

---

## **NORTH AYRSHIRE COUNCIL**

**29 May 2018**

### **Audit and Scrutiny Committee**

---

**Title:** **Audit Scotland report: Local Government in Scotland: Challenges and performance 2018**

---

**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 2018', 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 2018 Report](#)

[Scrutiny Tool](#)

- 1.2 This covering report highlights the key messages and issues from the 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 2018' provides a high-level view of the challenges facing Councils, how well they are addressing these and what more they can do.

- 2.2 The report is in three parts:

- the challenges for councils;
- Councils' response to the challenges;
- the impact on council services

- 2.3 This covering report considers the key messages from the three parts and concludes with an update on North Ayrshire's position.

## 2.4 Part 1- The Challenges for Councils

2.4.1 The complex, changing and increasingly uncertain environment that councils operate in was highlighted. Some of the issues identified are noted below;

- a more significant focus on partnership working including private, public and third sector;
- more complex financial arrangements e.g. growth deals;
- the potential impact of Brexit on funding and inward migration;
- legislative and policy changes including the review of local governance, education reform and the expansion of early learning and child care;
- the impact of the 2017 local government elections where more than half of the councillors were new alongside a shift to more minority Administrations noting the requirement for increased effective cross party working;
- varied pace to the roll out of community empowerment, increasing the influence that residents have in local decision making and spending, and publication of the first Local Outcome Improvement Plans.

2.4.2 The impact of the real terms reduction in funding since 2010/11 noting;

- this sits alongside implementation of new policies, e.g. expansion of early learning and childcare, and additional cost pressures including the end of the public sector pay cap;
- the significant share of savings that smaller services have taken increasing the proportion of education and social care within council spend.

2.4.3 Population changes impacting on demand for services and the share of funding that councils receive, with a call for Scottish Government and CoSLA to assure themselves that the funding formula remains fit for purpose.

## 2.5 Part 2 - Councils' response to the Challenges

2.5.1 Concern is expressed about the use of reserves in a number of councils to bridge funding gaps noting an urgent need to deliver savings and increase income, and develop robust medium and long term financial plans to secure sustainable service delivery. The report recognises the challenge of doing this with single year financial settlements from the Scottish Government.

2.5.2 The need for robust organisation wide workforce planning that recognises the aging workforce, recruitment and retention challenges in some business areas, development of a suitably skilled workforce with a specific issue being identified in respect of the expansion of early learning and child care.

2.5.3 The need for strong leadership and governance and sufficient resources to develop robust plans to achieve significant transformational change, with digital transformation being highlighted. The report notes that there requires to be radical changes to the services that councils deliver and how they are delivered.

## 2.6 Part 3 – The impact on council services

- 2.6.1 Nationally it appears that councils have maintained or improved their performance, despite the reduction in funding, recognising that this varies across local authorities.
- 2.6.2 Reference is made to the use of the Local Government Benchmarking Framework, with some comparative examples provided in the report, including sickness absence and recycling. The report puts emphasis on the importance of clear performance reporting to local people.
- 2.6.3 Some evidence was presented of budget reductions impacting on services and public satisfaction. Audit Scotland has an expectation that councils understand the impact budget reductions have on service delivery and this informs decision making. The challenges associated with meeting demand within social care alongside the need to transform this service is highlighted as is the potential impact of reduced spending in education, recognising the impact of protecting teacher : pupil ratios.
- 2.6.4 The 2019 Audit Scotland report will examine further the impact of budget reduction on performance and outcomes.

### North Ayrshire position

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

#### 2.7.1 Financial Planning

- The Council has a robust approach to financial planning with the long term financial outlook approved by Council in October 2017;
- Information was shared with all Members when developing the Medium Term Financial Plan, which was approved by Council in February 2018, this plan recognised the significant pressures within the HSCP resulting in additional recurring investment of £3.5m, it also set out the Council's Reserves Strategy;
- The Council's Capital Investment Strategy and ten year capital investment programme was approved in February 2018;
- Specific reference is made in the Audit Scotland report to the £80m savings delivered by North Ayrshire over the last eight years, equating to 25% of its budget with the impact of the relative protection of education and health and social care on other services noted;
- Significant effort has been invested in the development of the service, revenue and capital plans to support the expansion of early learning and child care.

### 2.7.2 Transformation

- The Council and Health and Social Care Partnership (HSCP) have a significant focus on transformation with the Executive Leadership Team sitting as the Transformation Board 6 weekly;
- A £4m Challenge Fund was established in 2017/18 to support transformation within the HSCP;
- The Council Plan is being refreshed currently, this will set out the next phase transformation;
- Digital and technology are key elements of the future transformation of the Council with significant investment being made to deliver this.

### 2.7.3 Work force

- Workforce planning is captured within Directorate Plans with a corporate approach being rolled out in 2018/19;
- Significant investment is made in leadership and management and wider training identified through the PPD process;
- There is a well-established proactive approach to the management of absence, a particular focus has been our approach to Health Working Lives, sitting alongside a robust absence management policy.

### 2.7.4 Performance

- A full refresh of the Public Performance report has been undertaken to deliver a more user friendly focussed document;
- In 2017/18, 50% of our key performance indicators were on target, 38% slightly adrift and 12% significantly adrift. This alongside our quartile analysis of the local government benchmarking framework (LGBF) indicators indicates that the Council is broadly sustaining performance despite the current financial environment;
- Preparation for the next stage Best Value audit is underway with the Performance Management Forum learning from the published best value audits.

### 2.7.5 Community Engagement

- 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 is sector leading in its approach and engagement with communities on resources allocation decisions including participatory budgeting.

### 2.7.6 Elected Members

- Significant investment has been made in meeting the training and development needs of new and returning Members following the local government election in 2017. This has been well received by all Members.

### 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

<b>Financial:</b>	None.
<b>Human Resources:</b>	None.
<b>Legal:</b>	None.
<b>Equality:</b>	None.
<b>Children and Young People:</b>	
<b>Environmental &amp; Sustainability:</b>	None.
<b>Key Priorities:</b>	None.
<b>Community Benefits:</b>	None.

### 5. Consultation

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



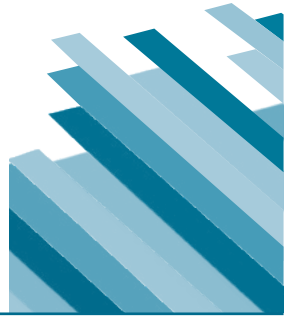
Laura Friel  
Executive Director (Finance and Corporate Support)

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

### Background Papers

None.

# Summary



## Key messages

- 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.
- 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.
- 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** 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.

---

## Recommendations



While 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
- 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
- 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
- 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

- 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
  - 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
    - using the data collected and monitored to report publicly on the quality of services, as well as user satisfaction with those services.
- 

## About this report

**1.** This report provides a high level, independent view of the challenges facing councils in Scotland, how councils are responding to these challenges and how service performance has been affected. It draws on findings from [\*Local Government in Scotland: Financial Overview 2016/17\*](#) , local government audit work in 2017 (including annual audits, Best Value Assurance reports and national performance audits) and published performance data. All national and individual council audit reports are available on our [website](#) .

**2.** The report is not intended to be a comprehensive review of all issues facing councils. It highlights key challenges councils face and looks at some of the main ways councils are responding to increasing demand and reduced funding. Where specific examples of council activities or circumstances are referenced, the implication is not that the named councils are the only ones engaging in these activities or experiencing these circumstances. The report is intended to inform the public and its representatives and, in particular, local government councillors and senior council officers to support them in their complex and demanding roles. It covers three areas:


- [Part 1](#), the current and future challenges facing councils.
- [Part 2](#), how councils are responding to these challenges.
- [Part 3](#), the impact on performance in key service areas and public satisfaction.

**3.** The 2017 local government elections resulted in many new councillors and changes to the political make-up of councils. To help councillors, we have produced the following supplements to accompany this report.

- A scrutiny tool for councillors – this has example questions that councillors could ask to help them understand their council's position, scrutinise performance and assist in making difficult decisions. Councillors should feel



they fully understand, and are satisfied with, the answers to the questions that are most relevant to them in their role within the council.

- [An interactive online tool](#)  which contains performance information for individual councils. It is designed to allow councillors, officers and members of the public to better understand how their council is performing compared to others.

**4.** Where possible we have used financial information from Scottish Local Government Statistics as these provide a breakdown of spending by service. Where this has not been possible we have used figures from councils' annual accounts. We refer to real-term changes in the report, meaning that financial figures are adjusted for inflation. Our analysis of local government funding adjusts figures into 2018/19 prices to reflect the current year. Where the report focuses on council performance in 2016/17, figures have been adjusted to 2016/17 prices.