
Report to Clackmannanshire Council

Date of Meeting: 15 May, 2014

Subject: An Overview of Local Government in Scotland 2014

Report by: Chief Executive

1.0 Purpose

- 1.1. The purpose of this report is to advise Council of the publication by the Accounts Commission of *An Overview of Local Government in Scotland, 2014*, and to bring to Council's attention some of the key messages and recommendations contained in that report.

2.0 Recommendations

- 2.1. It is recommended that Council:

a) notes the publication by the Accounts Commission of *An Overview of Local Government in Scotland, 2014*, and the key messages and recommendations it contains;

b) notes the high level commentary offered at section 5 of this report;

c) notes that the Overview report will be considered by the Clackmannanshire Alliance at its next meeting; and

d) encourages all elected members to familiarise themselves with the Overview report, in particular, those matters which relate to elected member training, development, support and conduct.

3.0 Background

- 3.1 The Accounts Commission is the public spending watchdog for local government which holds councils to account. Its work includes:

- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance
- securing and acting upon the external audit of Scotland's councils and various joint boards and committees.

- 3.2 The Accounts Commission publishes an annual overview of local government based on its audit work of the previous year. This overview is used to provide

a high-level, independent view on the progress councils are making in managing their finances and in achieving best value, and to help councillors identify priorities in the year which follows.

- 3.3 The 2014 Overview report, which is primarily intended for elected members:
- sets out the context for local government and the key role of councillors within that
 - considers what more councillors need to know about current services and the options for providing services
 - focuses on key elements needed to deliver best value (such as leadership and governance) and how more can be achieved through partnership working.
- 3.4 The next sections of this report summarise some of the key findings, messages and recommendations of the annual Overview and provide some commentary on Clackmannanshire's position in respect of the themes contained in the Overview.

4.0 Considerations - Findings, Messages & Recommendations

- 4.1 The Overview report has a number of findings under the three headings of:

- i) understanding the changing context and the crucial role of councillors
- ii) meeting user demand and the financial challenges
- iii) providing strong leadership and governance to support change.

- 4.2 Appendix 1 to this report summarises the key findings under each of these headings.

- 4.3 Derived from these findings are six key messages as follows:

1 - Councillors need to maintain a good understanding of the rapidly changing economic, social and political context. Demands on services and resources continue to increase and need to be managed alongside public service reforms, including changes in the welfare system and in health and social care.

2 - Achieving Best Value requires good information about the cost and performance of current services and robust analysis of the options and the related risks associated with alternative ways of delivering services.

3 - Governance is more important than ever. Councillors need to scrutinise reports from officers on the financial position and service performance: get the right information; ask the right questions; and ensure issues are resolved. They also need to scrutinise reports from auditors and get assurances from officers that weaknesses in financial systems are addressed. Councillors should assure themselves that the officer responsible for the council's finances retains appropriate access and influence within management structures.

4 - The total level of reserves has increased but the level of 'free' reserves has fallen, with councils predicting future funding gaps. More work is needed to develop longer-term resource plans that show connections between savings, staff changes and how assets, such as land and buildings, are used to best effect in providing services.

5 - Councils are working with their partners to meet the challenges of significant service reforms. Achieving more from Community Planning Partnership (CPP) working requires strong shared leadership, more effective governance and making the most of the combined public sector resources in the area.

6 - There is increased evidence of political tensions and instability which is leading to strained working relationships. This comes at a time when decisions on services are becoming increasingly difficult and require strong political and managerial leadership. There will be additional demands on councillors in the run-up to the independence referendum. This will require a balance between their council responsibilities and their wider political activities.

4.4 There are two broad recommendations in the Overview report, which are that councils need to:

a) review how services are currently delivered and consider options as to how services might be delivered in future; and

b) increase the focus on partnership working and longer-term resource planning.

4.5 Accordingly, key priorities suggested for councillors in 2014 under the three main headings are:

1 - Understanding the changing context and the crucial role of councillors

- Maintaining a clear understanding of the financial position
- Understanding the public reform agenda, including the impact of welfare reform
- Preparing for changes in health and social care
- Keeping up to date through training and development

2 - Meeting user demands and the financial challenges

- appraising the options for delivering services and charging for services
- requiring good-quality cost and performance information for decisions and scrutiny
- making better use of benchmarking to support service improvement and public reporting

3 - Providing strong leadership and governance to support change

- maintaining good professional working relationships and providing strong political leadership
- getting assurance that governance is sound, including where arm's-length external organisations are in place
- providing stronger leadership of community planning partnerships and working with partners to make the best use of the overall public resources available in the area.

4.6 To assist elected members in considering their levels of understanding of the issues and whether they feel sufficiently supported in their roles, the Overview report provides a checklist (Appendix 2 of that report).

5.0 Clackmannanshire - Commentary

5.1 While individual elected members will have their own views on the questions in the checklist mentioned in the preceding paragraph, this part of the report sets out an initial broad assessment of the Council's status in respect of some of the themes contained of the Accounts Commission's key messages. (Officers will also be taking into account the messages and recommendations as part of the ongoing work on service reviews, budget challenge and *Making Clackmannanshire Better*.)

Understanding Context

5.2 There is evidence that Clackmannanshire Council is fairly well-briefed on the contexts of local government through a range of sources and mechanisms which it is hoped contribute to reasonable understanding by members of the issues. Such sources and mechanisms include:

- regular budget update reports to Council
- other update reports to Council and committee (e.g. on welfare reform and health and care integration)
- performance (service and finance) reports to committees
- internal and external audit reports
- Annual Governance Statement
- Capital Investment Forum
- *Making Clackmannanshire Better* Steering Group
- elected member training/briefings.

5.3 Clackmannanshire Council offers all its members regular opportunities to review their own personal development plans and to discuss training needs. Feedback from these reviews feeds directly into tailored development or training events. Outwith the Council, there is a wide range of material available via the Continuous Professional Development framework for elected members.

Achieving Best Value & Scrutinising Performance

5.4 The Council agreed (ref CC185) as part of its consideration of its 2014-15 budgets (ref CC185) the following priorities for *Making Clackmannanshire Better*:

a) development of a clear specification of which services the Council will deliver and to what standard;

b) refinement and adoption of the draft Target Operating Model to deal with how and where Council services are delivered;

c) development of a clear statement of the intended benefits and outcomes of the planned changes, including when these will be realised and whether investment will be needed to secure them;

d) the development of a Forward Plan of key change decisions to ensure Service Committees and Council provide timely challenge, comment and governance over proposals for appropriate changes in service delivery and resourcing;

e) completion of the detailed communications plan incorporating our approaches to both internal and external communication for both strategic and operational changes; and

f) redesign of the corporate Budget Challenge process to better align with *Making Clackmannanshire Better* thereby providing an integrated corporate and consistent approach focused on minimising duplication and overlap within and between services.

- 5.5 In order to take forward these priorities, good information about the cost and performance of current services, proper options appraisal and effective governance mechanisms will be essential.
- 5.6 A recent internal audit review of the Council's corporate and public performance reporting (considered by the Resources & Audit Committee on 1 May, 2014), provided reasonable assurance that the Council reports its performance in a form that is meaningful and understandable. However, it was noted that there was a risk that *"some Services may be expending time and resource collecting performance information and data and not obtaining tangible benefits from doing so."* Accordingly, actions are being progressed to mitigate against this and to support elected members in challenging and scrutinising service performance.
- 5.7 Impact (including risk) assessments are routinely carried out for all budget proposals and are available as background papers. In addition, option appraisals usually underpin the more significant budget proposals and form an integral part of best value and CIM assessments which services undertake. However, there can be some variation in the quality of these and given the difficult decisions which are increasingly facing the Council, it is crucial that all future options appraisals are consistently robust so that elected members have the fullest information possible on which to base their decisions.
- 5.8 The Accounts Commission has recently published a report entitled *Options Appraisal: Are You Getting It Right?* which provides helpful guidance on the requirements of option appraisal and also on the role that councillors have in the process. The key messages from that report are summarised at Appendix 2 to this report and the full report is available online at: http://www.audit-scotland.gov.uk/docs/local/2014/nr_140320_hcw_options_appraisal.pdf
- 5.9 As part of the redesign of the corporate budget challenge process, there will also be clear guidance to all officers involved on what is required in terms of information on costs, performance, options, impacts and risk. In addition, the corporate leadership and management development programme is providing support to officers to ensure that they:
- are skilled in these aspects of management
 - understand the strategic context they are operating in
 - understand the roles expected of them in that context.
- 5.10 There exists a formal framework for robust scrutiny via the Council's main 'service' committees and the Resources & Audit Committee. In addition, a number of other avenues exist which provide opportunities for elected members to discuss matters with officers and access relevant information. Given the financial contexts, however, just as officers need to ensure that adequate and accurate information is available to assist the decision-making process, elected members need to assure and satisfy themselves that they have familiarised themselves with any proposals and provided sufficient challenge of those proposals in advance of decisions being taken.

Developing Longer-Term Resource Plans

- 5.11 The Council noted in the budget report in February, 2014, a conscious development to reinforce a more holistic approach to financial planning for services and for guiding decisions about savings and investment. This

development aims to improve the alignment and integration of service delivery and financial planning decisions in support of *Making Clackmannanshire Better* via improved coordination of activity and investment in localities irrespective of whether they are funded by General Services, HRA or through external funding streams. An operational officer forum, the Capital Investment Group (CIG), has now been established, the role which is to improve the co-ordination of capital investment activities.

- 5.12 Council has also agreed the principle of a managed contraction of staffing levels in line with the agreed service delivery priorities and this work will be taken forward in tandem with the workstream mentioned above.
- 5.13 Together these workstreams will contribute to the development of *"longer-term resource plans that show connections between savings, staff changes and how assets, such as land and buildings, are used to best effect in providing services."*

Achieving More from Community Planning Partnerships

- 5.14 An area which continues to be a challenge locally is harnessing the collective public sector resources in Clackmannanshire towards the shared outcomes of the Single Outcome Agreement 2013-2023.
- 5.15 While the partners of the Alliance have committed to a vision where *"the totality of our collective resources are organised not according to organisational boundaries, but as needed to deliver agreed positive outcomes for Clackmannanshire,"* progress in moving towards this ambition in a systematic way has not yet been what might have been hoped for.
- 5.16 While there are a number of valid reasons for this (e.g. potential for increased costs, general affordability at a time of budget reductions, diminution of governance, technical/regulatory barriers) and while a legitimate (and necessary) response to the contexts currently being faced is organisational contraction, organisational retraction runs the risk of being self-defeating since enhanced partnership working could provide solutions and ease the collective financial burden. Continued political and managerial effort will be required, therefore, to encourage, facilitate and incentivise more effective and efficient integrated working.
- 5.17 Public sector reform potentially presents additional challenges to achieving more from CPPs and there is a risk that fragmentation of public sector resources at local level due to changes in the structure of the sector at national level are creating additional barriers to the development of the 'whole systems approaches' aspired to in Clackmannanshire. For instance, local government no longer has responsibility for police and fire budgets and it is not clear the extent to which local command structures are able to enter into local arrangements which are not replicated across the country. In addition, from 2015 new arrangements for elements of social work (as part of care and health integration) could have implications for the allocation of and accountability for resources for this area of service provision. Careful political and managerial attention, therefore, will need to be given to mitigate as far as possible against any potential consequences of such reforms which could create additional barriers or disincentives to integration.

- 5.18 Although the Overview report is targeted primarily at elected members, the Accounts Commission has suggested that it should also be considered by CPPs. Accordingly, the report will be on the agenda for the next meeting of the Clackmannanshire Alliance in June.

Political Tensions & Instability

- 5.19 Finally, the Accounts Commission reports increased political tensions and instability around the country at a time when budgetary decisions are becoming increasingly difficult. Three specific councils are cited where working relations and matters of conduct have detracted from the achievement of best value and effective governance and scrutiny. Specific issues referred to are:

- lack of collective strategic leadership by councillors
- strained working relationships between councillors (and between a few councillors and officers)
- not all councillors participating in decision-making structures and scrutiny forums due to concerns about effective scrutiny
- disrespectful conduct in council chambers.

- 5.20 While recognising the inherent political nature of local authorities, the Commission's concern is that political tensions could "*compromise a council's ability to ensure effective leadership, demonstrate good governance and, as a result, weaken the public's trust and confidence in the integrity of the council and its councillors to conduct public business.*"

- 5.21 Good governance is a priority in *Taking Clackmannanshire Forward* which commits to "*pursuing a policy of robust corporate governance within the Council.*" The Council has a Governance Strategy and a Local Code of Governance and, insofar as these refer specifically to matters of elected member conduct, they aim to ensure that elected members:

- are aware of the standards of conduct and personal behaviour expected of them
- uphold high standards of conduct and behaviour
- model good governance behaviours
- have clearly defined roles, functions and levels of accountability
- work together with a common purpose.

- 5.22 It is not apparent that in Clackmannanshire there exists the extent of issues described by the Accounts Commission in the three other councils. That said, there have periodically been occasions where it could be deemed that expectations of appropriate conduct have not been met. The Overview report, therefore, provides a useful prompt to elected members and officers to ensure that they are familiar with, understand and abide by the respective national codes of conduct which apply to them. In light of the increased focus by audit bodies on conduct and associated governance issues, it is also intended that the annual governance reviews which are undertaken by services include specific consideration of any such matters which are felt to impact on the organisation's ability to carry out its business effectively.

6.0 Conclusions

- 6.1 The Accounts Commission publishes regular reports on a range of matters of relevance to local government. The *Overview* report for 2014 provides a number of observations gleaned from engagement across all 32 local councils and offers an assessment of some key issues affecting the local government sector.
- 6.2 A large number of the issues raised in the report will already be familiar to elected members in Clackmannanshire, while there be some issues which appear less familiar to the local situation.
- 6.3 In terms of the broad key messages, the Council can be reasonably assured that it is being informed about the context of local government and that overarching strategic frameworks exist which should ensure that future budget and service reviews contain appropriate financial and performance information, make appropriate connections and incorporate appropriate options and risk appraisals. It will, however, be important that all tiers of council management ensure that there is corporate follow-through within these frameworks and that elected members apply sufficient scrutiny to reviews which are presented to them.
- 6.4 Despite formal commitments, there is not strong evidence that the community planning partners collectively are making the "*most of the combined public sector resources*". While the structure and governance of the public sector in general can serve to limit the extent to which this ambition can be realised, more impetus is required locally to more systematically meet the commitments agreed in the Community Plan and Single Outcome Agreement.
- 6.5 Finally, while there do not exist locally the sort of comprehensive and systemic difficulties in working relations described by the Accounts Commission, it is important that good governance and the highest standards of conduct are seen to be active priorities for the Council and its management, as well as for individual elected members and officers, to avoid any negative impact on the Council's ability to do business effectively and achieve best value.

7.0 Sustainability Implications

- 7.1 There are no direct sustainability implications arising from this report.

8.0 Resource Implications

- 8.1 *Financial Details* - there are no direct financial implications arising from this report.
- 8.2 *Staffing* - there are no direct staffing implications arising from this report.

9.0 Exempt Reports

- 9.1 Is this report exempt? No

10.1 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities**

The Council is effective, efficient and recognised for excellence

(2) **Council Policies** (Please detail) N/A

Single Outcome Agreement

11.0 Equalities Impact - N/A

12.0 Legality

12.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

13.0 Appendices -

Appendix 1 - Overview of Local Government in Scotland - Key Findings

Appendix 2 - Options Appraisal: Are you Getting it Right? Key Messages

14.0 Background Papers

14.1 Have you used other documents to compile your report?

An Overview of Local Government in Scotland, 2014 - Accounts Commission, March, 2014

Clackmannanshire Council Governance Strategy, 2012

Budget Report to Special Council of 21 February, 2014

Options Appraisal: Are We Getting It Right? - Accounts Commission, March, 2014

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Elaine McPherson	Chief Executive	452002

Approved by

NAME	DESIGNATION	SIGNATURE
Elaine McPherson	Chief Executive	

APPENDIX 1 - OVERVIEW OF LOCAL GOVERNMENT IN SCOTLAND - KEY FINDINGS

A - Understanding The Changing Context And The Crucial Role Of Councillors

- there are continuing pressures on **finances and services**:
 - decisions and choices in allocating resources across competing priorities are increasingly difficult
 - public sector faces significant challenges in reshaping care for older people
 - there are also substantial pressures within individual services
 - dealing with equal pay claims and associated costs have been significant
- **public service reform** provides challenges and opportunities for new approaches to services:
 - responding to public service reform is challenging but can also help deal with demand and resource pressures, address inequality and better meeting the expectations of people and communities
 - the increasing emphasis on partnership working and community empowerment, while challenging, also provides opportunities for new approaches to services
 - councils retain an important role in helping strengthen connections between the police and fire and rescue services and local communities
 - the Welfare Reform Act of 2012 is the biggest reform of the welfare system for 60 years and has significant implications for councils and the services they provide
 - uncertainties over welfare reform which make it difficult for councils to plan ahead and it will be some time before the full impact of welfare reform is clear
 - the integration of health and social care services affects major parts of the public services and, potentially, represents the biggest change in local government since reorganisation in 1996
 - a joint vision and clear priorities for the use of shared resources is important as is the need for barriers to partnership working need to be addressed
 - new models of service delivery may lead to changes in the relationship between councils and communities
- **councillors have a complex and demanding role**, which is crucial to the success of their councils
 - councillors represent their constituents, provide leadership and direction and scrutinise service performance and how resources are used
 - the effectiveness of councillors has a strong bearing on the achievement of best value
 - the complexity and demands of the role are increased where reduced budgets mean that choices and decisions are more difficult
 - councillors are involved in getting people's views, setting policies, holding officers to account for the implementation of policies and keeping people informed about service changes and performance
 - the management of services is the responsibility of council officers
 - the political context of 2014 is likely to mean additional demands on councillors requiring a careful balance between their crucial role in councils and their political interest in the referendum
 - it is more important than ever that councillors are supported in their role and it is essential that officers provide sufficient, well-researched and presented information to enable them to carry out this role

B - Meeting User Demand And The Financial Challenges.

- **councillors need good information** to support decision-making and accountability, consistent with best value responsibilities:
 - to scrutinise and assess services, councillors need good information on performance and costs of current service activities
 - more needs to be done to ensure that the quality of performance information and that there is clear read-across between the information which is collected and the councils objectives so that progress can be measured
 - councillors need to be clear about what the council wants to achieve and how they will monitor and review performance
 - councillors need to be prepared and equipped to challenge officers on services performance

- councillors can support improvement by showing they are actively interested in performance management and taking action based on what performance information is telling them
- there is still room for improvement in councils' public performance reporting, including the use of comparing performance with other councils
- councils need to **consider options for new ways of working** and changes in the way services are delivered and paid for:
 - councils have substantial discretion on how services are delivered and by whom, even for those services which there is some prescription
 - options appraisals should be a standard part of decision-making involving changes in how services are delivered (including major capital projects)
 - cost information is important in assessing performance and value for money, looking at service performance alone is not sufficient
 - in redesigning services, councils need to ensure that they are designed around the needs and expectations of the people who use that service
 - successful engagement with the public and staff can help manage expectations about what can be achieved in the context of reducing budgets
 - options for the delivery of council services include the use of arms-length external organisations (ALEOs)
 - good governance is essential in dealings with ALEOs
 - simplifying, standardising or adjusting existing approaches to services can be a way to sustain and improve services, as can charges

C - Providing Strong Leadership & Governance to Support Change

- there is **evidence of increasing political tensions and instability** which is leading to strained working relationships:
 - the best performing councils are able to identify when to set aside political differences and work on a constructive basis to support the council as a whole
 - where working relations break down this presents a risk to the council's ability to do business effectively and achieve best value
 - further pressures and tensions are likely given the closely balanced make-up of councils, reduced budgets and the heightened political activity for all elected representatives
 - management restructuring and significant changes in the role of officers need to be handled carefully to ensure consistency and continuity of leadership and governance.
- decisions on services are becoming increasingly difficult and require **strong leadership and governance**:
 - tighter budgets have been met so far by reducing staff numbers; more work is needed to monitor the impact of staff reductions on front-line services and also on the capacity and resilience of support functions
 - increasing levels of staff overtime may be indicative of pressures in services which in time may affect service performance and diminish anticipated from decisions to reduce the size of the workforce
 - while councils have relied mainly on staff reductions, this is not sustainable in the longer term and they face having to consider policy options which they may have previously rejected because they are politically unacceptable or unpopular
 - having taken difficult decisions, strong leadership is required to see them through
- **effective governance of finances** is more important than ever:
 - audit committees provide a focus on financial control and risk and enhance public trust and confidence
 - reserves have increased but the level of 'free' reserves has fallen, partly because they have been applied to reduce funding gaps
 - achieving more from partnership working requires strong shared leadership supported by more effective governance
 - partnerships need to identify and make better use of the overall resources available in their areas

APPENDIX 2 - OPTIONS APPRAISAL: ARE YOU GETTING IT RIGHT? - KEY MESSAGES

1 - There are many challenges facing councils, the most pressing being the need to manage financial pressures and the increasing demands on services. The Accounts Commission report *Responding to challenges and change: An overview of local government in Scotland 2013* (PDF) highlighted that demand and resource pressures continue to build for councils. One of our key recommendations was that councils should 'ensure rigorous and challenging appraisal of options for delivering services.'

2 - Everything a council does has its roots in legislation. Some services are more prescribed in legislation than others, for example the collection of council tax and business rates. For other services, councils have a lot of discretion on the level of service provided. Even for those services where there is some prescription, it is relatively limited and councils retain substantial discretion on how services are delivered and by whom.

3 - Councils need to consider a wide range of options when considering what services to provide and how to deliver them. They must assure themselves that the services they are providing are value for money, efficient and effective and demonstrate Best Value through continuous improvement. They can do this by critically assessing the current arrangements and by looking at how services are provided by other councils and other organisations.

4 - Councillors and officers need to be open to considering a broad range of options for delivering services. This might involve providing services in a different way, or even not providing some services at all. These are difficult decisions to make as they affect residents and customers, partner organisations and council staff. A robust options appraisal helps councils make these important decisions and provides assurance that all the relevant issues, including quality, cost and risk have been considered. It also helps to ensure that decisions are transparent and based on solid information.

5 - It is vital that councils clearly define the objectives of any options appraisal process. This might be about providing services in a different way to better meet the needs of residents, it might be about making existing services more effective or it may be about making savings to provide resources for other higher-priority areas. When deciding on the objectives, a council needs to ensure that the possible outcomes of any options appraisal are consistent with its strategic policy objectives

6 - As with any process, options appraisal needs to be resourced properly to ensure that it works well. This involves devoting the appropriate time, money, skills and experience to ensure that sound decisions are made. The process needs to be proportionate to the significance of the decision to be made.

