
Report to: Clackmannanshire Council

Date of Meeting: 14 May, 2015

Subject: An Overview of Local Government in Scotland 2015

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, 2015*, and to bring to Council's attention the key messages, findings and recommendations contained in that report.
- 1.2. The publication can be found online at:
http://www.audit-scotland.gov.uk/docs/local/2015/nr_150305_local_government_overview.pdf

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, 2015*, and the key messages, findings and recommendations it contains;
 - b) notes the commentary offered at section 5 of this report; and
 - c) encourages its elected members to familiarise themselves with the Overview report and to consider the recommendations for councillors that it contains.

3.0 Background

- 3.1. The Accounts Commission is the public spending watchdog for local government. Its 2015 Overview report draws on the findings from local government audit work in 2014 (e.g. audits of financial statements, Best Value, community planning partnerships and performance reports) and provides a high-level, independent view on how councils are managed and perform.
- 3.2. The Overview report is intended to be '*primarily for councillors, as a source of information and to support them in their complex and demanding role.*' The focus of this year's report is the financial context in which councils are operating and how councils are managing the financial challenges. The report also highlights what councils and their partners need to do to help deal with the ongoing and increasing pressures.

3.3 The next sections of this report summarise some of the key messages, findings and recommendations of the annual Overview report. There is also some officer commentary on certain of the findings at Section 5.

4.0 Overview Report - Key Messages & Findings

The Financial Context - Key Messages & Findings

4.1 The first part of the Overview report considers the financial context across Scottish local government. Elected members will recognise many of the findings as they are consistent with the issues which are affecting Clackmannanshire Council.

4.2 *Key messages* on the financial context of Scottish local government in the Overview report are:

- a) 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). Further reductions in the Scottish budget are likely, particularly in 2016/17 and 2017/18.
- b) demand for council services is rising because of population changes, in particular demand for services for older people. Alongside this, councils deliver national policies such as those relating to school class size targets and housing quality standards and by deciding to freeze council tax levels.
- c) there are other matters which potentially place pressures on councils' finances for example, increasing borrowing costs, equal pay claims and welfare reforms. Almost all councils are now predicting a gap between their income and the cost of providing services.

4.3 Among *the findings* on the financial context of Scottish local government included in the Overview report are that:

- a) councils should be able to manage budgetary pressures in 2015/16 but the years beyond that they pose a level of challenge not previously experienced.
- b) the funding gap means 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. If they are unable to do this they will have to use some of their reserves, although this is a short-term option. 20 councils reduced their level of useable reserves in 2013/14.
- c) further budget reductions are expected and demands for services are increasing. The challenge for councils is to implement strategies that bridge the funding gaps.
- d) as councils' funding is decreasing in real terms, it is important that they consider options to increase the income from fees. However, councils have to consider the benefits that the extra income brings alongside the impact that higher charges have on the people using the services and the administrative cost of collecting these charges.
- e) nationally, spending on most of the main services has fallen since 2010/11, except on social work and environmental services. (The increase in social work spending is due in part to increased spending on care for older people, reflecting the population trend. The net increase in environmental services is due mainly to changes in the way that some trading activities are reported in councils' accounts, and a new accounting requirement to plan for the costs of restoring landfill site.

These factors in respect of environmental services do not apply in the case of Clackmannanshire.)

- f) some smaller services have generally experienced a higher percentage of budget reductions.
- g) some councils have policies against compulsory redundancy which restrict their ability to manage changes or reductions to their workforce and make associated savings.
- h) an increasing proportion of councils' budgets will be required to repay debts and other financial commitments; annual interest and debt repayments on borrowing have increased from £946 million in 2009/10 to £1.5 billion in 2013/14.
- i) population projections indicate that there will be increasing demand for council services at the same time as financing charges are anticipated to peak.
- j) auditors report that so far councils are managing the impact of welfare reform and many are spending money on support for people affected.
- k) added to financial pressures is the challenge for councils in establishing effective health and social care partnerships with their health colleagues. This is the most significant change in the public service landscape in Scotland in recent years.

Dealing with the Pressures - Key Messages & Findings

4.4 The second part of the Overview report focuses on how councils are dealing with the pressures which exist because of the financial context.

4.5 *Key messages* on this in the Overview report are:

- a) councils have reduced staff numbers to help make savings. They have paid out £352 million in voluntary severance since 2010/11. There is an increasing risk that reductions in staff numbers, and the associated loss of skills and experience, will affect essential support services
- b) despite reductions in funding, available data indicates that councils have continued to improve or maintain services. However, sustaining improvement is becoming more challenging and councils face increasingly difficult decisions about providing services.
- c) effective financial and performance management help councils relieve pressures through, for example, targeting resources at their priority areas, and identifying better ways to provide services. Councils need to take more account of service users' priorities and get better at using local data and involving communities in planning and delivering services.
- d) effective planning and budgeting help councils target resources, but there is limited evidence of longer-term financial planning. 18 councils do not have long-term financial plans covering a period of five or more years. This can limit how well they understand the full implications of their spending and borrowing.
- e) governance needs to keep pace with changes in staff, management and political structures. This applies within councils and in joint working between councils and their partners, particularly in community planning.
- f) councillors need clear information to help them scrutinise services and make effective decisions. Councillors should also make sure they get the training and support they need to help them fulfil their demanding roles.

4.6 Among *the findings* in terms of how local government is dealing with the financial pressures are:

- a) faced with increasing demand and reduced budgets, councils are finding it harder to continue to improve or maintain the level and standard of services. Although savings plans are in place, councils will need to consider more fundamental changes.
- b) as budgets are cut, councils need to review thoroughly how they deliver services and identify new, more efficient or better ways of delivering them. They need to act on the results of the reviews, which should be informed by better use of data and user views, to improve services.
- c) as they consider proposals to reduce or stop services, councils need to identify the benefits and risks associated with each option. These include the implications for how services perform, the impact on service users and the effect on longer-term outcomes for people and communities.
- d) although councils have reduced their staff numbers to make savings, it is crucial that they understand and manage the effect of these reductions and continue to improve or maintain the impact their services have on people's lives. Councils also need to ensure they have enough people with the right skills to deliver their ambitious change and improvement programmes, both now and in the future.
- e) where further staff reductions are planned, it is important that councils have comprehensive workforce plans and strategies to help manage the impact of significant staff reductions.
- f) there is a risk that some councils' management teams may now be too small, or lack the skills and experience, to oversee and control their wide-ranging responsibilities. This can make effective leadership and management more challenging.
- g) changes to staffing and management structures as a result of workforce reductions and organisational changes affect existing governance arrangements so it is important that councils review governance arrangements when changes are made.
- h) reducing staff alone is not sustainable to help manage further budget reductions and councils need to continue:
 - reviewing how they deliver services
 - assessing whether what they are doing is the most efficient and effective option, both in the current circumstances and in the future. If this is not the case, councils need to consider fundamental changes.
- i) to target their limited resources effectively, councils need to work with local people to understand what their needs are and what services will have the best and most sustainable impact on their lives. Local people can bring insights and experiences to planning, developing and delivering services, complementing those of council staff.
- j) while CPPs continue to improve how they consult with local people, they are not yet working with them to improve local services. Genuinely involving users in decisions about how services are delivered is typically not happening. There is significant potential for councils to improve how they involve the public.
- k) there is limited evidence of councils moving towards preventative services. Prevention is an important element in managing future demand for services, and is therefore an important element in securing financial sustainability.

- l) responding effectively to the current and continuing financial pressures means that councils will have to be bold and take risks. They cannot afford to be risk averse, so the focus is on being risk aware.
- m) effective planning and budgeting help councils target resources, but there is limited evidence of longer-term financial planning. 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. Plans should also show whether the council's finances are sustainable over this period of time.
- n) it is important that councils are clear about local priorities and national policies and develop their budgets to target resources at these. There should be clear connections between the local priorities that the council and its partners have set out in their SOA and the way they target the combined resources they have available for public services in the area.
- o) councillors need good information to scrutinise services and make effective decisions.
- p) councillors need training to help them set budgets and scrutinise performance. It is more important than ever that councillors have appropriate knowledge and expertise to carry out their role effectively.

5.0 Clackmannanshire - Some Commentary on the Overview Report

5.1 In terms of the key messages and findings in respect of the financial context, there is very little in the Overview report which the Council will not recognise. This part of the Overview report reinforces the fact that most other councils in Scotland are facing the same challenges as we are in Clackmannanshire.

5.2 In terms of the section of the report relating to dealing with the financial context, there are certain matters which merit some commentary on the local position as follows:

- *staffing and capacity* - consistent with the trend outlined in the Overview report, Clackmannanshire Council is seeking to reduce its staff numbers as a means of reducing its expenditure. To this end, Council agreed a fund of £1M in its 15-16 budget to support voluntary severance. As has been reported in the Depute Chief Executive's Budget Update report which is also before Council, a number of individuals have been released on this basis. In addition, a number of other staff have been successful recently in gaining positions with other organisations. These combined factors are resulting in reduced capacity in some areas of the Council which will necessitate a period of transition while teams and services settle into revised arrangements
- *staffing and vacancy management* - there was a general freeze on recruitment in the months leading up to the budget. While necessary so as not to commit resources which the Council might have wished to use to close the funding gap, this freeze had a significant, and unsustainable, impact on the capacity of many services. Since March of 2015, requests to fill vacancies are again coming forward to the corporate management team for consideration. Each request is reviewed against core criteria of: risk to life, harm to people, failure to meet statutory duty and legal/financial risks of not filling the post. Consideration is also given to whether the work

of the post can be carried out in a different way. The Accounts Commission stresses the need to have a workforce strategy in place given the financial context and this action was agreed by the Council at its budget meeting. The task is being piloted in the Assets service currently. A corporate workforce plan will come to Council in due course tying in with the budget planning cycle as part of *Making Clackmannanshire Better*

- *partnership working* - in the 2015 Overview report, as in 2014, the Accounts Commission comments on the potential for partnership working to bring with it efficiencies through ensuring connections between local SOA priorities and the way partners' combined resources are targeted. This approach is not to any great extent a reality yet in Clackmannanshire, with each partner individually working on its funding gap in isolation. (This may be a contributing factor to the lack of activity the Accounts Commission comments on in relation to preventative spending.) Among the ambitions for health and care integration is that the pooled resources which will be the responsibility of a joint board will facilitate more effective targeting of resources and more opportunities for efficiencies. While health and care integration is still at a relatively early stage, in the current financial year partnerships are required to agree the details of finance and resourcing. This experience may offer an impetus to similar joint resourcing approaches being taken across other areas of public service beyond health and adult care. As Council is aware from another report on this agenda, the Clackmannanshire Alliance is also reviewing its governance arrangements with a view to enhancing accountability and scrutiny and to promoting more effective partnership working.
- *long term planning* - the Accounts Commission highlights that the majority of Scottish councils have not developed long-term (5-10 years) financial plans to 'direct and control their finances and set the context for annual budgets'. Locally, the Council has sought to create medium to longer term financial planning over a number of budget rounds and *Making Clackmannanshire Better* was established to provide the strategic framework for delivering the longer term planning context. To date there has been more explicit evidence of this in relation to capital budgets. However, with the greatest forecast pressure being on revenue, greater strategic direction from the Council would facilitate a longer term financial planning approach by providing more clarity on the prioritisation of what the Council spends overall on which services (as opposed to focusing on bridging a financial gap)
- *good information for scrutinising performance and making decisions* - the Accounts Commission rightly points out that elected members must have good information on which to base budget decisions and also good information for scrutinising service performance. In respect of budget decisions, senior management are introducing new templates for each officer budget proposal so that there is consistency in the detail and presentation of the information provided. In addition, there are standard templates for the presentation of business cases and service reviews. In terms of information for scrutinising performance, a workshop for elected members on the Resources & Audit Committee has been organised for the 10 June 2015 as agreed by the Resources and Audit Committee in February. A pre-workshop questionnaire based on the self assessment tool for councillors (Supplement 1 of the Overview Report) has been issued to all councillors, chief officers and senior managers from partner

organisations who attend the Resources & Audit Sub-committee. Output from the workshop will inform a scrutiny improvement training needs analysis.

6.0 Overview Report Recommendations for Councillors

6.1 The 2015 Overview report makes a number of recommendations directly to Scotland's councillors. The recommendations are that councillors should:

a) assess whether they have appropriate knowledge and expertise, in areas such as assessing financial and service performance, to carry out their role effectively

b) review their training needs and request the training and support they require to help them consider options, make decisions and scrutinise performance

c) ensure that council officers provide high-quality financial and performance information to support effective scrutiny and decision-making

d) 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

d) ensure that they consider all practical options for delivering services to meet the needs of service users and local communities, within the resources available

e) 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

e) 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

f) 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

h) ensure their council has a comprehensive workforce strategy to help manage the impact of staff reductions.

6.2 The Accounts Commission asks that councillors ensure the recommendations in the Overview report are implemented, where appropriate, and has provided a self-assessment tool to help councillors do this. This is attached as the appendix to this report and can also be found online at:

http://www.audit-scotland.gov.uk/docs/local/2015/nr_150305_local_government_overview_supp1.pdf

6.3 Officers would welcome any feedback from councillors who undertake the self-assessment to inform how improvements in support and information could be made.

7.0 Conclusions

7.1 The Overview Report sets out very starkly the challenges facing Scottish local government and acknowledges that:

'almost all councils' auditors have indicated risks to councils' financial positions in the medium to long term. Specific risks identified by auditors include councils:

- *spending more money than they planned*
- *not making the savings they planned*
- *having to compromise unexpectedly on the quality of services they deliver, without having worked with service users to review and evaluate other options*
- *being unable to meet the increasing demand for services*
- *not having enough money in their reserves that they can use, if required.'*

7.2 Clackmannanshire Council is vulnerable to these risks and the Council needs to ensure that it takes the necessary steps to align its operations to the resources available to it.

8.0 Sustainability Implications

8.1 There are no direct sustainability implications arising from this report.

9.0 Resource Implications

9.1 *Financial Details* - there are no direct financial implications arising from this report.

9.2 *Staffing* - there are no direct staffing implications arising from this report.

10.0 Exempt Reports

10.1 Is this report exempt? No

11.1 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

12.0 Equalities Impact - N/A

13.0 Legality

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

14.0 Appendices -

Appendix - An overview of local government in Scotland 2015, Self-assessment tool for councillors

15.0 Background Papers

15.1 Have you used other documents to compile your report?

An Overview of Local Government in Scotland, 2015 - Accounts Commission, March, 2015

Available online at: http://www.audit-scotland.gov.uk/docs/local/2015/nr_150305_local_government_overview.pdf

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An overview of local government in Scotland 2015


Self-assessment tool for councillors





This self-assessment tool is designed to help councillors review progress in implementing the recommendations in our report, *An overview of local government in Scotland 2015* [PDF] . They should consider each issue listed and decide which statement most accurately reflects their current situation. This approach will enable them to identify what actions need to be taken.


The last column in the checklist can be used to record sources of evidence, supplementary comments to support the assessment or to highlight actions to take forward.


Issue	Assessment of current position (continued)					Comments
	No action needed	No but action in hand	Yes in place but needs improving	Yes in place and working well	Not applicable	
Skills and expertise (paragraphs 97 to 99 [PDF])						
<ul style="list-style-type: none"> Councillors review and update their own training needs and identify areas where they require further training. 						
<ul style="list-style-type: none"> Councillors work together with officers to ensure the council provides or arranges relevant training for them in appropriate areas, including assessing financial and service performance. 						

Issue	Assessment of current position (continued)					Comments
	No action needed	No but action in hand	Yes in place but needs improving	Yes in place and working well	Not applicable	
<ul style="list-style-type: none"> Councillors ensure they get support from officers when they identify gaps in knowledge and understanding. 						
Financial and performance information (paragraphs 90 to 96 [PDF] )						
<ul style="list-style-type: none"> Officers are working to improve the way they report financial and performance information to councillors to make it clearer and easier to understand. 						
<ul style="list-style-type: none"> Officers provide councillors with relevant, up to date performance data, including benchmarking the council's performance with other relevant organisations or services. 						
<ul style="list-style-type: none"> Officers report performance information to the public in a way that helps them understand the council's performance. 						
<ul style="list-style-type: none"> Officers make councillors aware of future funding gaps and provide them with information to help make decisions on how to close the gaps. 						
<ul style="list-style-type: none"> Officers make councillors aware of changes to the proportion of the council's budget that will be required to repay debt. 						

Issue	Assessment of current position (continued)					Comments
	No action needed	No but action in hand	Yes in place but needs improving	Yes in place and working well	Not applicable	
<ul style="list-style-type: none"> Officers make councillors aware of the financial impact of national and local policies (eg, taxes on land and buildings transactions, waste disposal to landfill and the implications of the Smith Commission agreement). 						
Using local data and working with communities (paragraphs 53 to 61 [PDF] )						
<ul style="list-style-type: none"> The council uses local socio-economic data and works in close co-operation with service users to understand their needs, explore ways of meeting them, and deliver the services. 						
<ul style="list-style-type: none"> Officers make councillors aware of population trends in the area and the implications for service demand and capital budgets. 						
Service delivery options (paragraphs 62 to 68 [PDF] )						
<ul style="list-style-type: none"> The council is reviewing all practical options for delivering services in new ways to help save money and improve services. It is identifying the benefits and risks of each option and monitoring the impact of the option chosen, including the risks associated with change 						

Cont.

Issue	Assessment of current position (continued)					Comments
	No action needed	No but action in hand	Yes in place but needs improving	Yes in place and working well	Not applicable	
<ul style="list-style-type: none"> Councillors are aware of what actions the council has taken so far to make savings and the extent of staff reductions to date, and the impact of these on service delivery. 						
<ul style="list-style-type: none"> The council is investing in preventative approaches to help manage future demand for services 						
<ul style="list-style-type: none"> The council has a comprehensive workforce strategy to help plan and manage the impact of staff reductions 						
Financial planning (paragraphs 69 to 73 [PDF] )						
<ul style="list-style-type: none"> The council has financial plans for the short (1-2 years), medium (3-5 years) and long term (5-10 years). 						
<ul style="list-style-type: none"> The strategies set out financial commitments, identify problems with affordability of services and allow members to understand whether the financial position is sustainable over an extended period. 						
<ul style="list-style-type: none"> The council's budget targets resources effectively at its priorities, including shared priorities identified with partners in the Single Outcome Agreement 						

Issue	Assessment of current position (continued)				Not applicable	Comments
	No action needed	No but action in hand	Yes in place but needs improving	Yes in place and working well		
Governance arrangements (paragraphs 74 to 89 [PDF] )						
<ul style="list-style-type: none"> The council reviews governance arrangements following significant changes in staff, management or political structures. 						
<ul style="list-style-type: none"> The council's senior management team has the skills and capacity to provide effective leadership and management of finances, services and improvement programmes. 						
<ul style="list-style-type: none"> Councillors understand the role and statutory responsibilities of the S95 officer, the monitoring officer and the chief social work officer. 						
<ul style="list-style-type: none"> The scrutiny or audit committee has: <ul style="list-style-type: none"> – a chair who is not a member of the political administration – clear terms of reference – adequate support and access to independent advice – members who have the necessary skills and training. 						

