

To: Audit, Risk and Scrutiny Board

On: 29 May 2018

Report by: Director of Finance and Resources

**Heading: Audit Scotland report, 'Local Government in Scotland:
Challenges and performance 2018'**

1. Summary

- 1.1 Each year Audit Scotland prepares a report on behalf of the Accounts Commission which provides a high level, independent view on the challenges facing Councils in Scotland and how they are performing. The 2018 report was published on 5 April and is attached as Appendix 1 to this covering paper.
- 1.2 Audit Scotland's report highlights the key challenges facing local authorities in Scotland in relation to issues such as the reduction in public sector budgets, increased demand on services relating to a growing ageing population, exit from the European Union, as well as the pace of public sector reform. It considers the need for comprehensive and accessible financial information and long term financial planning to help members understand the financial position of the council, support the decision-making process and enhance performance scrutiny.
- 1.3 Members will be aware that the Best Value Assurance Report on Renfrewshire Council which was published by the Accounts Commission in August 2017, provided independent assurance that the organisation performed well and was well placed to face the challenges ahead. The scale of the Council's financial challenge is significant, as

detailed in the Financial Outlook report submitted in December 2017 to the Leadership Board by the Director of Finance and Resources. As the December 2017 report notes, the Council has a strong track record of delivering transformation programmes and of achieving significant savings through for example the Better Council Change programme.

- 1.4 This report outlines the key messages and issues highlighted by Audit Scotland along with the summary position within Renfrewshire Council.
- 1.5 Audit Scotland also published a supplementary paper for elected members, to consider in conjunction with the 2018 Performance and Challenges report. The supplementary paper includes a scrutiny tool checklist for elected members, which has been designed to provide councillors with examples of questions they may wish to consider to help better understand the Council's position and to scrutinise performance. The supplementary paper for elected members is attached as Appendix 2 to this covering paper.

2. **Recommendations**

- 2.1 It is recommended that members note:
- the key messages contained in Audit Scotland's - 'Local Government in Scotland: Challenges and Performance 2018' report which is attached as Appendix 1;
 - Renfrewshire Council's position in relation to the key messages and recommendations set out in the Audit Scotland report; and
 - the content of the supplementary paper and scrutiny toolkit for elected members, attached as Appendix 2 to this report.

3. **Background**

- 3.1 In April 2018, Audit Scotland published its annual 'Local Government in Scotland: Challenges and Performance' report for 2018. The report provides a high level, independent view of the challenges facing councils in Scotland, how Councils are responding to these challenges and the impact this is having on council services. It also provides a series of recommendations which it is suggested that councils should consider implementing if they are to remain sustainable.
- 3.2 The key findings within the report are summarised as follows:

- An acknowledgement that local government in Scotland continues to operate in a complex and changing environment that involves increasing levels of uncertainty. The report cites the impact of Brexit and the Scottish Government's scale and pace of public sector reform as major contributors to this uncertainty. This, against a backdrop of substantial reductions in public spending alongside increasing demand for public services presents further challenges for councils;
- Transformational change must be an essential part of the improvement agenda for councils if they are to respond to these challenges. Delivering savings is becoming increasingly critical, with funding gaps in some councils higher than current levels of reserves. Where councils have properly scoped, resourced and managed their transformational work, they are more likely to successfully deliver sustainable change. The report recommends that Councils need to have cohesive, decisive leadership which brings officers, councillors and their communities together to address the major challenges councils face;
- Changes in population and changes in the age profile of populations are having a significant impact. The report acknowledges that under current funding arrangements, some councils can expect their funding to fall further than others either because their total population is declining, or that the population profile is changing and placing more demand on key services such as social care. Councils are also implementing significant policy and legislative changes from central government, some of which increase the duties of councils; and
- The report recognises that councils have already undertaken a significant amount of work to manage the impact of continued budget reductions. The report notes that whilst some performance information suggests that Councils are maintaining or improving services, there is also evidence that budget cuts are reducing levels of satisfaction in other service areas and that quality of service may also be declining. Audit Scotland suggest that smaller services, which often provide important regulatory functions, have been most impacted by funding reductions whilst services such as education and social care are protected.

3.3 The report recommends that as councils continue to make difficult choices, they need to continue to work with communities so that they understand the impact of reduced spending on services.

4. **The challenges for councils**

4.1 The report acknowledges that the allocation of revenue funding to Councils from the Scottish Government has fallen in real terms by 9.6 per cent between 2010/11 and 2018/19. Audit Scotland indicates this

reduction in funding, coupled with the local implementation of significant national policy changes, have continued to put pressure on the resources and capacity of councils. The report notes that single year settlements from the Scottish Government make it more difficult for councils to undertake longer-term financial planning which is likely to be exacerbated by reduced levels of national funding in future years. The report suggests that it is critical that councils are involving local communities and empowering them to design and deliver services which address local needs; as well as the importance of having regular discussions with communities about service priorities and what level of service the council can afford to provide in the future.

- 4.2 Audit Scotland estimates that without service redesign or policy changes councils could potentially spend 80% of their budgets on education and social care by 2025/26. Renfrewshire is one of seven council areas where the projected population increase is made up entirely of an increase in population of older people. One obvious implication of this is that there will be fewer working age people generating taxation and spend in the local economy.

5. How councils are responding to the challenges

- 5.1 In the second section of the report, Audit Scotland highlights the significant changes to workforce and budgets across councils during 2011-17 and notes that councils have generally achieved savings through reducing their workforce. Given the changes in the workforce to date and the expected new demands on councils, Audit Scotland recommends that robust workforce planning is essential to ensure councils have the right people, who have the right training and skills, to deliver their priorities.
- 5.2 The report notes that councils have also been increasingly using their reserves to mitigate their funding gap. Acknowledging that this is not a sustainable position, councils need to ensure they have a focus on medium and long-term financial planning if they are to remain financially viable.
- 5.3 Audit Scotland suggests that transformational change is increasingly important in terms of responding to budget reductions. The success of transformation programmes rely on them being properly scoped and resourced. These programmes, together with digitisation, potentially offer councils opportunities to make their services more efficient and accessible, while also delivering savings.

6. Impact on council services

- 6.1 In the third part of the Audit Scotland report, data is provided on trends in performance measures and outcomes for the last ten years across

key areas such as health, education, employment, environment and community safety. Whilst in some cases, performance on a national level looks broadly positive despite declining budgets, the linkage between decreased spend and quality of key services, as well as falling levels of public satisfaction, suggests that the impact of cuts is now beginning to become more obvious and should be closely monitored.

- 6.2 One of the key sources of data that Audit Scotland uses to assess the performance of councils is the Local Government Benchmarking Framework (LGBF). The LGBF contains a suite of indicators by which the performance of each local authority can be assessed and compared with that of others. Elected members will be aware that a report outlining Renfrewshire Council's performance in relation to the Local Government Benchmarking Framework was submitted to the Audit Risk and Scrutiny Board on 19 March 2018.

7. Audit Scotland recommendations and Renfrewshire Council's position

- 7.1 The section below outlines Audit Scotland's recommendations and provides a local update on the Renfrewshire position in relation to each of these.
- 7.2 In terms of recommendations the report suggests that "councils should ensure they are continuously improving their work in key areas by:

1. 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; and
- considering how to make the most of new technology, for example streamlining processes and communicating differently with service users.

Renfrewshire position

In September 2017, Council approved the Renfrewshire Council Plan 2017-2022 and Renfrewshire's Community Plan (or Local Outcome Improvement Plan) 2017-2027. These plans were developed in tandem through an extensive consultation process which was informed by a comprehensive strategic needs assessment.

The Council is continuing to develop its analytical capacity, building on the role of the Data Analytics and Research team to support focused development work across service areas. Greater and more intelligent

use of data is beginning to have an impact on the Council's work in relation to its key priorities, for example in relation to educational attainment.

The Council's strategic plans have been informed by robust financial planning processes, as recognised by Audit Scotland in the Best Value Assurance Report for Renfrewshire Council which noted that "Renfrewshire Council has effective financial planning and management arrangements in place. Budgets are clearly linked to strategic priorities".

A Financial Outlook report to the Leadership Board on 12 December 2017 outlined the Council's current and forecast financial position over the medium term. An updated medium term financial strategy will be presented over the course of 2018 along with further phases of the change and transformation programme.

The Council also is progressing an ambitious digital agenda which is improving the access to, and the provision of, services; development of the customer portal; systems to improve the efficiency of Council processes and services, increasing access to wifi and fibre broadband to communities as part of the wider digital strategy and new street lighting technology.

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

Renfrewshire position

The Council is committed to maximising the opportunities for both communities and the organisation itself through community empowerment legislation. A review of local area committees has been progressed which has involved an extensive programme of consultation with all key stakeholders. Work is also being progressed to consider opportunities to enhance the support the Council can offer community groups and organisations and to provide access to funding to support the growth and development of local groups and organisations.

Several new funding streams were approved as part of the Council's budget in March 2018 which will aim to support and empower communities in Renfrewshire to progress with issues such as asset transfer requests.

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; and
- clearly linking budgets to plans and outcomes

Renfrewshire position

In Renfrewshire Council's Best Value Assurance Report, Audit Scotland recommended that further work should be undertaken to develop cross party working. Good progress has been achieved through the establishment of the Cross Party Sounding Board which has met on three occasions since May 2017 to inform the development of the Community Plan and Council Plan, the review of local governance arrangements and the development programme for elected members.

In terms of working with communities to understand need and to identify outcomes, as noted above, a significant programme of work is underway. Following on from the approval of the Community Plan in September 2017, an outcomes and performance framework has been developed which sets out the key outcomes to be targeted and the key performance indicators which the Partnership will use to assess the impact of joint work.

Following on from the approval of the framework, work is now also underway to develop and embed the new community planning governance structure and to establish key priorities and work programmes across the key thematic areas.

A key priority within Renfrewshire's Community Plan 2017-2027 is to develop a Community Planning Partnership that is sustainable and connected. Partners regularly discuss areas of resource pressure and it is proposed that members of the Partnership use the group to address areas of particular resourcing pressure.

The Council also continues to make strong links between its improvement planning process and budgets. For several years, the Council's savings programme has not only delivered savings to meet the requirements of a balanced budget but has also enabled redirection of budgets and reinvestment in key priority areas such as tackling poverty and regeneration.

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; and
- properly scoped and resourced plans.

Renfrewshire position

As noted above, the Better Council Change Programme is a key element of supporting the delivery of sustainable budget savings which contribute to addressing the medium-term objective to reduce the Council's cost base and close the budget gap whilst supporting the release of resources to support investment in priority areas aligned to the Council's key strategic outcomes.

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; and
- workforce and member support, training and development

Renfrewshire position

The Better Council Change Programme has been an important element of the Council's approach to transformation and supporting longer term financial sustainability.

In the Council's financial outlook reports, most recently presented to the Board on 30th January 2018, the need for the Council to appropriately plan to sustainably address significant anticipated budget gaps that are expected to emerge over the medium term has been highlighted by officers. In this context, the importance of the Council continuing to proactively progress the Better Council Change Programme has been reinforced as a key strategic challenge to support the delivery of sustainable changes in service delivery and associated savings.

An update on the Better Council Change Programme was reported to the Finance, Resources and Customer Service Policy Board on 28 March 2018. The report provided members with an update on progress on the programme more generally with specific updates in relation to

the Digital First programme, regulatory services and workforce planning amongst other areas of activity.

Significant progress has been achieved in terms of developing the Council's workforce planning arrangements. The Council's Workforce Plan was approved by Finance, Resources and Customer Service Policy Board in November 2017, with service level workforce plans being prepared by all Council services. The Council has enhanced its training and development activities for employees, launching managerial and leadership development programmes and refreshing the training programme which all staff can access.

A comprehensive review of the Council's member development programme has been undertaken, in consultation with elected members. Feedback gathered through the process has informed changes to the existing annual programme to include more evening events and external speakers. A focused week of development activity also took place w/c 16th April, with the programme being structured around the key areas suggested by elected members. A review of the impact of the development week is underway.

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

Renfrewshire position

The Best Value and Assurance report published by Audit Scotland in August 2017 commended Renfrewshire Council for its evidence of improving performance given the complex and challenging local government climate. It highlighted that the Council has effective financial plans and a record of sound management, and encouraged the continuation of the positive work undertaken. The Council also undertakes benchmarking activity through the Local Government Benchmarking Framework which highlighted that the majority of our performance indicators have improved or remained the same since last year.

As noted in Section 6.2 above, the Council's performance in terms of the Local Government Benchmarking Framework was reported to the Audit Risk and Scrutiny Board on 18 March 2018. Of the 64 indicators for which data was available at that point:

- 39 indicators had improved since last year;

- 20 indicators had declined in performance; and
- 5 indicators had remained relatively unchanged;

Overall it was reported that the Council is in the top quartile for sixteen indicators and in the bottom quartile for ten.

8. Conclusion

- 8.1 The Audit Scotland report's recommendations articulate well with the transformation programme of Renfrewshire Council, with many of the recommendations in the report already in progress, particularly our approach to longer term financial planning and our Better Council change programme. In addition, recent developments including the implementation of the recommendations from our Best Value Report; the elected member development programme; the establishment of a cross party sounding board; our commitment to community empowerment; digital expansion and workforce development should provide assurance that the Council is very well aware of the challenges ahead.

Implications of the Report

1. **Financial** – The report outlines the financial pressures facing Scottish local authorities over the medium term, the progress of the Council in addressing these and requirement to continue with transformation programme.
2. **HR & Organisational Development** – The report highlights the importance of workforce development in terms of ensuring the right people with the right skills are in place to deliver the Council's priorities.
3. **Community/Council Planning** – The report highlights the importance of focusing on priority outcomes and working with local communities to deliver on these.
4. **Legal** – None
5. **Property/Assets** – None
6. **Information Technology** – The report highlights the opportunities presented by the digital agenda to facilitate savings and improve the customer experience.

7. **Equality & Human Rights**

- (a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety** – none.

9. **Procurement** – none.

10. **Risk** – Audit Scotland's report outlines the risks if Scottish councils do not adapt and change the way in which they work to deliver services to address future financial challenges.

11. **Privacy Impact** – none.

12. **Cosla Policy Position** – none.

List of Background Papers

- (a) Appendix 1 – Audit Scotland, 'Local government in Scotland – Challenges and performance 2018'
- (b) Appendix 2 – Template for elected members

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