



Audit Scotland report:

Local government in Scotland challenges and performance 2018

Committee Audit and Standards

Date of meeting 8 June 2018

Date of report 23 May 2018

Report by Assistant Chief Executive

1. Object of report

To advise the committee on the issue of an Audit Scotland report titled '*Local government in Scotland – Challenges and performance 2018*'.

2. Background

Audit Scotland report

In April 2018, Audit Scotland published a report titled '*Local government in Scotland – Challenges and performance 2018*'.

The Accounts Commission says finding savings is now '*increasingly critical*' for councils dealing with on-going reductions in funding.

The report says Councils are balancing a real terms funding cut of 9.6 per cent over the last eight years with increasing demand, particularly from a growing older population.

The report says that under the current funding formula, some councils face receiving less cash from government as their total population falls but the number of old people, and associated demand for services, increases.

The report adds without service redesign or policy changes councils could be spending nearly 80 per cent of their budgets on education and social work alone by 2025/26.

The report and supplement can be found at:

<http://www.audit-scotland.gov.uk/report/local-government-in-scotland-challenges-and-performance-2018>

3. Outline of findings

Key messages and recommendations

The key messages outlined in the Audit Scotland report are:

- 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;
- 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;
- 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;
- 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.

The recommendations outlined in the Audit Scotland report are:

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.

4. Conclusions

Audit Scotland published a report titled '*Local government in Scotland – Challenges and performance 2018*'.

5. Committee action

The committee is asked to note the contents of this report and the Audit Scotland report titled '*Local government in Scotland – Challenges and performance 2018*'.

6. Consequences

Policy consequences	<i>None</i>
Legal consequences	<i>None</i>
Financial consequences	<i>None</i>
Personnel consequences	<i>None</i>
Social Inclusion consequences	<i>None</i>
Risk consequences	<i>As detailed in the report</i>

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