

The Highland Council

14 May 2015

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| Agenda Item | 11 |
| Report No | HC/16/15 |

Audit Scotland National Report – Overview of Local Government in Scotland in 2015

Report by Director of Finance

Summary

This report presents the Overview Report of Local Government in Scotland 2015, highlights the key messages, and considers how Highland Council is responding to these.

1. Background

- 1.1 The Audit Scotland Report is attached at Annex 1. Although issued in March 2015 the report is based on the findings arising from the 2013/14 audit of Council accounts. A key element of the report however focuses on how Councils are responding to current and future financial challenges.
- 1.2 The key messages are therefore important to consider within the context of Highland Council's own response to these issues. In particular the report makes specific recommendations intended to help Councillors. These are set out following the Key Messages within the Summary Section of the Audit Scotland report and are commented on in Section 2 of this report.
- 1.3 There are 5 key messages from the report as follows:

Key Messages

- 1.3.1 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 per cent in real terms (allowing for inflation) to £10.3 billion. At the same time, demand for Council services has increased, largely due to population changes.
- 1.3.2 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.
- 1.3.3 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 and service information to help them set budgets and scrutinise performance. All Councils prepared their annual accounts on time and met the required accounting standards.

- 1.3.4 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 service 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.
- 1.3.5 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 and 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.

2. Report Recommendations

2.1 The Report's recommendations, comments on these, and proposed actions are as follows:

2.2 Councillors should:

2.2.1 Assess whether they have appropriate knowledge and expertise, in areas such as assessing financial and service performance, to carry out their role effectively. They should review their training needs and request the training and support they require to help them consider options, make decisions and scrutinise performance.

Comment - Training is made available to all Councillors on the full range of services following the Local Government elections and is updated when appropriate. For example the current round of workshops with Councillors to consider the review of Area Committees and local community planning arrangements highlights the new duties arising for the Council from the Community Empowerment legislation and the impact this will have on Councillors' roles in empowering communities and working with partners. Councillors can request further training at any point during the life of the Council, but should consider current training needs in light of this report.

2.2.2 Ensure that Council Officers provide high-quality financial and performance information to support effective scrutiny and decision-making. This includes having relevant and up-to-date performance data and making good use of benchmarking. Performance information should also be clearly reported to the public to help them understand their Council's performance.

Comment – Financial monitoring reports are provided at all Committee cycles and policy reports contain detail on the financial implications of proposed changes. Service performance information is reported to Strategic Committees and an annual performance report is provided to Full Council.

The Council does however need to consider how it uses performance data and

the link between financial management and performance management. The Executive Leadership Team is currently undertaking a review and will make recommendations later in the year.

- 2.2.3 Ensure that Councils, when developing their priorities, 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 targeted towards agreed priorities, including those designed to prevent or reduce service demand in future.

Comment – The Council's budget is set taking full account of the priorities agreed by the Council. Consultation is an important part of the budget process extending to local communities and other interest groups. Through the Highland Community Planning Partnership (CPP) there is a commitment to share partners' data at a local level to develop community profiles with this considered as part of the review for local community planning arrangements.

- 2.2.4 Ensure that they consider all practical options for delivering services to meet the needs of service users and local communities, within the resources available. They should consider carefully the benefits and risks related to each option and make sure they receive information about the impact of the option they choose, including monitoring the risks associated with change.

Comment – Transformational savings proposals form an important aspect of the overall budget savings target. Alternative service delivery mechanism and options are considered as part of this process. Improvements to local community planning and the new duties arising from Community empowerment legislation, including encouraging asset transfers and community bodies participating in improving outcomes (the right to challenge), will support this recommendation. The Council's community challenge fund is another mechanism to support this recommendation.

- 2.2.5 Ensure that their Council has financial plans covering the short term (1-2 years), medium term (3-5 years) and longer term (5-10 years). These plans should set out the Council's financial commitments, identify any challenges with the affordability of services and set out clearly how the Council ensures its financial position is sustainable over an extended period.

Comment - The current Local Government financial settlement process does not encourage long term planning with no grant figures announced beyond 2015/16, but generally the Council looks up to 5 years ahead in respect of its revenue budget and 10 years in respect of its capital plan. The report on the capital plan clearly identifies future revenue implications.

- 2.2.6 Review their Council's governance arrangements following significant changes in staff, management and political structures. This includes ensuring their current management teams have the skills and capacity to provide effective leadership and management of finances, services and improvement programmes, and having succession plans for when senior managers retire or leave the Council.

Comment – A recent review of the Council's management structure has been undertaken. The Council is progressing with its workforce planning initiative which will identify skill gaps and highlight succession risks. Services will report

Workforce Planning reports to the appropriate policy committee commencing this month. The Council has agreed a review of Area Committees and local community planning arrangements. This brings opportunities to improve governance, especially with partners and at a local level, and any governance risks arising from changes will be managed and tested through the local experiments under development.

- 2.2.7 Ensure their Council has a comprehensive workforce strategy to help manage the impact of staff reductions. The strategy should ensure that the Council retains the ability to make changes and improvements, and is equipped to meet increased demand for services in the context of financial constraints.

Comment - As stated at 2.2.6 above, the Council is progressing with its workforce planning initiative which will identify skill gaps and highlight succession risks. Services will report Workforce Planning reports to the appropriate policy committee commencing this month.

3. Conclusions

- 3.1 The Overview Report is a useful summary and provides reassurance that previous budget reports to Council are consistent with the national messages contained within this report.
- 3.2 Proper scrutiny and governance are a key element of the report, and Councillors should consider their own personal training requirements within the context of the points raised in this report. Councillors should also consider the officers' responses and consider whether this provides the necessary reassurance that they are provided with the high quality information required to allow them to fulfil their role.
- 3.3 The findings of the Overview Report are timely given work underway to review Area Committees and local community planning arrangements. This review of local governance and community empowerment will support the Council's ability to respond to key recommendations in the Report, particularly those relating to: targeting total public resources better; further integration with partners; working with service users and local communities in agreeing priorities and identifying new service delivery options; and readiness for implementing the new Community Empowerment legislation. An update on the review of Area Committees and local community planning is reported separately to the Council.

4. Implications

- 4.1 There are no new Legal, Equalities, Climate Change/Carbon Clever, Risk, Rural or Gaelic implications arising from this report.

Recommendations

Councillors are asked:

1. To consider the findings of the National Overview Report of Local Government in Scotland in 2015.
2. To consider the response set out to the main recommendations, outlined in Para 2.2.
3. To consider their personal training requirements in light of the issues raised by this report.

Designation: Director of Finance

Date: 30 April 2015

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