

Finance and Resources Committee

10.00am, Thursday, 23 May 2019

Accounts Commission – Local Government in Scotland: Challenges and Performance 2019

Executive/routine Wards Council Commitments	Routine
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1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note the contents of the report; and
 - 1.1.2 refer the report to the Governance, Risk and Best Value Committee for its consideration.

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Accounts Commission – Local Government in Scotland: Challenges and Performance 2019

2. Executive Summary

- 2.1 On 21 March 2019, following the earlier publication of its 2017/18 Financial Overview, the Accounts Commission issued a complementary, forward-looking report assessing councils' readiness to confront the growing challenges that lie ahead. Echoing the recommendations made in previous years, the report emphasises the importance of effective financial and workforce planning and the need for councils to go beyond delivery of efficiencies to embrace service transformation, closer working with partners and greater responsiveness to, and empowerment of, their communities. Given increasing service demand and on-going decreases in real-terms funding availability, addressing these challenges is also likely to require prioritisation of services, with both members and officers needing to be accountable for those choices.

3. Background

- 3.1 At the meeting of the Governance, Risk and Best Value Committee on 15 January 2019, members considered the key findings of the Accounts Commission's Financial Overview 2017/18 report. The report reiterated a number of the key messages included within 2016/17's overview, particularly around on-going challenges for councils in reconciling increasing, mainly demographic-led service demand with real-terms reductions in external funding. Relative expenditure on education and social care services continued to increase in 2017/18, offset by necessary reductions in other service areas and targeted use of earmarked reserves to maintain financial balance by councils.
- 3.2 Given the likelihood of continuing decreases in real-terms funding, at least into the medium-term, the report reiterated the on-going need to deliver further efficiency savings and, more fundamentally, address demand in more efficient and effective ways if financial sustainability is to be secured. This will require difficult decisions and innovative thinking from both officers and councillors, particularly in health and social care where opportunities for improved financial management and planning by Integration Joint Boards (IJBs) have been highlighted. This need for continuing savings emphasises the importance of medium and longer-term financial planning, with decisions requiring to be taken in the knowledge of anticipated impacts on both communities and the attainment of corporate objectives.

- 3.3 As in 2017/18, the Financial Overview report has subsequently been supplemented by a follow-up *Challenges and Performance* report, released on 21 March 2019, providing a high-level, independent view of the challenges facing councils, assessing how well they are addressing these and what more they can do going forward. The recommendations of the latter report intentionally complement those set out in the earlier Financial Overview.
- 3.4 The *Challenges and Performance* report's findings are aimed primarily at councillors and senior officers, supporting them in their increasingly complex and demanding roles. As with previous similar reports, [a self-assessment checklist](#) (with the corresponding questions included at relevant points within the report) is provided to assist councillors in understanding their own council's position and scrutinising its performance, thereby informing the difficult decisions that undoubtedly lie ahead. [An interactive online tool](#), facilitating inter-authority comparison of councils' performance, has also been developed.
- 3.5 In view of its Scotland-wide coverage, the report's contents are correspondingly general with few Edinburgh-specific references, albeit many of the underlying issues presented resonate with those faced within the city. Other reports focusing specifically on the Council's activities are, however, regularly considered by the Finance and Resources and Governance, Risk and Best Value Committees. Of particular relevance is the Council's own [Annual Audit Report](#), considered by the Governance, Risk and Best Value Committee on 25 September 2018. It is also anticipated, at this stage, that the Council will be subject to an external Best Value Audit towards the end of 2019/20.

4. Main report

Overview of report and key messages

- 4.1 The Accounts Commission report comprises three distinct sections. The first (on pages 10 to 20) provides a succinct, high-level overview of the challenges facing all councils, with a useful summary of the key UK and Scottish policy drivers included on page 11. This section also includes an overview of Scotland-wide initiatives to foster improved outcome-focused joint working, including health and social care integration, and greater empowerment of communities. This more complex governance and accountability landscape requires both members and officers to understand their roles and responsibilities clearly and, where applicable, develop their skills accordingly.
- 4.2 Given the continuing expenditure pressures arising from demographic change, the report highlights the resulting increase in the proportion of councils' budgets allocated to education and, in particular, health and social care, with a consequent increased savings requirement for "non-protected" services outside these areas such as planning and development services, culture and related services and roads and transport. This emphasises not only the importance of effective service prioritisation but the need to consider different and innovative ways of managing demand within these core service areas. Against a backdrop of reducing resources, protection needs to be relative rather than absolute, with all functional areas requiring to contribute to meeting overall savings targets.

- 4.3 The second and third sections of the report then proceed to examine how councils have responded to these challenges, emphasising that further incremental changes will not be sufficient to deliver the required level of savings and sustain performance improvement. The report therefore reiterates the importance of longer-term financial planning, development and maintenance of comprehensive workforce plans and further control of sickness absence levels, all grounded upon accurate and timely data. In addition, it highlights a need for effective leadership in considering, on a holistic basis, all options for service delivery and transformation, underpinned by robust scoping and option appraisal and early and full engagement with users and staff. The particular challenges facing integration joint boards in delivering improved outcomes for service users are usefully summarised in Exhibit 5 on page 27.
- 4.4 Pages 34 to 46 provide a high-level overview of Scotland-wide performance across a range of key council services and attainment of related national outcomes, drawing in particular upon quantitative and qualitative data contained within the recently-published Local Government Benchmarking Framework (LGBF) report for 2017/18. The Accounts Commission report notes that, in some areas, the combination of increasing demand and real-terms reductions in spending have contributed to reduced satisfaction levels and, in some cases, a failure to meet statutory duties.
- 4.5 An overview of the Council's comparative performance as reflected within the LGBF will be reported to the Corporate Policy and Strategy Committee on 14 May, with the Performance Report for 2018/19 then considered by Council on 27 June. The intelligence gained from this and other benchmarking exercises will continue to inform the Council's own service improvement plans.

5. Next Steps

- 5.1 In view of the report's Scotland-wide coverage, there are no specific resulting actions for the Council. Many of the issues highlighted within the report, nonetheless, form the backdrop to its wider financial and service planning.

6. Financial impact

- 6.1 While there is no specific additional impact arising directly from the report's contents, both this and the related Financial Overview report re-emphasise the importance of long-term financial planning in balancing the delivery of national commitments and local services against a backdrop of increases in underlying service demand and real-terms funding reductions.

7. Stakeholder/Community Impact

- 7.1 The report reiterates the importance of councils seeking innovative and collaborative ways of working with communities, partners and the third sector and, in particular, demonstrating the resulting outcomes achieved for their residents.

8. Background reading/external references

- 8.1 [Accounts Commission: Local Government in Scotland – Financial Overview 2017/18](#), Governance, Risk and Best Value Committee, 15 January 2019
- 8.2 [City of Edinburgh Council – 2017/18 Annual Audit – Report to the Council and the Controller of Audit](#), Governance, Risk and Best Value Committee, 25 September 2018
- 8.3 [Local Government Benchmarking Framework National Benchmarking Overview Report 2017/18](#)

9. Appendices

[Accounts Commission National Report: Local Government in Scotland: Challenges and Performance 2019](#)