noted as an essential underpin for effective workforce planning, supporting future service delivery.

2.5. The report highlights the Accounts Commission's report "Health and Social Care Integration" which identifies some of the barriers to the pace of change within health and social care partnerships. This is the subject of a separate report on the agenda.

2.6. A high level summary is supported by more detailed analysis in three parts:

- the context for councils;
- how councils are responding;
- council performance and the impact on communities.

2.7. <u>Part 1- The context for councils</u>

2.7.1. The need for councils to respond to an increasingly complex policy agenda with high levels of uncertainty alongside reducing resources and increasing demand is highlighted. Some of the issues are noted below:

- the UK withdrawal from the EU;
- Scotland's new financial and social security powers with the potential for Scottish budgets to become more variable and for this to impact on resources for public services, in particular those which are not protected, including core funding for local government;
- the review of local governance and the impact of this on power and responsibilities between national and local government and communities and partnerships with other organisations, such as the NHS.

2.7.2. The report notes that this context, the lack of transparency of funding allocations and annual Settlements make medium and long term financial planning more challenging and reinforces the importance of effective scenario planning around funding and demand for services.

2.7.3. The significant role for councils, alongside community planning partners, in delivering the National Performance Framework is set out. Examples of this are highlighted; the expansion of early learning and childcare, improving educational outcomes, delivering affordable housing and implementing the Fairer Scotland Duty to reduce inequalities.

2.7.4. The history of councils working with other organisation and balancing regional working, e.g. economic development, including growth deals, and health and social care, alongside maintaining a focus on local priorities, is recognised in the report.

2.7.5. Various aspects of the Community Empowerment Act which seeks to devolve powers to communities are noted, including; community asset transfer, participatory decision making and participatory budgeting.

2.7.6. There is a recognition that more collaborative working can result in more complex governance arrangements but with overall accountability for performance and scrutiny being retained by the Council. Some examples of this include; ALEOs and health and social care partnerships.

2.7.7. The reduction in revenue funding since 2013/14 alongside forecasts of further funding reductions to local authorities over the medium term is noted. The report outlines a number of the factors that are impacting on local government service delivery:

- The growing proportion of local government funding that is protected to support Scottish Government priorities including elements of education e.g. teachers and pupil equity fund, and health and social care. Other factors that are highlighted include loan charge commitments and funding the pay award. The "gearing" effect of protected local government services on future savings options and the impact this may have on sustainability of current services is recognised;
- The challenges associated with shifting demographics and the potential impact this would have on funding levels to meet the additional costs associated with this;
- The pressure on local government services and income as a result of an increase in the number of people living in poverty and the rise in income inequality.

2.8. Part 2 – How councils are responding

2.8.1. The report highlights the key ingredients of the transformational change that is required to take place if councils are to address the challenges they face including:

- effective leadership, good governance, robust options appraisal and sufficient change resources;
- Medium and long term financial planning in anticipation of further real reductions in funding for core local government services alongside pressures from demographic changes to ensure well informed decisions are made which align with the council's key priorities;
- robust organisation wide workforce planning that recognises the aging workforce, recruitment and retention challenges in some business areas, having suitably skilled, valued and engaged workforce and strong leaders that fit with the development and delivery of future service models;
- Partnership working including opportunities for shared services, the need to speed up progress through integration authorities alongside the opportunities of more effective relationships with communities, including those from more deprived areas and harder to reach groups, in influencing how resources are applied, and community planning partners via the Local Outcome Improvement Plan;
- Digital solutions including the collaborative with the Digital Office, increasing online service availability, recognising that on-line is not suitable for all services or residents and the need to ensure compliance with GDPR;
- Effective use of good quality information and data including benchmarking and performance information.

2.8.2. The report considers different ways to increase income including the ability to raise local income via council tax, future discretionary local taxes e.g. tourist tax,

commercial income and charges for services. Reference is made to the development of commercial services and the anticipated CIPFA guidance around this to ensure any ventures don't expose the Council to future more significant risks.

2.9.   Part 3 – Council performance and the impact on communities

2.9.1. The report notes the need to better link resources to councils' visions and priorities ensuring this is reflected in their budget setting arrangements and evident from delivery of outcomes and performance.

2.9.2. The importance of self-evaluation as a tool for understanding performance and making improvements is highlighted alongside easy access to focussed performance information as a key element of accountability to the public.

2.9.3. Development and evolution of the National Performance framework is referenced, noting less progress with health outcomes and lack of availability of a number of the indicators at a local level with the Community Planning Outcome Profile tool allowing communities and councils to drill down to more local data.

2.9.4. Nationally it appears that councils have maintained or improved their performance, despite the reduction in funding, recognising that this varies across local authorities with some evidence that performance improvement is slowing down. The report emphasises the importance of benchmarking as a way of sharing learning and improving service delivery.

2.9.5. Some examples are set out of how service performance has changed over time with narrative on variations between councils. Particular attention is given to education attainment and homelessness, noting that specific audits will consider these during 2019/20. The challenge within social care of meeting demand is recognised.

North Ayrshire position

2.11.   A summary of the position in North Ayrshire on the key issues raised is provided below:

2.11.1. Financial Planning

- The Council has a robust financial planning and management framework including its long term financial outlook, rolling medium term financial plans, reserves strategy and in year monitoring of financial performance;
- Financial Planning aligns with the Council Plan with a revised Budget Report in 19/20 which increased the transparency between decisions and community and equalities impact;
- A new medium term financial planning framework is being developed to support the 2020/21+ medium term financial plan;
- The financial framework is supported by collaborative working across Services with information and options shared with all Members;
- Budget engagement is in place with communities with this being progressed more recently as part of the engagement on the new Council Plan;
- The Council's updated Capital Investment Strategy sets out the key strategies and plans which inform the council's investment decisions and underpins the ten-year capital investment programme.

2.11.2. <u>Transformation</u>

- Consultation on the draft Council Plan is underway, this sets out clearly the next phase transformation;
- A Transformation Think Tank has been established to develop a pipeline of initiatives that will help the council address its future funding challenge with bimonthly reports to the Chief Officers Leadership Team;
- The Council has a discrete team which supports delivery of the Council's transformation agenda, this is complemented by a Change Fund which meets the cost of transformation;
- The Health and Social Care Partnership (HSCP) has a discrete Chief Finance and Transformation Officer who leads transformation within the service seeking to secure financial sustainability, this has delivered improvements during 2018/19;
- Digital and technology are key elements of the future transformation of the Council with significant investment being made to deliver this, evidence of this is provided through an improvement in service uptake via online channels.

2.11.3. <u>Workforce</u>

- A revised framework for workforce planning, underpinned by robust data analytics, was rolled out during 2018/19, this will develop organically as service redesign is implemented influencing the shape of our future workforce;
- Work force plans are refined through regular engagement with services and consider; service redesign, span of control, career development and succession planning, high risk posts and training and development requirements;
- Significant investment is made in leadership through the Blue Wave of Change programme augmented with structured learning and development across our workforce.

2.11.4. <u>Performance</u>

- A refresh of the Performance Management Framework was undertaken during 2018/19 reflecting an approach of Plan / Do / Learn / Act
- In 2017/18 our analysis of the local government benchmarking framework (LGBF) indicators highlight an improvement of more than 10% of indicators in quartiles 1 and 2;
- Use of data to improve performance and support digital mobilisation has been launched across the Streetscene service. Data analysis through Power Business Intelligence software has been vital in supporting services develop their workforce plans.
- A recent Community Learning and Development self-evaluation involving a range of partner organisations delivered one of the best CLD inspection results in Scotland with "very good" across the board and aspects of excellence.
- Preparation for the next stage Best Value audit is underway with the Performance Management Forum learning from the published best value audits.

2.11.5. <u>Community Engagement</u>

- Significant progress has been made in rolling out community empowerment including the establishment of Locality Partnerships and development of the Local Outcome Improvement Plan;
- North Ayrshire has a sector leading approach to its relationship with communities this includes active engagement with communities on how resources are spent e.g. street scene, community asset transfers, application of the Community Investment Fund and participatory budgeting;
- The council is developing its approach to community conversations via a new tool "Consul", this is being rolled out during 2019/20.

2.11.6. <u>Partnership Working</u>

- Effective partnership working is in place with community planning partners, communities via Locality Partnerships and with the Health and Social Care Partnership;
- The Ayrshire Growth Deal has now been secured; this will be progressed on a pan Ayrshire basis to deliver the anticipated economic benefits over the next 10 years.
- The Council continues to work with the Clyde Valley Partnership to deliver a long-term residual waste treatment solution. Dunbar Energy from Waste Facility is now operational.
- North Ayrshire is one of 3 early adopter sites in Scotland leading on the public health priority of "new diet and healthy weight". Working alongside NHS Ayrshire and Arran and building on the success and national recognition of the CPP Active Communities Strategy.

2.11.7. <u>Elected Members</u>

- Significant investment is made in meeting the training and development needs of the Council's Elected Members to ensure they are kept up to date on emerging issues;
- The Policy Advisory Panel provides an opportunity for cross party engagement on key council business.

3.   Proposals

3.1. It is proposed that the Committee notes the findings of the Audit Scotland national report and position in North Ayrshire.

4. Implications/Socio-economic Duty

Financial:	None
Human Resources:	None
Legal:	None
Equality/Socio-economic Duty:	None
Children and Young People:	None
Environmental & Sustainability:	None
Key Priorities:	The external audit report provides reassurance that the Council is operating efficiently and effectively.
Community Benefits:	None

5. Consultation

5.1. No consultation has been required in the preparation of this report.

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For further information please contact **Laura Friel, Executive Director (Finance and Corporate Support),** on **01294 324512**.

Background Papers
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Summary

Key messages

1 Councils face an increasingly complex, changing and uncertain environment which places different demands and expectations on them. Councils are also central to delivering many high-level public sector objectives, such as the integration of health and care services and involving citizens more in decisions about public services.

2 These reforms require councils to collaborate with partners, with the third sector and with communities, to think differently about how they deliver and fund services. Thinking differently about services is important to meet the growing and changing needs of their communities in the coming years. New ways of working can lead to increasingly complicated lines of accountability.

3 Scottish Government revenue funding to councils has reduced in real terms between 2013/14 and 2019/20, while national policy initiatives continue to make up an increasing proportion of council budgets. This reduces the flexibility councils have for deciding how they plan to use funding. At the same time, demands for council services are increasing from a changing population profile. All councils expect an increase in the proportion of people aged over 65 and almost a third of councils expect an increase in the proportion of children under 15.

4 Councils have made good progress in developing medium-term financial planning and continue to manage their funding gaps through savings and use of reserves. All councils increased council tax to the maximum three per cent in 2018/19 and many increased their fees and charges to raise income. Some councils are looking at other options to raise income.

5 Councils need to ensure they have the staff, skills and leaders to deliver change. This requires effective workforce planning, but the quality of planning is inconsistent across councils. An increasing proportion of the workforce is nearing retirement. If there is insufficient succession planning, skills and knowledge will be lost as these people retire. Recruitment into some service areas is becoming increasingly difficult, but national workforce data is insufficient to clearly understand how individual services areas are affected.

6 Despite reducing funding and increasing demands, across local government most performance indicators are improving or being maintained, although some service areas show more strain. There remains performance variation among councils that cannot be readily explained by differences in context or spend. Better use of data and benchmarking could lead to further improvement and efficiencies.

Recommendations

While councils have continued to find ways to manage funding gaps and have made good progress with medium-term financial planning, they face an increasingly complex, changing and uncertain time ahead. To continue to improve the outcomes for their communities within this context, councils need to be open to transformational change and implement new ways of working.

To make effective progress councils should:

- assure themselves that they have adequate leadership and management capacity in place. This should include development arrangements that prepare and support councillors and senior managers to respond to the challenging and changing local and national demands

- undertake long-term financial planning to set out how they will deliver national policy commitments, while continuing to sustain local services with reducing budgets and increasing demands

- continue to seek and implement innovative ways of working and collaborate with communities, partners and the third sector to drive transformational change

- improve data to:

  – help inform the difficult decisions councils have to make

  – support benchmarking, learning and sharing of experience and effective practice with others that will contribute to improving service quality, efficiency and outcomes for communities

- ensure they have workforce planning that is clear about the workforce needed now and in the future, where the gaps are and what training or other action is needed to fill them. This should be supported by better workforce data

- be able to demonstrate how spending decisions and priorities have impacted on service delivery and the outcomes of residents, as well as how they are delivering against the national performance framework.