

---

**To:** Audit, Scrutiny & Petitions Board

**On:** 1 June 2015

---

**Report by:** Director of Finance and Resources

---

**Heading:** Accounts Commission Report, 'An overview of local government in Scotland 2015'

---

**1. Summary**

- 1.1 Each year Audit Scotland prepare the above report on behalf of the Accounts Commission providing a high level, independent view on how councils across Scotland are managed and perform. Copies of the full report are available on the Audit Scotland website or from the Director of Finance and Resources.
- 1.2 This report to Members outlines the main findings of the Accounts Commission report and provides details with regards to the Renfrewshire Council position in relation to the issues raised.
- 1.3 The Accounts Commission report reviews the financial context in which councils are operating, highlighting the overall financial position and pressures on budgets, and looks at how councils are managing these financial challenges.
- 1.4 The report highlights the increasingly difficult financial challenges faced by councils in relation to reductions in public sector budgets and increased demand pressures and notes the tough decisions faced by councils in balancing their budgets. The report 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.

- 1.5 The report highlights the achievements to date of councils in managing austerity and reducing resource, but also emphasises a need to plan now for the period to and beyond 2017/18 as austerity continues.
- 1.6 In addition to the financial pressures, the report identifies the establishment of health and social care partnerships as a key challenge going forward, with particular reference to the need for investment in building trust between local government and health boards and the development of leadership capacity to allow chief officers to build strong relationships with partner organisations. The report states that Councillors need to assess the progress being made with partners to improve outcomes and value for money for residents.
- 1.7 In line with previous years, this report outlines the key messages and issues highlighted by Audit Scotland along with a summary of the position within Renfrewshire. Although, as detailed in this report and as acknowledged by Audit Scotland through their overall risk assessment framework, the Council is well placed to face the challenges ahead, the scale of the challenge should, nevertheless, not be understated. The Council has made positive progress through the Better Council Change programme to begin to address the estimated £30million saving required through to 2017/18. There remains, however, a significant remaining saving requirement and it should be recognised that the financial landscape continues to be characterised by uncertainty which may change this financial outlook over even a short term timeframe. In this context, therefore, the Council needs to continue to progress ongoing actions to address the medium term financial challenge in a manner which will allow the risk of uncertainty to be effectively managed whilst supporting the long term financial sustainability of the Council.
- 

## **2. Recommendations**

- 2.1 Members are requested to note the Accounts Commission report, 'An overview of local government in Scotland 2015'.
- 

## **3. Background**

- 3.1 The Accounts Commission report contains a number of key messages in relation to the pressures facing councils, the need for clear financial and performance information, innovations in service delivery and the importance of good governance. The report draws on the findings from the local government audit work in 2014 including audits of financial statements, Best Value, community planning partnerships and performance.

- 3.2 An extract of the key messages contained within the Accounts Commission report are summarised below in bold text along with further supporting summary information from the detail of the report. In addition, the Renfrewshire Council position in relation to each key message is shown in italics.

#### 4. Overview of Key Messages and Renfrewshire Council Position

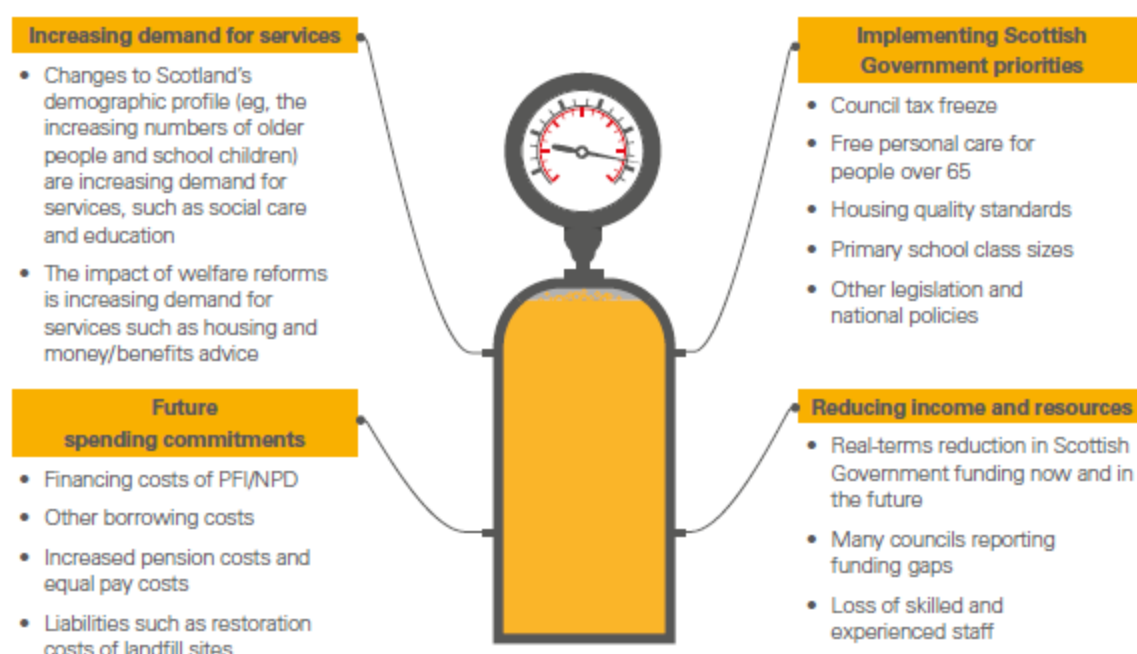
- 4.1 **Councils face increasingly difficult financial challenges. In the context of overall reductions in public sector budgets, between 2010/11 and 2013/14, Scottish Government funding for councils decreased by 8.5% in real terms (allowing for inflation) to £10.3billion. At the same time, demand for council services has increased, largely due to population changes.**

- 4.1.1 The report highlights that councils continue to face increasing pressures from demand for services, the implementation of Scottish Government priorities and future spending commitments. At the same time, the report recognises the pressure from reducing income and resources. These pressures are highlighted on the graphic below:

#### Exhibit 1

##### Local government overview 2015

Councils face increasing demand and resource pressures. They need to have the right information, skills and processes to help deal with the pressures in the future.



### Renfrewshire Council Position

- 4.1.2 *As part of its annual budget setting process, Renfrewshire Council carries out a detailed analysis of the available grant funding together with the various pressures on Council budgets including demand pressures, pay and price pressures and financing costs.*
- 4.1.3 *For 2015/16 Renfrewshire Council recognised the major role played by demographic and socio-economic factors in driving spending pressures for the Council, particularly in relation to :*
- older people's services linked to the shift in the balance of care, supporting older people to live safely at home for as long as possible and facilitating prompt discharge from hospital;*
  - the increasing number and complexity of care packages required to support adult clients to live as independently as possible in the community; and*
  - the continued commitment to protecting children and young people and supporting them into independent adulthood.*
- 4.1.4 *The Council continues to be pro active in progressing a range of demand and cost management workstreams which mitigated the demand led pressures and help to maintain and protect core frontline Social Work services.*
- 4.1.5 *The Council's financial projections beyond 2015/16 include a range of key assumptions in relation to future grant settlements, pay settlements and demand led pressures.*
- 4.1.6 *No specific grant figures are available beyond 2015/16. However, external commentators continue to forecast ongoing pressures with the actual grant settlement influenced by a range of political decisions taken at both UK and Scottish Parliament levels and the underlying performance of the UK economy. At present no national agreement has been reached on pay settlements for 2015/16 or beyond and, once known, this is likely to have a significant influence on the Council's medium term financial position.*
- 4.1.7 *Demand led pressures continue to be one of the Council's key financial risks and the Council has been progressing a wide range of key demand and cost management actions which seek to mitigate the financial impact of this pressure whilst seeking to achieve better outcomes for clients and their families.*
- 4.1.8 *In February 2014 the Council established the Better Council strategic change programme to enable the Council to continue to be effective in delivering its priorities while addressing the challenges presented. The objectives of the programme are:*

- *to make changes to the ways in which the Council's people, assets, processes, technology and information work together to create a future sustainable organisational design;*
- *to enhance the council's capability to plan, design and deliver services that are aligned to corporate priorities and provide Best Value; and*
- *to provide options to elected members to balance the Council's budget in the context of the projected medium term deficit of up to £30million through to 2017/18.*

**4.2 Many councils are now reporting gaps between their income and the cost of providing services. With further funding reductions expected, councils face tough decisions to balance their budgets. These decisions must be based on a clear understanding of the current financial position and the longer-term implications of decisions on services and finances. However, there is limited evidence of longer-term financial planning, which is critical in providing that understanding.**

4.2.1 The Accounts Commission reports that many councils are reporting funding gaps in 2015/16 and beyond which mean that, to pay for services, councils will have to increase their income, improve efficiency, divert money from lower priority services, or a combination of these.

4.2.2 The Accounts Commission is of the view that it is important that councils develop and maintain long term financial plans, looking five to ten years ahead, to direct and control their finances and set the context for annual budgets. The report notes that eighteen councils do not have long term financial plans which can limit how well they understand the full implications of their spending and borrowing and the savings which may be required to bridge any gaps.

4.2.3 The report recommends that councillors ensure that their council has short, medium and long term financial plans setting out the council's financial commitments, identifying any challenges to the affordability of services and clearly setting out how the sustainability of its financial position.

#### *Renfrewshire Council Position*

4.2.4 *The Council has well developed financial planning arrangements which are appropriately adjusted to provide both a long term perspective, allowing the Council to identify and appropriately plan for key long term financial risks, as well as medium and shorter term financial planning arrangements which act as the key mechanism to ensure the Council has in place and implements appropriate financial strategies over the short to medium term to deliver ongoing financial stability and longer term sustainability.*

- 4.2.5 *It is recognised that maintaining financial stability remains a key objective for the Council and in line with the principles of good financial management and planning, effective and appropriate use is made of earmarked reserves to both provide flexibility in the use of resources across financial years but also to support longer term financial planning strategies, ensuring that appropriate financial planning arrangements are in place to support longer term Council objectives. Members are provided with regular and appropriate information in relation to the use of reserves both throughout the financial year and at key strategic points on both the setting of the budget and closure of the financial accounts. As part of their Annual Report on the 2013/14 Audit, Audit Scotland recognised that the Council has a relatively strong financial position based on statutory surpluses, available reserves and the short term budget position, however as outlined above the Council still faces significant budget pressures of up to £30m in the medium term, with difficult decisions on how to address these pressures remaining.*
- 4.2.6 *During 2014/15, and over recent years, use has been made of resources held within unallocated reserves as part of the Council's agreed revenue budget. However, it is important to highlight that use of such resources has been directed at time limited non recurring activities, with the Council clearly recognising and avoiding the risk of relying on reserves to meet recurring funding gaps.*
- 4.3 **Councils have managed the financial pressures well so far. Available performance information indicates that services have been improved or maintained. Public performance reporting is getting better but councillors need better financial information to help them set budgets and scrutinise performance. All councils prepared their annual accounts on time and met the required accounting standards.**
- 4.3.1 The report notes that good information helps councils to demonstrate that they use public money properly and effectively and that there has been an improvement in councils' public performance reporting.
- 4.3.2 The Local Government Benchmarking Framework allows councils to assess and compare performance and costs across major service areas. This data is published by the Improvement Service and allows councils to identify strengths, areas for improvement and instances of good practice in other councils.
- 4.3.3 The report recommends that councillors ensure that council officers provide high quality financial and performance information to support effective scrutiny and decision making, including relevant and up to date performance data making good use of benchmarking. It also recommends that performance information is clearly reported to the public to help them understand the council's performance.

- 4.3.4 The report also notes the importance of training to equip councillors with appropriate knowledge and expertise to carry out their roles effectively and help them set budgets and scrutinise performance. The Accounts Commission recommends that councillors review their training needs and request the training and support they require to help them to consider options, make decisions and scrutinise performance.

*Renfrewshire Council Position*

- 4.3.5 *The Council has participated in the Local Government Benchmarking Framework for the last three years. The framework of performance indicators includes cost, service performance and customer satisfaction indicators and we have used the benchmarking data to drive service improvements. From this framework and other data analysis we have identified and prioritised areas for improvement for the Council. An annual report on the Local Government Benchmarking Framework indicators is presented to the Audit, Scrutiny and Petitions Board for scrutiny and published on the Council's website.*
- 4.3.6 *Renfrewshire Council is committed to improving the opportunities for residents to access performance information. Performance information is provided for the public in a variety of ways - through board reports, publications, information on our website and information available at Council buildings.*
- 4.3.7 *An example of one of our main performance publications is "It's all about you". This is published annually in the performance section of our website with the most recent publication being in March 2015. The performance indicators selected in this report are based on customer feedback and discussions with Services. It highlights key performance data, if we are on target, if performance has improved/declined and case studies on improvement activity. A more detailed report is also available which contains all the indicators that are submitted by the Council to Audit Scotland each year.*
- 4.3.8 *Elected members are provided with training and professional development opportunities to assist them in their roles and to deal with the changing council structures and policy landscape. A programme of councillors' briefings is delivered each year and members have access to the online CPD resources provided by the Improvement Service through the national elected members' portal. This includes access to councillors' briefing notes and masterclasses*

- 4.4 **Almost all councils have reduced staff numbers to help make savings but this is not sustainable. Councils are considering ways of delivering services more efficiently and need to get better at using local data and involving services users and local communities in developing options to improve services and help save money. They must implement planned changes quickly to achieve their required savings.**
- 4.4.1 The report notes that, in order to target limited resources effectively, councils need to work with local people to understand their needs and bring their insights to planning, developing and delivering services.
- 4.4.2 The Accounts Commission reports that many councils do not draw on the results of consultation activity when making decisions and setting priorities. The Community Empowerment (Scotland) Bill includes proposals to provide greater rights for communities to plan and manage public services while placing Community Planning Partnerships on a statutory basis and putting a legal duty on public sector bodies to work in partnership with communities to plan and improve outcomes for their areas.
- 4.4.3 The Accounts Commission report recommends that councillors use local socio-economic data and work with service users and local communities to understand their needs and explore ways of meeting them. Council budgets should then be prioritised and targeted, including those designed to prevent or reduce future service demand.
- 4.4.4 Where further workforce reductions are planned, the report recommends that councils have comprehensive workforce strategies to manage the impact of staff reductions and ensure that the council retains the ability to change and improve and is equipped to meet increasing service demands.

#### Renfrewshire Council Position

- 4.4.5 *The priorities set out in the Renfrewshire Community Plan are based on a comprehensive strategic needs assessment of the communities in Renfrewshire, including consultations with all relevant groups. Community engagement continues to be encouraged by the Community Planning Partnership at both strategic and local levels. The Renfrewshire Forum for Empowering Communities Forum which operates as one of the community planning boards is led by the third sector in Renfrewshire. The Forum includes representatives from key community organisations which reflect various interests and it contributes to community capacity building, consultation and communication strategies.*



- 4.4.6 *The Council Plan outlines the organisation's improvement agenda and notes that, to achieve positive outcomes, and to deliver the best for communities and citizens, the Council will develop new ways of working and delivering services with a strong focus on prevention and partnership working. The Council has been progressing well with finding new, different or better ways of doing things so that we can continue delivering high-quality frontline services, divert limited resources to supporting key priorities and achieve our ambitions within the limited funding allocated.*
- 4.4.7 *The Renfrewshire Tackling Poverty Commission was set up to provide the Council and its community planning partners with independent and authoritative views on the current approach to tackling child poverty in Renfrewshire. The Council is working with its community planning partners to agree a cross-partnership response to the Commission's findings. As part of this response the Renfrewshire Community Planning Partnership Board has agreed to pilot a shared approach to financial planning and budgeting in relation to tackling poverty activities across partners.*
- 4.4.8 *By ensuring that regeneration and tackling poverty are key outcomes in its key strategic priorities, the Council is targeting investment at improving the lives and opportunities of the poorest in Renfrewshire.*
- 4.4.9 *The Council's Organisational Development Strategic Plan is a key enabler and driver of the Better Council strategic change programme. The plan is designed to deliver transformational and sustainable change across the workforce of the Council and outlines a comprehensive programme of development aimed at increasing the capability and skills capacity across all levels of the organisation, with a particular focus on leadership development in alignment with the design principles of Phase 2 of the Better Council Programme.*
- 4.4.10 *The plan will focus on development approaches to build capability in delivering outcomes through improved performance and on reducing cost through effective workforce planning.*
- 4.4.11 *The building blocks to enable the development of the workforce and the culture will be outlined in a critical framework within the plan. The framework is aligned to support the delivery of the following key themes:*
- Supporting transformational change and innovation;*
  - Sustaining a skilled, flexible and motivated workforce;*
  - Building leadership and management capacity;*
  - Planning for the future workforce; and*
  - Promoting equality and diversity.*

- 4.4.12 *The Council continues to be committed to investing in and supporting employees through change with an integrated range of activities which consult, engage, inform and develop individuals and teams to ensure that benefits are realised. Employees are supported to be sufficiently trained, qualified and experienced to deliver quality services. Managers are developed to lead, motivate and encourage innovation and are effective, supportive and approachable. The Council continues to enhance the skills, abilities and confidence of the workforce to deliver quality services to Renfrewshire communities.*
- 4.4.13 *Appropriate linkage and alignment is maintained across the Council's wider resource management plans and strategies (financial planning, workforce strategy & organisational development, strategic asset management, ICT strategy etc) to ensure that resources are appropriately deployed to support the Council and services to deliver against identified priorities and objectives detailed in the service plans, the Council Plans and the Community Plan.*
- 4.5 **Councils need to ensure that the way they manage and control their work keeps pace with the quickly changing circumstances in which they operate. There can be no compromise on the importance of good governance, particularly where there are significant changes in personnel and systems. Not all councils systematically review governance when, for example, they change staff, management or political structures, or develop new ways of financing or delivering services. Community planning and health and social care integration require an ongoing focus on governance in partnership working, where the responsibility for good governance is shared and depends on a culture of trust.**
- 4.5.1 The report notes that governance arrangements need to keep pace with changes in staff, management and political structures both within councils and in joint working arrangements such as health and social care integration.
- 4.5.2 The Accounts Commission recommends that council's review their governance arrangements following significant changes in staff, management and political structures ensuring that current management teams have the skills and capacity to provide effective leadership and management. This should be supported by succession plans for senior managers who may retire or leave the council.
- 4.5.3 The Accounts Commission report identifies the audit committee as a crucial element of governance and recommends steps to achieving effective and transparent scrutiny including training and support and clear terms of reference.

- 4.5.4 The report notes a number of new service arrangements across Scotland, including health and social care integration, joint working between councils and the use of ALEOs, and recommends that councils review governance arrangements when changes are introduced to ensure that roles, responsibilities and accountabilities are appropriate to the new models.

*Renfrewshire Council Position*

- 4.5.5 *Through their audit arrangements, Audit Scotland have recognised and acknowledged that the Council has strong and effective financial management and governance arrangements underpinning the management and control across the Council. The Council has remained in a financially stable and sustainable position which has placed it well in the context of managing the significant financial pressures which it has and will continue to face over at least the medium term future, allowing the organisation to maintain a clear focus on delivering its key objectives and priorities.*
- 4.5.6 *The Council's Internal Audit function is strong, effective and well resourced which allows significant reliance to be placed on their work by Audit Scotland and the Council's Chief Financial Officer remains a key and influential member of the Corporate Management Team, who works effectively with all service Directors and the Chief Executive to ensure financial implications and sustainability remain a key strategic consideration in all the Council's activities.*
- 4.5.7 *The Council has an Audit, Scrutiny and Petitions Board with a remit including audit, and aspects of corporate governance, Risk Management, monitoring and reviewing service delivery performance, policies and practices, community leadership through monitoring and reviewing the activities of other public bodies and standards and ethics. In addition the existing structure of policy boards allows elected members to scrutinise the work of the council in the services covered by the board's remit.*
- 4.5.8 *Following the introduction of a number of initiatives, including health and social care integration, the expansion of Renfrewshire Leisure to cover cultural services and the Council's involvement in the Glasgow and Clyde Valley City Deal, a review of the Council's governance structure has been undertaken to ensure that it remains up to date and robust. This has resulted in a number of changes to existing policy board remits and the establishment of arrangements for how the Renfrewshire Leisure Trust Board and Renfrewshire Health and Social Care Partnership will interact with the Council.*

---

## **Implications of the Report**

1. **Financial** – The report outlines the financial pressures facing Scottish local authorities over the medium term.
2. **HR & Organisational Development** – none
3. **Community Planning** – none
4. **Legal** – none
5. **Property/Assets** – none
6. **Information Technology** - none.
7. **Equality & Human Rights** - 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 because it is for noting only. 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** – none
11. **Privacy Impact** - none

---

### List of Background Papers

None

---

**Author:** David Forbes, Extension 6424