Agenda Item	8
Report No	AS/17/20

HIGHLAND COUNCIL

Committee: Audit & Scrutiny Committee

Date: 26 November 2020

Report Title: **Audit Scotland – Local Government in Scotland Overview, Challenges & Performance 2020**

Report By: The Corporate Audit & Performance Manager

1.   Purpose/Executive Summary

1.1   The Audit Scotland report on Local Government in Scotland Overview, Challenges & Performance 2020 was published in June 2020 with the report having been prepared before the Covid pandemic. The report provides a high level independent view of the current and future issues facing local government in Scotland, how councils are responding to them and the impact these are having on council services.

1.2   The report makes recommendations in order to respond to the challenges facing local government in delivering local priorities and improving outcomes for their communities. Key messages are around governance and investing in leadership capacity to analyse the challenges and plan for the future; maximising the potential of collaborative working; developing leadership capacity and skills and workforce planning arrangements.

2.   Recommendations

2.1   Members are asked to:

1. Note and comment on this national report in the local context.

3.   Implications

3.1   Resource, Legal, Community (Equality, Poverty and Rural), Climate Change/Carbon Clever and Gaelic. There are no direct implications as the report provides a high level view of the national context.

3.2   Risk – The report highlights a number of key areas of risk for local government in Scotland which the Council needs to continue to consider through strategic and financial planning going forward.

4.   Introduction

4.1   Audit Scotland provides an annual overview of the current and future challenges facing councils. This year's report provides insight into the issues impacting on Scottish councils' finances, planning and performance across Scotland. The report extends to 53 pages and is provided as Appendix 1 and also accessible via hyperlink: https://www.audit-scotland.gov.uk/report/local-government-in-scotland-overview-2020 with reference made to its content throughout this report

4.2   There are important connections to be made between this national report and recent reports to The Highland Council and Strategic Committees which have already highlighted many of the issues raised. A separate report to this Committee on the Annual External Audit Report and Accounts is relevant as are recent papers to Council on the budget and the Council's Covid Recovery Plan. Other reports which are also relevant include the Council's Annual Performance Report and Statutory Performance and Benchmarking Report in October 2020 and March 2020 respectively. All of these reports plus the Corporate Risk Register refer to the impact of the Council's current operating environment and the challenges faced.

5.   The Challenges

5.1   Audit Scotland whilst recognising the report had been prepared before the pandemic made the decision the report still has value in the broader context. The opening remarks in the report however recognise that the world in which all Councils in Scotland are operating has dramatically changed since March 2020 but the report contains important messages which will be helpful as part of the Council's recovery.

5.2   As highlighted to Council previously through these annual reports' councils have for several years been dealing with increasing challenges and uncertainty while continuing to address the needs of local people and national priorities. These challenges can only grow as the immediate and longer-term implications of COVID-19 are understood alongside existing pressures such as leaving the European Union, the climate emergency, population change, poverty and tackling inequality. Audit Scotland continue to emphasise the need to make more fundamental changes to the way services are delivered and improve long-term financial planning. In their view the crisis puts into clear focus the pivotal role of public services, including local government, in delivering not only the day-to-day services that communities rely on, but also in responding to emerging risks, emphasising the essential importance of effective leadership, good governance and good financial management for all Councils.

5.3   The report illustrates the challenges and complex landscape across a number of key topics:
        • Political and economic
        • Community Needs, population and poverty
        • Policy and performance
        • Financial

        A brief summary of each of these is outlined below and covered in more detail in Appendix 1 of the report from page 10.

5.4   Political and economic challenges highlight the level of current uncertainty including the impact of COVID-19 pandemic on the economy, public finances and public bodies. The impact of withdrawal from the EU on 31 January provides further complexity alongside the upcoming Scottish Parliament elections in 2021 and debate on a second independence referendum. In addition, the outcome of the local governance review remains uncertain and the Scottish Government's income is now more dependent on the economic performance of Scotland.

5.5   Population changes affect the need for and demands on many services provided by local government (Appendix 1, Exhibit 1, page 13). However demographic and social changes vary across all 32 Councils bringing different pressures and challenges in order to plan for improved outcomes. The impact of the COVID-19 pandemic on communities is still uncertain and challenging to plan for but needs to be seen in context of the Fairer Scotland Duty which requires the Council to actively consider how to reduce inequalities. In addition, there are further complexities as the proportion of the population over 75 years increases, affecting the demand for some services; while most Council areas are seeing a notable decrease in the proportion of children in their communities.   Poverty and child poverty levels are increasing and between 2011-14 and 2016-19, relative poverty in Scotland increased from 18% to 19% and relative poverty for children in Scotland increased from 21% to 24%. For pensioners poverty has increased over the same period from 12 % to 15%. People in relative poverty in households with at least one adult in employment has increased from 47% to 53%. Concern over ageing council workforces was also highlighted and specifically Highland where 41% of the Council's workforce is over 50 years, only 10% are under 30 and less than 1% cent are aged 20 or under (Appendix 1, page 12).

5.6   Local government is seen an important contributor to national outcome priorities monitored through the National Performance Framework (NPF). National policies and initiatives bring additional challenges and pressures including areas such as Health and Social Care Integration, tackling climate change, welfare reform, early learning and childcare expansion; additional support for learning and the Planning (Scotland) Act 2019. Council's demonstrate their contribution to the NMF through the NPF measures and performance more broadly through Local Government Benchmarking Framework (LGBF). An analysis of relevant performance indicators and national measures has been provided in the Audit Scotland report (Appendix 1, p17-19). Audit Scotland have adopted the Local Government Benchmarking Framework (LGBF) as Statutory Performance Indicators, should Members wish to review more detailed comparative analysis this can be accessed through the Council's performance pages at: https://www.highland.gov.uk/performance with detailed reports going to Council in March each year.

5.7   The demand pressures that local government are facing are exacerbated by other pressures on budgets and Covid-19 will bring further demands. The level of funding in the medium-term is uncertain and the flexibility of how funding is used is reducing. This in turn affects which, and by how much, different Services need to find savings (Appendix 1, page 21). Since 2013/14 Audit Scotland note a 3.3% reduction (in real terms) with flexibility reducing with dedicated funding representing now 14.3% of council funding from the Scottish Government. This is all at a time, as outlined at paragraph 5.5, when demand is increasing due to demographic change. Significant increases in the cost of Looked After Children's care and spending on home care for the elderly has also been seen since 2013/14. The funding gap council's face is increasingly challenging with reserves

vulnerable in order to manage funding gaps. Audit Scotland quantify the funding gap for Scottish local authorities at £0.5 billion or 3% of venue income in 2019/20 (Appendix 1, page 21). While fees and charges have been seen as a key way to increase income, Covid-19 has demonstrated how vulnerable this approach can be. Analysis provided shows that spending on education continues to rise while spend on most other Services is falling (Appendix 1, page 22) with roads & transport, planning & development and central support services taking the biggest hit between 2013/14 and 2018/19 (-24.8% to -33.3% in real terms).

5.8   In addition to the key themes of the report this year there is a comprehensive case study on planning services (Appendix 1, page 41-50). Planning is flagged as an important service for supporting the delivery on national policy outcomes such as inclusive sustainable economic growth and protecting and enhancing our environment. The challenges outlined in the paragraphs above are reflected in planning services including demographics and the requirements of The Planning (Scotland) Act 2019 which require planning to have a more strategic focus. Uncertainty remains around the Act as secondary legislation and guidance is developed (Appendix 1, page 43). Reduced resources to deliver expanded responsibilities, the need to develop workforce planning to address sustainability, responding to national policy priorities while maintaining and improving services has created a very challenging environment.

6.   Doing Things Differently

6.1   Audit Scotland believe councils need to plan and implement changes that will allow them to meet the needs and improve the outcomes for communities and identify core aspects of what is needed under five main categories:
- Leadership
- Change & improvement
- Workforce planning
- Partnership working
- Community empowerment and engagement

Council are seen as needing to invest time and the right skills and capacity to plan for the future and while recognising the complexities and uncertainties faced, Audit Scotland also recognises that more radical change is now required (Appendix 1, page 24)

6.2   Leadership has been a recurring theme in annual overview reports from Audit Scotland and this is again highlighted as even more critical at a time of increasing pressure. Doing things differently in substantive ways, in their view, requires a clear vision and strong leadership to make it happen with political and managerial leaders with the right skills to engage effectively and provide support to staff, partners and communities to navigate change (Appendix 1, page 25). Members training and development is again highlighted this year with a view that Councillors need to ensure that they have the skills and knowledge to provide a high standard of scrutiny and decision making.

6.3   Transformational change is viewed as increasingly important as efficiencies are unlikely to address the growing gap between demand and available resources and therefore more fundamental change is required through redesigning service delivery. Medium and longer-term financial planning also needs to improve to support implementing change. Good governance and effective management are seen as essential to the successful delivery of transformation activity. The Highland Council is well placed in this respect with a Redesign Board and Change

Programme with regular reporting of progress to Council now supported by a Recovery Plan along with a Governance Review having been completed in 2019. In order to make good decisions around opportunities and options for change Audit Scotland believe councils need to make effective use of good-quality information and data an 'essential tool' for improvement work. This includes benchmarking data to identify and understand the variances across councils in performance and utilise this where opportunities to improve are identified (Appendix 1 p.30). Highland Council's new Corporate Plan and Service planning process have made significant progress in addressing the need to strengthen performance management as identified in the Council's BVAR earlier this year. The importance of self-evaluation as a further support to change and improvement is also highlighted, the Highland Council's approach within Redesign is flagged but as noted in the Council's BVAR more consistency across the Council is still required (Appendix1, page 31).

6.4   While noting some progress with workforce planning there is a view that more is needed to link workforce requirements to change plans, to ensure the councils have the staff, skills and leaders they need to deliver change (Appendix 1, page 31). The Highland Council is addressing these issues through Service Redesign which is on-going through a staged approach to March 2021 for implementation in the new financial year. Changes in workforce numbers are seen to vary between councils but the important message is having the right number of staff, with the right skills in the right posts as a basic requirement for delivering services. More need done to improve the quality of workforce data and in this respect Highland Council has an ongoing Workforce Data Protect to address identified weaknesses in current data provision. Overall workforce planning needs to support the deployment of a flexible, agile and efficient workforce to deliver change. Identifying areas such as skills gaps, opportunities to 'grown our own' through apprenticeships and trainee placements along with regularly updating the workforce profile will be crucial going forward.

6.5   In Audit Scotland's opinion the full potential of collaborative working is not being realised and there is only some evidence of partners involvement in reshaping services. Seeking efficiency and effectiveness through shared services is actively encouraged. Community Planning Partnerships are seen to need to take a more active role in leading partnership working and strategic change in some areas with positive partnership seen at operational/ local level but with a more mixed strategic picture (Appendix 1, page 33). Audit Scotland believe councils need to build on partnership working to respond to local challenges such as inequalities and child poverty and to deliver priorities and improved outcomes for communities (Appendix 1, page 34). Regional economic development is seen as stimulating improvements in collaborative leadership and City Region and Growth deals including Highland's are highlighted. The impacts of deals in Audit Scotland view is unclear as they are not linked to the National Performance Framework and there are potential challenges including staff shortages, money and skills to deliver deals and the impact of spending on deals needing to balance against councils' overall spending capacities (Appendix 1, page 35).

6.6   Audit Scotland believe most councils could do more to involve communities in planning services and better demonstrate how engagement is used to improve outcomes (Appendix 1, page 36). The Highlands, as other local authority areas, has a local outcome improvement plan (LOIP) in place but there is a view that all Community Planning Partnerships (CPPs) need to focus on areas where the CPP can have the biggest impact. Participatory budgeting activity is noted as have been limited and the Scottish Government has commissioned an evaluation of

participatory budgeting and community asset transfer which had been due to report in April 2020. The Scottish Parliament also engaged in consultation in late 2019 on how to best achieve community wellbeing including effectiveness of community engagement and is now considering the findings. Community empowerment is seen as relevant to all areas of council activity, roles and levels and all services should involve communities in decisions about public services. The establishment in Highland Council of Area based roles for the Executive Chief Officers (ECOs) and Service redesign are addressing how the Council embeds community empowerment as an integral element of changing in the way we do things. Public Performance Reporting (PPR) is also highlighted in this context and Audit Scotland note not all councils are reporting their performance to the public in a comprehensive and transparent way. In this regards Highland Council's BVAR was positive on the Council approach to PPR with the exception of reporting against targets which was address through the new Corporate Plan and within the annual performance report to Council on 29 October 2020.

6.7 In relation to doing things differently Audit Scotland also recently published a short paper on the Strategic Scrutiny Groups, Scrutiny Responses to COVID-19 covering the views of all the Regulatory Bodies. This sets out an intent to collaborate and co-ordinate their scrutiny activity and support around common key themes covering areas of either risk or improvement. These include:
- Addressing inequalities
- Recovery from Covid-19
- Provision and access to digital services
- Human rights
- Climate change
- Mental health
- Community and organisational resilience

The report can be found as Appendix 2 of this report and the report and supporting evidence from the Regulators can also be found at https://www.audit-scotland.gov.uk/report/covid-19-strategic-scrutiny-group

7. Audit Scotland Report – Summary of Key Messages and Recommendations

7.1 It is recognised that the COVID-19 pandemic brings unprecedented challenges across communities and public services. The impacts are broad from health & wellbeing of staff and communities to the financial challenges for those most disadvantaged in our communities. The overall economic impact is felt on finances at national and local level. The pandemic therefore multiples the challenges facing local government, so the need to do things differently to meet the needs of communities is even more important. Members will find these messages have resonance with recent papers to Council on the budget and the Council's response to the pandemic including the Council's Recovery Plan.

7.2 Key Messages:
- While Council's are working hard to deliver services to communities, demographic and social change is creating increased demand during a period when budgets are even more strained. This along with national policy commitments is increasing the stresses felt by Councils and the cumulative effect is beginning to show across performance and use of financial reserves. These points were picked up in the Highland Council's Best Value Assurance Report (BVAR) at the beginning of the year.

- Scottish Government revenue funding to councils has reduced in real terms over the period 2013/14 to 2020/21 by 3.3 per cent. Since 2017/18 however, it has increased by 3.9% in real terms, to £10.7 billion in 2020/21. This does not include additional funding in response to the COVID-19 pandemic. Audit Scotland identify the strain on budgets as evident as Councils continue to dip into their reserves to make ends meet. Medium- and long-term financial planning are important tools for making well-informed decisions and to manage continuing financial challenges.
- Scale and complexity of the challenges faced by Council's continues to be a focus for Audit Scotland and in their view, change is needed in how Councils serves communities to respond to need and improve outcomes. Longer-term solutions need more radical thinking and require investment in time and capacity by political and management leaders.
- Improving outcomes requires collaboration with partners and communities which in Audit Scotland view has not yet been realised. Councils in their view need to take a stronger leadership role and collaborate with partners to make best use of local resources.
- Workforce planning is seen as fundamental and as the workforce ages, Councils need to be more flexible and agile in how they deploy staff, work with partners and attract a younger people into employment in local government and address skills gaps.

7.3   Summary of recommendations (Appendix1 pages 6-7):
- Governance – invest in leadership capacity in analysing the challenges and planning for the future.
- Monitor and report on delivery of local priories and outcomes while improving public performance reporting (PPR).
- Maximising the potential or collaborative working by working alongside partners to improvement community planning and also work with other councils to improve and change service delivery models.
- Increase the opportunities for communities to influence or take control of local decision-making and demonstrate how communities are supported to help design or deliver local services and improve outcomes.
- Develop leadership capacity and workforce planning arrangements to include:
  - Succession planning and capacity development for leadership positions.
  - Approaches to increase the uptake of learning & development for Councillors to equip them for the challenges and their role in planning for the future.
  - Improve the quality and range of workforce data to provide a comprehensive picture of the organisation-wide workforce.
  - Prioritise development of staff across the organisation, to build more resilient teams, focused on improving the lives of local people.
  - Building a learning culture to learn from experience both within and outside the organisation.
- Planning Service has a number of specific recommendations:
  - Ensuring the chief planning officer is positioned to contribute at a strategic level to corporate level discussion and planning.
  - Workforce planning and strategies address changing skill needs and a national shortage of planning professionals.
  - Effective leadership of staff for the cultural changes needed to respond to the shift in focus to strategic.
  - Implement change to improve partnership working and community engagement.

Designation: Corporate Audit & Performance Manager

Date: 12 November 2020

Author: Evelyn Johnston, Corporate Audit & Performance Manager

Background Papers:
Appendix 1 - Audit Scotland – Local Government in Scotland Overview, Challenges and Performance 2020
Appendix 2 – Audit Scotland – Strategic Scrutiny Group, Scrutiny Responses to Covid-19

Local government in Scotland

Overview 2020

ACCOUNTS COMMISSION

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- 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.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission

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Links

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Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Audit team

The core audit team consisted of: Carol Calder, Kathrine Sibbald, David Love and Claire Tennyson, with support from other colleagues and under the direction of Claire Sweeney.

Chair's introduction

Local government in Scotland is under unprecedented pressure due to COVID-19. We have all seen examples of outstanding work by councils and their partners in recent months to deliver vital services to communities across Scotland as they have sought to deal with the unprecedented challenges of the pandemic with professionalism, compassion and kindness.

This report is the Commission's annual summary of the key challenges and performance issues faced by councils. The report was produced prior to the pandemic and, after careful consideration, it has been decided to issue the report now.

I believe that although the world in which councils are operating has dramatically changed in the last few months, the report still contains important messages which will be helpful as part of the recovery.

The precise scale and impact of COVID-19 on our communities, critical services and the wider economy is as yet unknown. However, I believe that the economic impact on public services will be very significant on funding as well as, through its social consequences, on demand.

For several years, councils have been dealing with increasing challenges and uncertainty while continuing to address the needs of local people and national priorities. The challenges are only going to grow as we deal with the immediate and longer-term implications of COVID-19 alongside existing pressures such as leaving the European Union, the climate emergency, population change, poverty and tackling inequality. We have emphasised before the need to make more fundamental change to the way services are delivered and improve long-term financial planning.

The crisis puts into clear focus the pivotal role of public services, including councils, in delivering not only the day-to-day services that communities rely on, but also in responding to risks. Indeed, it emphasises the essential importance of effective leadership, good governance and good financial management for all councils.

As we start to see our way through this pandemic and attention turns to recovery and renewal, the Commission will take time to consider how we can appropriately reflect the changed circumstances in our work.

I hope that you will find this report helpful and we would be glad to receive your feedback on how we might focus our work during the recovery period.

Graham Sharp
Chair of the Accounts Commission

Summary

Key messages

The COVID-19 pandemic brings unprecedented challenges across communities and public services. The effect on the health and wellbeing of our communities, as well as the financial difficulties and increased levels of poverty, will be significant. The impact on the economy, on national finances and on local public services will also be considerable. This report was compiled before the escalation of the pandemic and is an overview of local government in 2019. But its messages remain relevant. The pandemic multiplies the challenges for local government further and so the need to do things differently to meet the needs of communities more efficiently and effectively is even more important.

1 Councils are working hard to deliver services to their communities. But the context they are working in is increasingly uncertain and complex. Demographic and social change is creating demand for services, while the strain on budgets continues to intensify. National policy commitments are increasing and the stresses on other public and third sector partners add to the difficulties in delivering services. The cumulative effect of these pressures on councils is beginning to show across service performance and use of financial reserves.

2 Scottish Government revenue funding to councils has reduced in real terms over the period 2013/14 to 2020/21 by 3.3 per cent. Since 2017/18 however, it has increased by 3.9 per cent in real terms, to £10.7 billion in 2020/21. This does not include additional funding in response to the COVID-19 pandemic. The strain on budgets is evident as councils continue to dip into their reserves to make ends meet. Medium-term funding levels are uncertain, making continued use of reserves to manage the funding gap unsustainable. Long-term financial planning is not well enough developed in many councils and in integration joint boards. Medium- and long-term financial planning are important tools for making well-informed decisions and to effectively manage continuing financial challenges.

3 Alongside the uncertainty of funding levels, the scale and complexity of the challenges for councils and integration joint boards will continue to grow in the coming years. Change is needed in how they serve their communities, so that they are able to respond to the needs and improve outcomes for people into the future, in the most efficient and effective ways. More radical thinking is needed for longer-term solutions. It requires investment of time and capacity by political and management leaders, to analyse the range of challenges for the

area, develop the thinking and planning for the medium and longer-term. This is difficult, in already demanding roles, but this investment is important.

4 Councils alone cannot improve outcomes for communities and achieve local priorities. The full potential of collaborative working with partner organisations and communities is not yet being realised. More progress is needed. Councils need to demonstrate strong leadership and collaborate with partners, including integration joint boards, NHS boards, the voluntary and private sectors, and their local communities. This is essential if they are to make best use of local resources, including the workforce, and demonstrate Best Value.

5 Workforce planning is fundamental to ensure that councils have the staff, skills and leaders they need to deliver change. Some progress has been made to improve workforce planning, but much more needs to be done. As the workforce ages, councils need to be more flexible and agile in how they deploy staff, work with partners and attract younger people to work in local government and respond to specific skills gaps. This also requires comprehensive workforce data and planning.

Recommendations

To respond to the challenges facing local government and deliver local priorities and improve outcomes for their communities:

Governance - councils and integration joint boards need to:

- invest leadership capacity in analysing the challenges and planning for the future, including:

  - plans for how services will be delivered that reflect the scale of the challenges ahead and will deliver demonstrable improvement in outcomes for communities

  - putting in place and continuing to develop medium- and long-term financial planning that will inform ongoing review and implementation of plans for change.

- monitor and report on delivery of local priorities and outcomes while improving public performance reporting.

Collaboration - councils and integration joint boards need to:

- maximise the potential of collaborative working by:

  - working alongside partners to improve community planning partnerships, so that they have a clearer strategic direction and take a more active role in leading local partnership working

  - engaging with other councils, partners and communities in developing plans to improve and change the way services are delivered.

- increase the opportunity for communities to influence or take control of local decision-making and, demonstrate how communities are supported to help design or deliver local services and improve outcomes.

Capacity and skills - councils and integration joint boards need to:

- develop leadership capacity and workforce planning arrangements including:

  - effective succession planning and capacity development for leadership positions

  - approaches to increase the uptake of learning and development opportunities by councillors, to ensure that they are equipped to respond to the challenging context and their role in planning for the future

  - improving the quality and range of workforce data to give a comprehensive profile of the current organisation-wide workforce

  - using this comprehensive workforce data to:

    - identify and address skills gaps, including those related to lack of capacity or the age profile of staff

    - plan for the skills required to deliver services, both now and in the future, including using skills from the third and private sectors, with a greater focus on collaborative and flexible working

  - prioritising the development of staff across their organisations, to build more resilient teams, focused on improving the lives of local people

  - building a learning culture to learn from experience both within and outside the organisation.

Services - councils and integration joint boards need to:

- consider how the recommendations above relate to each service.

- For planning services this specifically includes:

  - ensuring the role of chief planning officer is positioned to contribute at a strategic level to corporate level discussion and planning

  - developing detailed workforce planning and strategies that will respond to the changing skills needs of the service and consider at a national level how collectively the limited availability of planning professionals can be addressed

  - providing effective leadership to staff for the cultural changes needed to respond to the shift in focus for this service

  - implementing changes to how the service works to improve the level of partnership working and community engagement.

About this report

1. The evidence used in this report was compiled before the escalation of the COVID-19 pandemic. It sets out the Accounts Commission's view before this unprecedented situation began to unfold. It provides an independent overview of the other challenges facing councils in Scotland, how councils are responding to tightening budgets and how this affects the services provided to the communities they serve. As well as informing the public, the report aims to inform local government councillors and senior council officers, to support them in their complex and demanding roles. Although this report does not address the impact that the COVID-19 pandemic will have on local government and its communities, the issues and the messages remain relevant.

2. The report highlights the context councils were operating in prior to the pandemic, with increasing need for services for communities but also with financial pressures and uncertainties. It looks at some of the main tools that contribute to change and how effectively councils are using these to respond to increasing demand and strained budgets. The final section of the report sets out a case study on planning services as an example of how these challenges are affecting an individual service, how that service is responding and the impact on its performance.

3. The report draws on findings from Local government in Scotland: Financial overview 2018/19, published performance data and local government audit work in 2019. This includes **Best Value Assurance Reports** *(i)* (BVARs), annual audits and national performance audits. All national and individual council audit reports are available on our website. Where specific examples of council activities or circumstances are referenced, this is not intended to imply that the named councils are the only ones engaging in these activities or experiencing these circumstances.

4. We also draw on a range of sources of evidence for this report. Financial information is taken from the local government financial circulars, the Scottish Government's local financial returns (LFRs), and councils' annual accounts. Performance information is gathered from the Local Government Benchmarking Framework (LGBF) data, the National Performance Framework (NPF) indicators and relevant reports from other scrutiny bodies, such as Education Scotland and the Care Inspectorate.

5. To help councillors, we have produced a supplement to accompany this report. It sets out questions that councillors could ask to help them understand their council's position, scrutinise its performance and make difficult decisions. Councillors should feel that they fully understand, and are satisfied with, the answers to the questions that are most relevant to them in their roles within the council. A tool is also available on our website that provides a further breakdown of data in the report by council area to provide more detail at a local level.

6. To make financial information clear and comparable in the report:

- We refer, in a number of places, to real terms changes, which means that we have adjusted the figures to take account of inflation. Our analysis of local government funding adjusts figures into 2019/20 prices to reflect the current year.

i

In 2019, we have produced Best Value Assurance Reports about the following councils:

- Highland
- Midlothian
- North Lanarkshire
- Perth and Kinross
- Scottish Borders
- South Lanarkshire
- Stirling

These are all available on the Audit Scotland website.

- We look at historical trends using data from 2013/14 where possible. National police and fire services were established in 2013 and so were not included in local government accounts from 2013/14. It is not always possible to use 2013/14 as some information is only available for more recent years.

The challenges

Councils operate in a challenging and complex landscape

7. It is well recognised that there are significant pressures on local government and its partners. Over the following pages, we illustrate the challenges and complex landscape that contribute to these pressures through a series of infographics. The illustration below gives a high-level breakdown of the main features of the overall landscape, which we explore in more detail on .

Political and economic

The political and economic landscape continues to hold uncertainties including:

- The impact of the COVID-19 pandemic on the economy, public finances and public bodies
- The impact of withdrawal from the EU
- The national political landscape: Scottish Parliament elections in 2021 and debate on a second independence referendum
- The outcome of the local governance review
- The impact of Scotland's economic performance on public finances

Community needs

Population changes affect the need for and demands on many services provided by local government

- The impact of the COVID-19 pandemic on communities is uncertain
- The proportion of the population over 75 years is increasing, affecting the demand for some services
- Most council areas are seeing a notable decrease in the proportion of children in their communities
- Poverty and child poverty levels are increasing

Policy

Local government is an important contributor to national outcome priorities

National policies and initiatives bring additional challenges and pressures eg:

- Health and Social Care Integration
- Tackling climate change
- Welfare reform
- Early learning and childcare expansion
- Additional support for learning
- Planning (Scotland) Act 2019

Financial

Local government faces a range of financial challenges

- The level of future Scottish Government funding is uncertain
- The flexibility of how councils can use this funding is reducing
- There are increasing cost pressures including staff costs and increasing need from communities
- Councils have been using reserves to manage funding gaps - this is not sustainable

Political and economic

The political and economic landscape continues to hold uncertainties

There are always uncertainties about change at a national level and the potential impact on communities and local government. But the current landscape involves some particularly significant unknowns. This makes forecasting issues and planning for the medium and longer term more difficult.

COVID-19 Pandemic

The full scale of the impact on the world, UK and Scottish economy of the COVID-19 pandemic is not yet clear. It will be significant and have long-term implications for public sector finances, political priorities and decisions that need to be made at a local level.

Withdrawal from the EU

The impact of withdrawal from the EU on 31 January, on the demographics, workforce and economy remains uncertain

Net migration to Scotland is expected to reduce, in the medium-term, affecting particularly the number of working age adults [already projected to decline] and so this may have a significant impact on communities and local economies

The Scottish Government has produced a Brexit Vulnerabilities Index to assess the degree of risk for each local authority- **rural areas and particularly the island authorities are most vulnerable**

We refer to some of the risks in greater detail in our Briefing Paper *'Preparing for Withdrawal from the European Union'* in which we also identify some of the mitigating approaches being adopted by councils.

Political landscape

The UK general election in December 2019 delayed budget setting processes

There is increased debate about a second referendum on Scottish independence

The Scottish Parliament elections are planned for spring 2021

The outcome of the local governance review remains uncertain

Economy

The Scottish Government's income is now more dependent on the economic performance of Scotland. This brings potential volatility and uncertainty to its budgets and in turn, this brings more uncertainty about Scottish Government funding to local government

While unemployment rates are low, economic growth is affected by low wage growth, which is struggling to outpace inflation

Demographic changes affect the level of available labour force and this will affect the level of new investment, productivity and the economic wellbeing of communities

Community needs

Population pressures are growing. These changes affect the need for and demands on services provided by local government

Nationally the population continues to grow, there is an increasing proportion of the population over 75 years old and there are increasing levels of poverty. The demographic and social challenges vary across the 32 council areas bringing different pressures and challenges for councils and integration joint boards as they plan for how they will improve outcomes for their communities. The financial, social and health wellbeing of communities and individuals will be affected by the COVID-19 pandemic. This will bring increased demands on services.

The population continues to grow but the pace is slowing

Scotland's population is expected to continue to increase, but the rate of growth is slowing. The population is projected to **rise by 2.5 per cent by 2043**, to a total population of 5.6 millon

The level of population **change varies across the country** and this brings different challenges for councils that they need to plan for

Some council areas are experiencing significant increases in population levels. This puts **pressure on services to meet the growing need**

Some council areas have reducing population numbers. This brings challenges in providing cost-effective services for fewer people and with less funding, as Scottish Government funding distribution is largely based on population levels

The proportion of the population over 65 years is increasing

In 2019, 10.6 per cent of the population was **65–74 years** old. This is **projected to increase by 23 per cent** by 2043. Almost two thirds of council areas are projected to have a decreasing number of people of working age. Nationally a reduction of 0.2 per cent by 2043

The current age profile of the workforce is affected with an increasing number of staff approaching retirement and the pool of working age people to employ is a smaller proportion of the population. Workforce planning is increasingly important

This is particularly challenging for some rural councils, with a high proportion of people aged 65 and over and relatively low levels of their populations aged 16 to 64. e.g. Highland Council: 41 per cent of the council's workforce is over 50. Only ten per cent of its workforce is under 30, and less than one per cent aged 20 or under

The proportion of the **population over 75 years old is projected to increase by 71 per cent** by 2043. This places greater pressure on health and social care as some people in this age group have more complex needs. Across all age groups, increasing levels of complex needs brings additional pressures on services

The proportion of those aged 65 or over with long term care needs receiving personal care at home has increased from 60 per cent in 2013/14 to 61 per cent in 2018/19.

Since 2013/14, there has been a real-terms increase of 12.3 per cent in cost per hour on home care for people over 65. The total gross expenditure has increased by 13.7 per cent and the number of hours delivered has increased by 1.3 per cent

The proportion of children in the population is decreasing

Projections for 2043 show that **only 4 council areas will have an increase in their child populations**, of between 20 per cent in Midlothian to one per cent in Stirling.

This brings increased demands on many services in terms of responding to the infrastructure, education and social care needs of children. In Midlothian, there is a higher proportion of young people in the populaton than the average and significantly higher projected increases in the under-16s. This impacts on for example the costs of developing and staffing new schools and in delivering social care services

28 councils are projected to have a reduced child population by 2043. Reductions vary between one per cent in East Lothian to 28 per cent in Argyll and Bute. This brings challenges in terms of maintaining the standard of service for fewer children with less budget and economies of scale. This is particularly challenging in remote rural environments, where loss of services for children can affect the sustainability of communities

Population change at local authority level, 2018–43

Across the country, the population over 65 years and over 75 years is expected to continue to increase, whereas changes in the population of working age adults are expected to be more variable.

- Midlothian, East Lothian and West Lothian are forecast to have the highest increases across both older age groups.

- The majority of councils (28) are projected to have decreasing numbers of children, with a reduction of 10.5 per cent across Scotland. Reductions are significant in some councils, with Argyll and Bute having the highest forecast reduction of 28.4 per cent by 2043.

- Aberdeenshire, Clackmannanshire, Highland, Shetland Islands, Orkney Islands, Fife, North Lanarkshire, South Lanarkshire, Moray and Perth and Kinross, all have projected above average increases (average increase is 70.6 per cent) in the older adult (75 years and over) population, in addition to reduced working age populations, and falling numbers of children.

- Inverclyde and Eileanan Siar are expected to see the largest reduction in their overall populations (-16 per cent by 2043). For Inverclyde this is most significant for its child population, while the reduction in the working-age population will be the most significant in Eileanan Siar.

Exhibit 1
Projected change in population across council areas by age groups, 2018-43

Legend: Children (0-15), Working age, Age 65-74, Age 75 and over
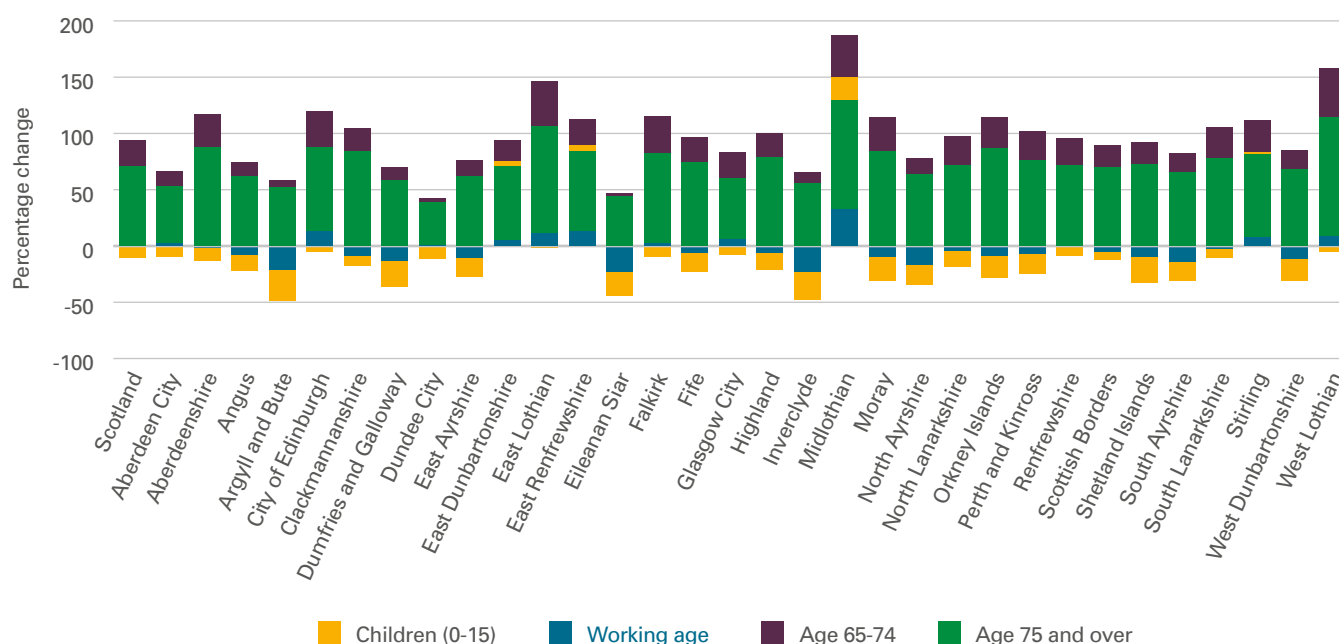
Note. Change is based on a percentage change.

Source: Audit Scotland using National Records of Scotland sub-national population projections (2018-based) for the period 2018-43

Poverty levels are rising

Increased levels of poverty affect the level of need and demand for many services

Between 2011-14 and 2016-19, relative poverty in Scotland increased from 18 per cent to 19 per cent

Growth in life expectancy has stalled. This is more prominent in areas with greater deprivation

In 2018/19, there was a four per cent increase in households in temporary accommodation as well as a six per cent increase in children living in temporary accommodation

Between 2011-14 and 2016-19, relative poverty for children in Scotland increased from 21 per cent to 24 per cent. Analysis by the Scottish Government indicates that this could rise to just under 38 per cent by 2030

Between 2011-14 and 2016-19, the level of pensioners in poverty has increased from 12 per cent to 15 per cent.

People in relative poverty in households with at least one adult in employment has increased from 47 per cent to 53 per cent

Levels of inequality and the challenges vary across council areas, for example:

Glasgow is one of the 14 council areas with a growing population. It is one of the councils worst affected by high levels of deprivation, child poverty and homelessness. This puts it under significant pressure to respond to the growing need for services. Glasgow also has the lowest life expectancy in Scotland. At birth, life expectancy for men in Glasgow is 73.4 years, and is 78.7 years for women. In contrast, East Renfrewshire has the highest life expectancy of 80.7 years for men and 83.6 years for women.
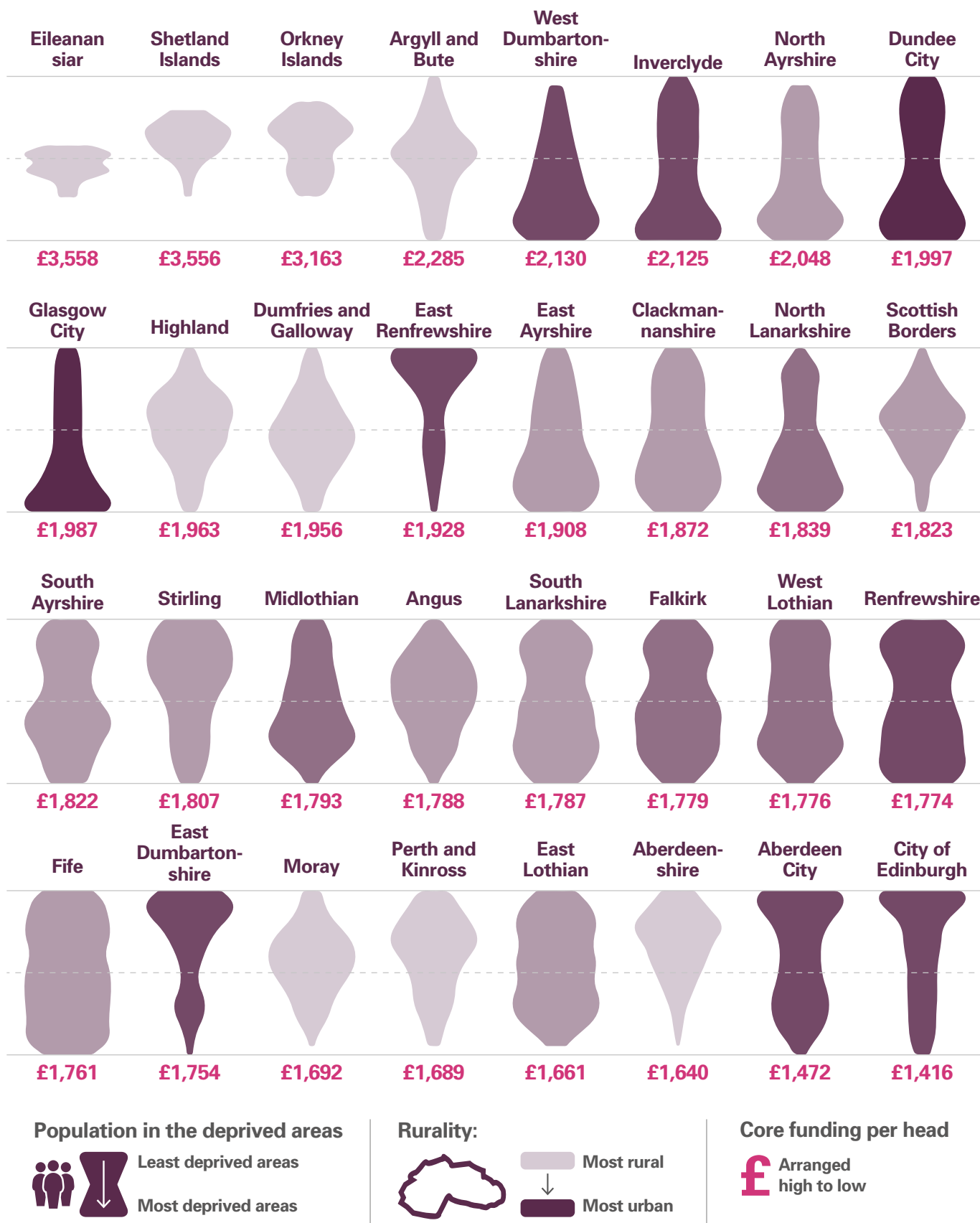
Inverclyde and North Ayrshire, among others, are expected to have a reduction in their populations, with fewer working-age adults, but they also have high levels of deprivation, child poverty and lower life-expectancy. The distribution of Scottish Government funding is largely determined by population levels. Councils with low or declining populations and with a complex local context, including deprivation levels, need to plan to respond to increasing pressures with less funding.

Island authorities, namely Eilean Siar, Orkney Islands and Shetland Islands, receive the most funding per head from the Scottish Government. This is due to the cost of delivering services in island settings, which is more complex. Other issues such as providing effective infrastructure are a key challenge. Deprivation is also an issue that island and rural authorities must respond to, however because the populations are so sparse, deprivation is not as easily identified using SIMD. Rural and island council areas have significant areas where rural poverty is an issue. The communities are often affected to a greater extent by issues such as fuel poverty.

Exhibit 2 illustrates the range of deprivation levels across the 32 councils using Scottish Index of Multiple Deprivation (SIMD) data 2020. SIMD is the official tool for identifying the most deprived areas in Scotland. It looks at multiple aspects of deprivation such as resources and opportunities as well as low income. The shape indicates the proportion of the population in the least and most deprived areas. The darker shades indicate the most urban areas and the lighter the most rural. The councils are ordered by the level of Scottish Government funding per head of population.

Exhibit 2
Deprivation levels, rurality and funding per head of population

Eileanan siar	Shetland Islands	Orkney Islands	Argyll and Bute	West Dumbarton-shire	Inverclyde	North Ayrshire	Dundee City
£3,558	£3,556	£3,163	£2,285	£2,130	£2,125	£2,048	£1,997

Glasgow City	Highland	Dumfries and Galloway	East Renfrewshire	East Ayrshire	Clackman-nanshire	North Lanarkshire	Scottish Borders
£1,987	£1,963	£1,956	£1,928	£1,908	£1,872	£1,839	£1,823

South Ayrshire	Stirling	Midlothian	Angus	South Lanarkshire	Falkirk	West Lothian	Renfrewshire
£1,822	£1,807	£1,793	£1,788	£1,787	£1,779	£1,776	£1,774

Fife	East Dumbarton-shire	Moray	Perth and Kinross	East Lothian	Aberdeen-shire	Aberdeen City	City of Edinburgh
£1,761	£1,754	£1,692	£1,689	£1,661	£1,640	£1,472	£1,416

Population in the deprived areas

Least deprived areas

Most deprived areas

Rurality:

Most rural

Most urban

Core funding per head

£ Arranged high to low

Source: Scottish Government Financial circular February 2020, Open Data Manchester using Scottish Index of Multiple Deprivation (SIMD), 2020. SIMD is a relative measure of deprivation across small areas, known as data zones. It looks at the extent to which an area is deprived across multiple factors including income, employment, education, access to services, health, housing and crime.

Policy

Implementing national policies and initiatives brings further challenges

Local government is a major contributor to a wide range of national policy priorities and initiatives. Councils, and integration joint boards, need to balance responding to these with local priorities. Responding to national and local priorities, with increasing demographic pressures and strained budgets is beginning to show in performance.

National Performance Framework

The Scottish Government and COSLA co-signed a refreshed National Performance Framework (NPF) in 2018

- Local government is a major contributor to the range of outcomes the NPF aims to improve.

- Having a positive impact on these outcomes will be challenging:

  – LGBF measures show performance has either stalled or declined in the past year - Exhibit 3

  – National Performance Framework indicators show a mixed picture of progress - Exhibit 4

Exhibit 3

Performance – Local Government Benchmarking Framework data

Since 2013/14, performance has broadly shown improvement. However, the pressure is beginning to show. Over the last year many performance indicators have been maintained or declined.

Adult social care

Since 2013/14 progress in adult care indicators has been mixed, with around half of indicators gradually improving. However, in the past year progress for these measures has slowed or showed a decline. There has been a 4.1 per cent increase in the number of days people spend in hospital when they are ready to be discharged in the past year, despite an overall reduction of 14 per cent since 2013/14. Measures show a declining trend in the level of satisfaction. Indicators for adult care quality have seen a decline in the last year, there has been a three percentage-point decrease in the proportion of care services graded 'good' or better in Care Inspectorate inspections.

Education and children

Most indicators have improved since 2013/14 but improvement over the past year has slowed and some indicators have declined, including some educational attainment and early years indicators. The cost per pupil in pre-school, primary and secondary education has increased. The attainment gap between children living in the most and least deprived areas has reduced slightly.

Environmental

Many cost indicators show reductions in cost since 2013/14, but performance in many areas has also declined. Recycling levels have improved since 2013/14 but this has stalled in the last year. Satisfaction with street cleaning and waste collection has also reduced.

Economic development

There are mixed trends, with improvement in half of the indicators since 2013/14. This includes an improvement in access to superfast broadband and an increase in the proportion of money spent on procuring goods and services locally. There was a slight increase in the proportion of unemployed people assisted into work, but this declined in 2018/19, meaning that overall progress since 2013/14 has been unchanged. Performance has declined in other indicators, such as the number of business gateway start-ups.

Culture and leisure

Costs for these services have reduced and the number of attendances has increased, however satisfaction has declined across all services.

Housing

Some indicators have improved since 2013/14 but this has stalled in the past year. The proportion of housing meeting Scottish housing quality standards has continued to improve to over 94 per cent in 2018/19. Gross rent arrears have worsened year on year since 2013/14.

Corporate

Most corporate indicators have improved or been maintained, but sickness absence for both teachers and other staff has worsened in the past year.

Note. The LGBF performance information for 2018/19 is summarised in a report National Benchmarking Overview Report 2018-19 and a tool to analyse the data by council and by service area is available on the Improvement Service's website.

Source: Local Government Benchmarking Framework data, 2018/19, published March 2020

Exhibit 4
Performance - National Performance Framework measures
There is a mixed picture of progress against measures of national outcome priorities. A sample of NPF indicators are illustrated below.

Health	2013	Change		2018
Health risk behaviours: Percentage of adults with two or more health risk behaviours (current smoker, harmful drinking, low physical activity, obesity)	28%	▲	+1	29%
Journeys by active travel: The proportion of short journeys less than 2 miles that are made by **walking**	47.3%	▼	-4.3	43%
Journeys by active travel: The proportion of short journeys less than 5 miles that are made by **cycling**	1.2%	▲	+0.6	1.8%

Education	2013	Change		2018
Quality of child care: Percentage of settings providing funded Early Learning and Childcare achieving good or better across all themes	91.6%	▼	-1	90.6%
Young people's participation: Percentage of young adults (16-19 year olds) participating in education, training or employment	90.4%*	▲	+1.4	91.8%

Employment	2013	Change		2018
Living wage: Percentage of workers earning less than the living wage	18.3%	▲	+1.1	19.4%
Gender pay gap: The difference between male and female full-time earnings, as a percentage of full-time hourly earnings	7.7%	▼	-2.1	5.6%

Environment	2013	Change		2018
Energy from renewable sources: Percentage of energy consumption which is renewable energy	12.7%	▲	+8.2	20.9%
Household waste: The amount of household waste generated in million tonnes	2.4	▬	0	2.4
Wellbeing: Proportion of adults making one or more visits to the outdoors per week	46.2%	▲	+12.7	58.9%

Exhibit 4 continued

Community views	2013	Change		2018
Social capital index: A measure of the social networks, community cohesion, social participation, trust and empowerment, that collectively provide an important part of personal and social wellbeing	100	▼	-5	95
Perception of local area: Percentage of adults who rate their neighbourhood as a very good place to live	55%	▲	+2.4	57.4%
Satisfaction with public services: Percentage of respondents who are fairly or very satisfied with the quality of local services (local health services, local schools and public transport)	59.9%	▼	-8.2	51.7%
Influence over local decisions: Percentage of adults who agree that they can influence decisions which affect their local area	22%	▼	-1.9	20.1%
Satisfaction with housing: The percentage of households satisfied with their house or flat	90%	▬	0	90%

Note.*The baseline year for this indicator is 2016, when the data was first measured.

Source: Audit Scotland, Scottish Government NPF data, January 2020

Policy

Fairer Scotland Duty

The duty took effect in April 2018. It requires public bodies **to actively consider how they can reduce inequalities.** Our audit findings show that councils need to embed a focus on fairness and equality.

In 2018, The Equality and Human Rights Commission reported that progress with promoting socio-economic equalities, before the duty was implemented, had varied across public bodies. It also identified that most public bodies are concerned about the resources needed to implement the duty in their plans and policies.

Health and social care integration

Health and social care integration began in 2016.

Joining up council social care and NHS health services aims to deliver better services for communities

The pace of progress with integration has been too slow.

Adapting to new ways of working continues to be challenging.

There is deterioration in key performance indicators, indicative of the strain felt by integration authorities:

- The 'Rate of readmission to hospital within 28 days per 1,000 discharges' has increased by 8 per cent since 2013/14, and over the past year there has not been any change

- Since 2013/14 there has been a 14 per cent reduction in the 'Number of days people spend in hospital when they are ready to be discharged, per 1,000 population (75+)', but a 4 per cent increase in the last year.

Other major policies and initiatives

Climate change - Scottish Government has set a target of net-zero emissions by 2045	**Tackling child poverty -** Scottish Government has set income targets for 2023 and 2030 but current child poverty levels are high	**Early learning and child care -** ambitious targets set for increasing the funded hours provided (deferred due to the COVID-19 pandemic)	**Additional support for learning -** meeting the individual support needs for children is challenging with current resources	**Welfare reform -** rollout of Universal Credit brings changes to systems and increased demand on advice services	**Planning (Scotland) Act 2019 -** new focus on 'place' based planning with partner and community engagement

Financial

Local Government faces a range of financial challenges

The demands on services to deliver more to meet community need is magnified by other pressures on budgets. The COVID-19 pandemic will bring further demands on local government services and budgets. Scottish Government funding is the main source of funding for local government. The level of this funding in the medium-term is uncertain. The flexibility in how funding is used is reducing. This affects which, and how much different services need to find savings. The workforce is local government's most important resource, but staff costs are increasing, adding further pressure.

Scottish Government funding

2020/21 revenue funding increased by 1.5 per cent (real terms) from the previous year to £10.7 billion

Since 2013/14 it has reduced by 3.3 per cent (in real terms)

These figures do not include additional funding identified since April 2020

Councils have less flexibility in how they use funding.

Funding dedicated to national policy initiatives, increased from £1 billion in 2019/20 to £1.5 billion in 2020/21, equating to 14.1 per cent of council funding from the Scottish Government.

The funding levels for the medium-term are uncertain. Funding settlements do not yet provide information for more than one year. The Scottish Government has committed to moving to multi-year indicative budgets in the future

Increasing cost pressures

Local government needs to respond to increasing service needs from communities with changes in population

Increasing staff costs, including meeting the national living wage, are a significant pressure on budgets

The cost of caring for looked-after children in both residential and community settings has continued to grow since 2013/14, by 5 per cent and 17 per cent respectively

Spending on home care for older people has risen by 13.7 per cent since 2013/14, and by 1.9 per cent in the last year, but the number of hours of homecare provided has only increased by 1.3 per cent since 2013/14

For example, North Lanarkshire Council has partly attributed its high cost of adult care to commitments in paying the national living wage

19 councils including North Lanarkshire are accredited Scottish Living Wage employers, which pay a higher rate than the national living wage

The national living wage increased by 21 per cent between 2016/17 and 2020/21

Managing the funding gap

With increasing cost pressures, meeting the funding gap continues to present significant challenge for councils

Councils have been using reserves to manage funding gaps

The funding gap for 2019/20 is £0.5 billion, three per cent of revenue income

In 2018/19 16 councils ended the year with a lower level of reserves than the end of the previous year. This is not sustainable in the long-term

In 2020/21, the Scottish Government expects a council tax increase of up to 4.84 per cent

20 councils are increasing council tax by this proportion

The highest council tax in Scotland for 2020/21 (D Band) is Midlothian at £1,409 and the lowest is South Lanarkshire at £1,203

Councils are seeking other ways to increase income. Most are increasing fees and charges for some services. Some councils are seeking to introduce a visitor levy

Spending

Spending on education continues to rise, while spend in most other service areas is falling
With increasing need from population changes, statutory and policy requirements, over two thirds of council spending is on education and social care.

Education, Social work and Environmental services		% change cash	% change real terms
Education, Social work and Environmental services increased net expenditure from 2013/14 to 2018/19.	Education	10.4	1.5
Adjusted for inflation (in real terms), spending on Education and Social work increased and decreased by only 1.5 per cent respectively. In real terms, Environmental services spent over five per cent less in 2018/19 than in 2013/14	Social work	7.1	-1.5
	Environmental services	2.9	-5.4

Other services areas		% change cash	% change real terms
Other service areas have borne higher levels of savings in cash and real terms. For example, planning services, roads and transport, and culture and related services.	Cultural and related services	-6.2	-13.9
	Roads and transport	-18.2	-24.8
	Planning and development services	-27.7	-33.5
	Central services	-27.4	-33.3
	Non-HRA housing	-1.9	-9.9

Exhibit 5
Local government service expenditure
A comparison of net revenue expenditure between 2013/14 and 2018/19 (cash terms)
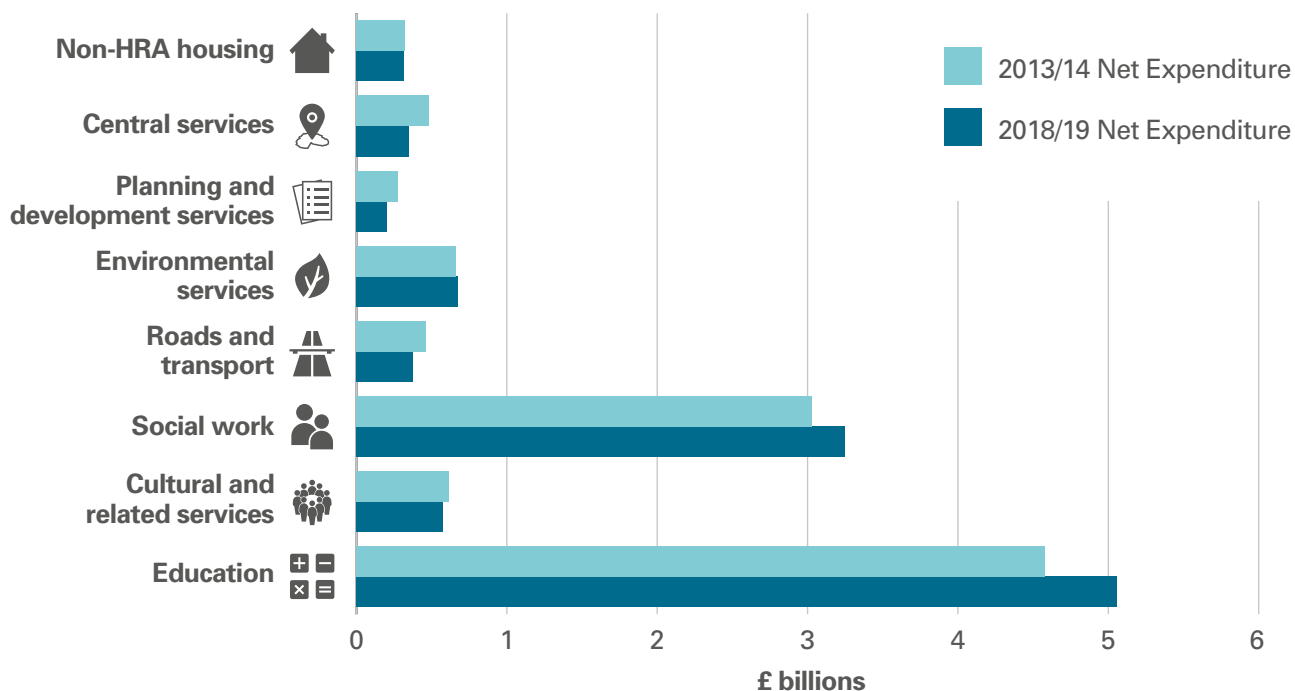
Source: Audit Scotland using Scottish Government local financial returns 2013/14 – 2018/19

Doing things differently

To meet the needs of communities into the future

Councils need to plan and implement changes that will allow them to meet the needs and improve the outcomes for their communities, in an increasingly challenging context. There are core aspects that need to be considered by political and management leaders to make good progress with this.

Leadership

Change and improvement

Workforce planning

Partnership working

Community empowerment and engagement

Councils need to invest time and the right skills and capacity to plan for the future

8. Local government in Scotland has done well over recent years to respond to its context and find ways to be more efficient. It has continued to provide services with gradually reducing levels of funding and increasing pressures on its services. However, the challenges are growing, and the strain is beginning to show in terms of managing the funding gap, maintaining service performance levels and meeting their communities' needs. To provide for their communities in coming years, councils and integration joint boards (IJBs) need to be open to doing things differently. It is complex with many interacting factors and stakeholders and it takes time to plan, implement and establish changes. It is important that councils recognise the increasing urgency to invest the time, knowledge and skills to plan, develop and put into practice efficient and effective new ways of working for the future. This will often mean re-prioritising the time of key managers and leaders within the organisation to free-up the right capacity to lead this important work.

9. The Commission recognises the challenges, complexities and the uncertainties that local government faces. It encourages councils and IJBs to build on progress made in recent years but recognises that now more radical change is required. Recent Commission reports looking at local government in Scotland have emphasised the importance of:

- developing leaders, staff, and skills to deliver change. This requires effective leadership and workforce planning that is clear about the workforce needs now and in the future, where the gaps are and what training or other action is needed to fill them.

- improving services' efficiency and performance through transformation and redesigning services around the needs of the people who use them.

- collaborating with partners, the third sector (such as charities) and communities to think differently about how to deliver and fund services and to continue to seek and implement innovative ways of working.

- undertaking medium- and long-term financial planning to deliver national policy commitments while continuing to sustain local services with reducing budgets and increasing demands.

10. These recommendations are becoming increasingly urgent. In this section of the overview we set out progress against these and other important contributing factors to effective change, which reflect some of the core characteristics of Best Value. The **statutory guidance for Best Value** ⓘ provides a framework that councils and IJBs should have regard for, in planning and implementing change, as well as for broader good governance.

Leadership

Effective leadership is even more critical at a time of increasing pressures and change

11. Good leadership is fundamental to good governance and in setting and delivering priorities for communities. In a time of increasing pressure on services and finances, this becomes even more critical. To do things differently in substantive ways takes time and requires a clear vision and strong leadership to make it happen. Both political and managerial leaders need to have the strategic vision to make the difficult decisions this might involve. They also need to have the leadership skills to engage effectively with and provide support to staff, partners and communities to navigate change.

12. In the *Local Government in Scotland: challenges and performance 2019 report* ⬇, the Commission emphasised that effectively led councils recognise that the financial and demand pressures mean that planning and implementing changes to find efficiencies alone is no longer enough, and that redesigning service delivery is needed. Council leaders differ in their recognition of the need for more radical change and their role in driving this. For example, we reported this year:

- Clackmannanshire - The council's financial position has improved but remains very challenging. The council recognises that its finances are not sustainable in the longer term without transformation. It cannot continue to avoid or defer difficult decisions about services.

- Scottish Borders - The council recognises the degree of change needed to meet its challenges. Making progress will require good leadership by councillors and the corporate management team.

- Midlothian - Councillors need to show better leadership to deliver the necessary change and to make difficult decisions about the future shape of services. Councillors need to work together urgently to agree the medium-

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Best Value is a statutory duty for local government bodies. The requirements include among others:

- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost); in securing that balance, have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development

- to make arrangements for the reporting to the public of the outcome of the performance of functions.

The refreshed statutory **Best Value guidance** ⬐ is available on the Scottish Government website.

term financial strategy and transformation programme required to address the council's challenges.

- Highland - Difficult decisions lie ahead for the council, requiring effective leadership. We therefore urge councillors to continue to work constructively together with council officers and communities.

13. Good working relationships *(i)* between councillors and officers, and across political divides, is a significant contributing factor to effective strategic leadership, clear direction and to supporting effective change and improvement. Through our Best Value work we have seen that weaker relationships affect the focus and pace of progress in delivering change. To make the significant changes required, it is even more important that councillors develop and maintain positive relationships with officers and each other and work together to deliver sustainable services.

Changes in officer leadership need to be managed effectively

14. Since August 2018, almost one third of councils have experienced a change of chief executive. This high turnover is also reflected in IJBs, with over one-third of senior IJB staff having changed in 2018/19.

15. Changes in leadership have been managed well and had a positive impact in some councils, for example in North Lanarkshire and in Perth and Kinross. In other councils, changes in the senior leadership team have resulted in a loss of knowledge and experience (or 'corporate memory') and of momentum. For example, this has been observed in Stirling and Highland councils. This highlights the importance of appropriate succession planning arrangements and building skills and capacity in management teams to support continuity of leadership and direction when senior staff leave.

16. Effective leadership development is essential to ensure that change is well managed at the right level and pace. The availability, capacity and depth of leadership skills across the public sector is an increasingly important issue. Organisations are competing not only with each other for the best quality leaders but also with the private and third sectors. Chief officer posts across councils and IJBs need to be attractive. The Commission recognises that this is a complex and difficult issue given the context and scale of the challenges for chief officers of both councils and IJBs. Reflecting its importance, leadership, including the turnover in senior staff and the effectiveness of succession planning, is of specific interest to the Commission and an issue it plans to focus on in the future.

Councillors need to ensure they have the skills and knowledge to provide a high standard of scrutiny and decision-making

17. The uptake of training and development by councillors remains variable and affects the ability of elected members to make difficult and complex decisions.

18. Effective leadership and decision-making require councillors to understand their roles and responsibilities at a strategic level, alongside being local representatives. They need to be well informed about the complex and changing landscape of national and local issues. To support this, councillors need to have access to good-quality **training and development** *(i)* opportunities and they need to take ownership and responsibility for their own development needs.

19. It is disappointing that the quality and uptake of training and development opportunities by councillors continues to be variable. We have highlighted the

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(i)

The Commission has previously reported on the importance of constructive working relationships - How councils work, in 2010: Roles and working relationships - are you getting it right? and 2016: Roles and working relationships in councils - Are you still getting it right?.

(?)

Am I aware what succession planning and leadership development arrangements are in place for the corporate management team?

Am I satisfied that these are appropriate?

(i)

There are many resources available for councillor training and development, including a range of tools and support from COSLA and the Improvement Service

(?)

Do I know what issues I need to develop my knowledge or understanding of?

How do I plan to get the appropriate training?

importance of this in Best Value reports for many years. Officers need to ensure that councillors have access to informative, practical and up-to-date training on key and emerging issues. Councils also need to continue to find ways to promote and encourage engagement, for example, by widening the availability of training and, by making relevant materials accessible online to allow greater flexibility and increase uptake.

20. Personal development plans are a valuable tool for tailoring training to councillors' individual needs. Some councils, such as Perth and Kinross, have systematic arrangements in place to support personal development plans for councillors. The Commission urges all councillors to ensure that they have a personal development plan in place that supports them to be as effective as possible in their role.

21. Inadequate quality of training can have significant implications for councillors' understanding of issues. For example, in Midlothian Council, we reported this year that councillors were not always able to understand financial information that was provided to them. This has implications for the effectiveness of decision-making. All councillors and councils need to be proactive and systematic in identifying training needs and putting options in place to meet them.

Medium- and longer-term financial planning still needs to improve to provide a framework for implementing change

22. The need to find and deliver savings is expected to continue, increasing the importance of medium- and long-term planning to manage these financial challenges and to make well-informed decisions aligned with council priorities. Previous Commission reports have recommended that councils should plan for a range of scenarios, so that they are prepared for different **future levels of funding** ⓘ and income.

23. The Commission has previously highlighted in its overview reports the importance of good medium- and long-term financial planning as a fundamental tool to support councillors and officers to make well-considered decisions and effectively manage the continuing challenges and pressures. In the *Local government in Scotland: Financial Overview 2018/19* ⬇, we reported that all councils now have medium-term financial planning covering three years or more, but long-term financial planning has not improved since last year. The report also highlighted that in IJBs, medium-term financial planning is improving but no IJB had a financial plan that extended for more than five years.

24. Councils and IJBs need to continue to improve their approaches to medium- and long-term financial planning. Financial plans should be at the core of strategic planning and decision-making. They should be reviewed and refreshed annually, ensuring that the information is current and accurate. Financial planning should include:

- estimates of Scottish Government funding

- projections of corporate and service level income

- projections of corporate and service level expenditure

- projections of the costs of borrowing.

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Do I have access to training and learning materials that meet my needs?

Do I have a personal development plan in place for training, learning and development, that will assist me to be as effective as possible in my role?

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i

Scottish Government funding to councils is likely to reduce in the medium term. The Scottish Government's five-year strategy sets out its spending priorities. Services not identified as priorities will be disproportionately affected by any reductions to the Scottish budget. These services could face between one and 16 per cent real terms reduction to their budgets.

In addition, the Scottish Government forecasts it may need to budget for a revenue shortfall of £1 billion over three years.

25. Accurate and detailed information on factors such as these will assist councillors and officers to make informed decisions about changes in service design and delivery.

Change and improvement

Most councils have a change programme in place, but more radical thinking is needed for longer-term solutions

26. The Commission emphasised in its *Local Government in Scotland: challenges and performance 2019 report* ⬇, the increasing urgency for councils to be open to fundamental changes in how they deliver services. There is limited evidence that councils are changing the way they deliver services to the extent that is needed to respond to the forecast financial challenges, increasing pressure on services and to improve outcomes for communities. Most councils have continued to **respond to tightening budgets** ⓘ through efficiency savings, some restructuring and using financial reserves. While substantial savings have been made in recent years, more fundamental changes in the way council services are organised and delivered are needed. Using reserves to manage funding gaps is not sustainable.

27. Councils' approaches to making changes vary. Some councils include service re-design as part of existing operational and improvement activities, whereas most councils have a formal change programme in place. This is often branded as a transformation programme, which sets out a range of change objectives, accompanied by strategies to achieve them and specified timescales for when they will be delivered. However, many councils following this approach are still at the beginning of their programmes or have recently refreshed them. Our 2019/20 Best Value audits found some positive examples of partnership working to redesign services:

- Midlothian Council - more than 16 organisations from the Community Planning Partnership and the third sector are working on a project to redesign mental health and wellbeing support services.

- Stirling Council worked in partnership with NHS Forth Valley and the Scottish Ambulance Service to create Stirling Health and Care Village which opened in January 2019.

28. Delivering services differently should be focused on improving outcomes in ways that are affordable. The aim to is to find more efficient and effective ways to improve outcomes for communities and, their experiences of services. This might mean providing services very differently or changing how and what services are provided. In planning change, a council should be clear about the objectives and how they link to its vision, priorities and local plans, as well as about its duty to demonstrate Best Value. This requires investing the time and knowledge of political and managerial leaders and key staff to develop the thinking and plans for a medium- and long-term strategy.

29. The **Scottish Approach to Service Design** ⬉ (SAtSD) provides a set of key principles to follow in designing services. It was developed by the Scottish Government in response to the 2011 Christie Commission recommendations on empowering individuals and communities by involving them directly in designing the public services they use. The SAtSD was updated and published in June

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How effectively do the council's medium- and long-term financial plans reflect the population projections for my area and the resulting need for services and infrastructure?

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The Local Government in Scotland: Financial overview 2018/19 sets out how councils responded to tightening budgets in 2018/19 and their plans for 2019/20.

Councils' 2019/20 financial plans identified a total funding gap of £0.5 billion (three per cent of income).

Councils planned to meet 66 per cent of this through savings and 13 per cent through reserves.

In 2018/19 councils did not meet their savings targets and they used more reserves than planned.

2019. It sets out key considerations for service redesign that aim to explore problems openly and collaboratively, before finding and designing a solution in a way that removes organisational and sector boundaries. Key features of the approach include:

- identifying ways to design services around the key challenges, rather than around the structure of the public sector

- increasing collaboration with local people to better understand local issues and, in doing so, identify sustainable solutions

- increasing levels of innovative thinking, combined with effective management of risk.

The SAtSD challenges council and other public sector leaders to rethink how they plan and design services and to be bold by creating the right conditions for this approach to service design.

Digital approaches continue to develop

30. In developing more innovative approaches for delivering services to communities, digitisation is an important part of service redesign. Increasingly the public expect councils to keep pace with technological change and to be able to access services at a time and place that suits them. Using digital approaches can increase productivity, reduce costs and improve outcomes for citizens.

31. All 32 councils now work in partnership with the Digital Office (DO) for Scottish local government. The DO is working to build councils' digital capacity and use of tools including the SAtSD approaches in Scottish local authorities, with a core focus on helping to improve services for the public.

32. Progress in digitally based service redesign has been varied across councils. For example, Perth and Kinross Council is progressing well with providing online access to services. The council now offers 37 services online via MyPKC, its customer services platform. The council procured the underlying software collaboratively with Dundee City Council and Angus Council.

33. Stirling Council has also made progress in developing its 'Digital District', as part of the **City Region Deal** ⓘ. This focuses on inclusive economic growth, by providing business start-up and scale-up support services for digital technology in local companies.

34. Although there is some progress in digital advances, such as mobile working and new digital platforms for interaction with the public, there is still a long way to go in using digital approaches to find ways to improve services and outcomes for communities. In last year's report, the Commission highlighted that councils should be aware of:

- Procurement - implementing digital projects is likely to require significant spending. North Lanarkshire's transformation programme is centred on the 'Digital NL' programme, aimed at simplifying and joining up services. This required investing in a digital partner with a maximum contract value of £6.4 million over six years.

- Skills - digitally-designed projects need to be led and managed by experienced staff with the appropriate skills. There is a shortage of digital

How clear are my council's plans for the changes needed so that outcomes for communities are improved alongside managing the financial and demand pressures?

City Region and Growth Deals are long-term agreements between the Scottish Government, the UK Government and councils to improve regional economies

skills in councils and they are competing for these skills with other public and private sector organisations.

- Digital exclusion - in Scotland, 87 per cent of households now have access to the internet.[1] Councils need to make sure that they still meet the needs of those without access to digital technology when developing new approaches. Residents from rural areas, the elderly, individuals living in poverty and individuals affected by disability, are more likely to be disproportionately affected by digital exclusion.

We will assess and report in more detail on the progress with digital approaches in local government and the challenges this brings, later this year.

Performance information, review and self-evaluation need to be used more systematically to inform improvement

35. Performance management systems and performance information, review, and self-evaluation tools (such as the European Foundation for Quality Management's Excellence Model, Public Service Improvement Framework and How good is my council) are fundamental tools to support improvement. However, these are not being used systematically by all councils.

36. Despite councils having outcomes-based strategic objectives and priorities, some councils remain limited in their ability to show if and how these outcomes are being achieved due to weaknesses in performance management arrangements.

37. Effective performance management systems and performance information are the most basic but essential tools for improvement work. Good data and information about performance are necessary for corporate and service level improvement activity, for understanding performance over time and how it compares with other councils, and to inform decisions about where services need to change.

38. How councils use performance information to drive improvement varies. For example, Midlothian Council makes good use of data to understand and improve its performance, while Scottish Borders and Stirling councils have service-level performance management arrangements but lack a council-wide focus. Highland Council needs to improve its performance management systems and is in the early stages of addressing this.

39. Corporate-level, service-level or thematic reviews are well-established improvement approaches and are used to some degree by all councils. For example:

- Midlothian and Perth and Kinross councils demonstrate good use of service-level reviews but lack a corporate approach

- Stirling Council's approach was found to be poorly structured and inconsistent

- South Lanarkshire Council uses an ongoing risk-based approach of structured self-assessments to review and redesign services with a focus on fundamental change. This review programme has improved service delivery and made some financial savings.

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How do I know my council is delivering on the outcomes it has committed to achieve for local communities?

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Do I receive clear, timely and sufficiently detailed performance information to effectively scrutinise service and corporate performance?

40. Self-evaluation at a corporate or service level can support change and improvement by using a structured approach to consider where there are strengths and weaknesses and areas for improvement. It is used by many councils but with different levels of success. For example:

- North Lanarkshire Council has a good approach to self-evaluation but needs to ensure that the actions arising from this are clear and measurable.

- Highland Council has developed self-evaluation arrangements but needs to ensure that these are used consistently across services.

- Midlothian Council's arrangements lack a structured corporate approach.

Workforce planning

There is some progress in improving workforce planning, but more still needs to be done to link workforce requirements to change plans, to ensure that councils have the staff, skills and leaders they need to deliver change.

41. Councils across Scotland employ around 252,000 staff (205,000 full time equivalent (FTE))[2]. To find efficiency savings over recent years, councils have restructured teams and departments, and made savings by reducing posts and not filling vacant posts. The workforce reduced by around 6,000 FTE staff from 204,000 FTE in 2013 to 198,000 FTE in 2016. A significant increase in 2019 largely reflects a 29 per cent increase in Glasgow's workforce (FTE) in the last quarter of 2018, compared with the same period in 2016, with posts from an arm's length provider, Cordia, being brought back into the council.

42. Changes in workforce numbers vary between councils. Between 2013 and 2019, the changes in FTE staff numbers were as high as a 14 per cent reduction in Angus, and 10 per cent in Argyll and Bute.[3] Some councils' FTE staffing did not change overall during this period. From year to year, the pattern varies between councils. Between 2018 and 2019, 19 councils increased their FTE staff numbers, four councils reduced their staffing and nine councils remained at the same level.

43. Having the right number of staff, with the right skills, in the right posts, is a basic requirement for delivering services. Good workforce planning that is linked to strategic plans and priorities is key to making informed decisions about changes to the workforce. In last year's report, the Commission highlighted that the quality of workforce planning is inconsistent across councils and workforce data is insufficient to clearly understand how individual service areas are affected by changes in the workforce such as the age profile and skills gaps. The extent to which councils provide adequate learning and development opportunities for officers is not known. More needs to be done to improve the quality and range of workforce data to inform workforce planning.

44. The need for councils to deliver services differently and more efficiently should be reflected in workforce decisions. Effective workforce planning is essential to ensuring that councils have flexibility, agility and efficiency in how they use the workforce and can deliver the level of change that is required. It is expected that councils will adopt a comprehensive approach to workforce planning. This should include planning at corporate and service levels and an assessment of current and future workforce capacity and skills, and of how

Is my council systematically using self-evaluation approaches corporately and in services to inform improvement?

How involved or informed am I of the results and monitoring of improvement plans?

Do we have detailed corporate and service level workforce planning?

How clearly do they set out the current and future staff capacity and skills required and how this will be managed?

How am I involved in scrutinising the effectiveness of workforce planning?

Do I know how the council is addressing any specific issues with the workforce age profile or skills gaps in services?

councils will achieve their required workforce profile. These should be reviewed regularly and reflect changing workforce needs.

45. Progress in developing corporate and service level workforce planning is mixed but showing some progress. Some councils have corporate workforce planning in place, while others have service level planning, without integrating these at a corporate level. The level and spread of detail within council workforce plans also varies, with some focused on an assessment of the current skills and employee numbers but lacking an assessment of the council's future workforce needs or setting out plans for how to meet those needs.

46. There are examples where workforce planning is more developed in some councils. For example, South Lanarkshire demonstrates a comprehensive and coordinated approach to workforce planning. It includes many key elements needed for successful service redesign; for example, a profile of the current workforce has been carried out to support succession planning. West Dunbartonshire's approach includes assumptions about the future context and how it will address potential skills gaps in its workforce.

47. Common skills that councils identify as gaps include professional skills such as planners, change, project and programme management, and digital and data management. These are all essential skills that councils need to implement their change programmes effectively and it is often difficult to recruit and retain staff with these.

48. Councils have adopted a variety of initiatives to manage skills shortages. Approaches such as apprenticeships, traineeships, grow-your-own schemes, and succession planning, have been utilised. Some councils offer existing staff the opportunity to move into expanding areas such as teaching or early learning and childcare. For example:

- North Lanarkshire has established a health and social care academy that aims to encourage young people to take up a career in the care sector.

- South Lanarkshire uses its switch to redeployment programme to match staff whose roles are at risk with suitable alternative roles, and it has initiatives in place to recruit staff for skills needed in its roads, early years and homecare services.

- Perth and Kinross has restructured all posts into five 'job families', which increases flexibility between services and encourages employees to retrain as the demand for skills changes between services. The council also operates a grow-your-own programme to address skills needs and tackle the challenge of its ageing workforce.

49. Councils need to continue to find ways to meet specific skills needs. This might include sharing staff with other councils or partners and working with education and training partners such as colleges and universities.

Partnership working

The full potential of collaborative working is not being realised.
50. There is some audit evidence of councils collaborating with partners when reshaping services, but this is not widespread. There are many examples of effective smaller-scale joint working.

51. The Commission continues to encourage councils to find ways to deliver services more efficiently and effectively through shared service arrangements and joint use of resources. With financial pressures and skills shortages in some areas, it is important that councils continue to work together to find innovative solutions. The following are examples of councils sharing services with others:

- Midlothian has developed some shared services and shared roles to help address challenges it faces as a smaller council. For example, it has shared a joint chief internal auditor with Scottish Borders since 2018. The chief auditor leads both councils' internal audit teams at a strategic level and is supported operationally by principal auditors in each council.

- South Lanarkshire is a host authority for a range of shared services, including the Clyde Valley Learning and Development Partnership comprising eight local authorities in the west of Scotland and set up to establish and deliver shared approaches to training, learning and development. This includes, for example, shared tools for e-learning development, accredited front-line management training, and learning and training for social care. These approaches enable the sharing of best practice across councils and making financial savings by providing joint training events and accreditation.

- Highland shares its procurement service with Aberdeen City and Aberdeenshire councils. The most recent annual procurement report shows that in total £1.39 million of savings was achieved during the period 1 April 2017 to 31 March 2018. As part of Highland Council's financial plans, it is looking at further ways of delivering savings through procurement.

- Stirling shares a trading standards service with Clackmannanshire. It also delivers animal health and welfare services on behalf of Clackmannanshire, Falkirk and East Dunbartonshire councils, and has a partnership arrangement in place with Clackmannanshire and Falkirk councils for a stray dog shelter.

Community Planning Partnerships need to take a more active role in leading partnership working and strategic change in some areas.

52. Good partnership working is evident across councils with many examples of services working well with partner organisations to deliver local services and projects with other public sector, private and third-sector organisations.

53. The picture at a strategic level is more mixed. Community Planning Partnerships (CPPs) should provide the strategic leadership and direction to local partnership working and be pivotal in driving improved outcomes for local communities. This is a joint responsibility across CPP partners, such as the NHS, and emergency services, as well as councils. However, much of the good local partnership working is happening independently of the leadership of the CPPs and their structures. Our BVAR audits during 2019/20 found the effectiveness of partnership working within the CPPs was mixed. For example:

- Midlothian - Midlothian Youth Platform involves more than 16 organisations from across the CPP, including third-sector bodies. They are working

How well do I understand all the partnership arrangements of my council?

How effectively is my council working with partners to deliver services better and/or save money?

What steps is the council taking to ensure partnership arrangements meet their full potential?

together on a project to redesign mental health and wellbeing support services for young people.

- Scottish Borders – Ambitions set out in locality plans had not been costed and so were not reflected in the council's or its CPP partners' budgets.

- Perth and Kinross – There is evidence of effective working in some parts of the CPP, for example the work of the Children, Young People and Families Partnership was commended by the Care Inspectorate in 2018. Some councillors and partners, however, raised concerns about community planning and other partnership working functioning as separate processes.

54. Councils need to build on their partnership working to respond to local challenges, such as inequalities and child poverty. Good partnership working is critical if councils are to deliver priorities and improved outcomes for communities.

Progress in integrating Health and Social Care has been too slow

55. There are 30 IJBs across Scotland. These are partnerships between NHS boards and councils. They are responsible for delivering adult health and social care, and, in some areas, for other services, such as children's services.

56. Progress with integration is slow. In 2018/19, a majority of IJBs struggled to break-even financially and 19 would have recorded a deficit without additional funding from the NHS and council partners at the year end. There is still limited evidence to suggest any significant shift in spending from health to social care. The Ministerial Strategic Group for Health and Community Care (MSG) is monitoring progress towards achieving the proposals set out in its integration review published in February 2019. The areas where least progress is being made include:

- IJBs being empowered to use all the resources at their disposal to better meet the needs of their local populations

- delegated hospital budgets and set aside requirements being fully implemented

- having effective, coherent and joined-up clinical and care governance arrangements in place.

57. The MSG also proposed that a framework for integrated community-based health and social care services should be developed. The framework intends to identify what a good service looks like.

58. Progress can be demonstrated in some cases. In December 2019, we reported that the Scottish Government, the Convention of Scottish Local Authorities (COSLA) and partners are progressing most of the recommendations made in the 2017 report *(Self-directed support: 2017 progress report Impact report)* ⊕. There is still significant work to do, which will take time to implement. The Care Inspectorate's thematic review in June 2019 found that there has been significant progress in implementing self-directed support, with some partnerships demonstrating significant change in their delivery of social care in this area. The review also highlighted, however, that more needs to be done to fully implement self-directed support.

59. The Commission has previously highlighted its concern about the pace of progress in integration. We published a report in November 2018, *Health and*

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What obstacles are facing our area's IJB?

Am I aware of the steps taken to identify and address these obstacles and to improve the pace of integration?

social care integration: update on progress ⊕. We plan to report on social care sustainability in 2021 and will report on progress with IJBs in the next two to three years. The Commission is also currently considering how it will audit and report on Best Value in IJBs. Although the main focus of this overview report is on councils, the issues and changes required also relate to IJBs. We plan to report on social care sustainability in 2021 and will report on progress with IJBs in the next two to three years.

Regional economic development is stimulating improvements in collaborative leadership

60. Councils are active partners in the City Region and Growth Deals. A total of £5.2 billion has been committed so far to supporting economic development through City Region and Growth Deals (Exhibit 6).

Exhibit 6
Progress in City Region and Growth Deals

4 deals have been signed to date

Totalling £3.7 billion
Involving 17 councils:

Glasgow City Region Deal; Aberdeen City Region Deal; Edinburgh and South East Scotland Region Deal; and Inverness and Highland City Region Deal.

The UK and Scottish Governments have between them committed £2.1 billion over 20 years, councils have committed around £600 million and other regional partners have committed just over £1 billion.
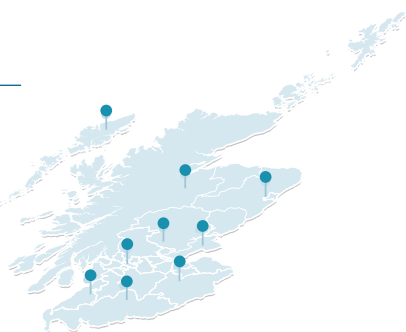
8 further deals are in development

Receiving a further £1.5 billion of committed funding
Involving 15 further councils

If all the deals go ahead, all Scottish councils will be involved in a deal. Some deals involve single councils, others involve two or more councils, and some councils are involved in two deals.

Councils need to be conscious of potential challenges, such as shortages in the necessary staff, money and skills to deliver the deals. The impact of spending on the deals should be balanced against councils' overall spending capacity, particularly in the current volatile landscape.

The impact of the deals has been unclear, as their measurement is not linked to the National Performance Framework.

Source: Audit Scotland, City Region and Growth Deals, 2020

61. The work around the deals is stimulating improvements in collaboration and partnership working across councils. Our report, *City Region and Growth Deals, January 2020* ⊕, highlights that the increase in joint working by council chief executives and officers is also starting to influence wider joint working. The evidence suggests that these relationships are beginning to influence how councils operate in other areas of council activity.

62. There are other positive examples of partnership working with a place and community focus. The Clyde Gateway Partnership involves South Lanarkshire and Glasgow City councils and Scottish Enterprise and receives funding from the Scottish Government. The project began around 12 years ago and aims to regenerate areas in the east end of Glasgow and Rutherglen. So far it has treated 248 hectares of contaminated land and delivered 2,995 new homes, while attracting 5,939 new jobs and assisting 2,813 businesses.

63. Midlothian Council partnered with the University of Edinburgh to create a multi-use facility including a secondary school for around 850 pupils, a public library, gym and sports facilities, including a swimming pool and community meeting spaces at the Newbattle Community Campus. It also provides workspaces for self-employed people and small businesses and provides access to and training in using the latest technology. The partnership has links to the Data Driven Innovation Programme and the City Deal, aiming to provide high-quality industry-led skills including those in digital technology skills.

Community empowerment and engagement

Most councils could do more to involve communities in planning services and better demonstrate how engagement is used to improve outcomes. Some councils have been slow to implement elements of the Community Empowerment (Scotland) Act 2015

64. Many councils recognise the value of involving their communities in the decision-making that affects their lives and in tackling inequalities to ensure that everyone can participate in that decision-making. But there has been slow progress in putting the **Community Empowerment** ⓘ Act's requirements into practice and few councils provide opportunities for communities to influence or take control of decision-making processes. More needs to be done to make the aims of the Act a reality.

65. The Community Empowerment Act requires each CPP to produce and publish a Local Outcomes Improvement Plan (LOIP). LOIPs set out a vision and focus for CPPs, based on agreed local priorities. The LOIP is intended to provide a shared plan for local communities in each CPP area. The LOIP is also the main framework that the CPP should publicly report its performance against. The CPP must be kept up to date and reflect local needs, circumstances and aspirations. The Community Empowerment Act requires CPPs to also undertake locality planning. These are plans focused on a specific locality within a council area. They should focus on tackling inequalities through targeted actions and involve participation of the community on the issues that affect it.

66. The Improvement Service reported, jointly with Audit Scotland and NHS Health Scotland, in its 2018 Local Outcomes Improvement Plans Stock-take ⬉ that LOIPs are being used to varying degrees and that these need to be more focused on the areas where the CPPs can have the biggest impact.

67. Participatory budgeting activity in councils has been limited. The Scottish Government and COSLA have agreed that at least one per cent of council budgets should be determined through participatory budgeting by 2021. Many councils, however, are unsure about what approach to take, or if participatory budgeting should be carried out separately from their LOIP processes, which is not the intention of the Act. We also found that locality planning had not been completed on time by some councils.

ⓘ

Community Empowerment

The Community Empowerment (Scotland) Act 2015 gives people more influence over how their councils and their partners plan services. It is intended that councils will devolve power to communities to make a difference to their local areas through:

- Community asset transfers – where communities can take responsibility for land and buildings.

- Participation requests – where people can ask to take part in decisions about council services.

- Participatory budgeting – where communities can have a say in how the council should spend public money locally.

- Community planning – where community bodies can participate in community planning, in particular those that represent the interests of people who experience inequalities.

68. There is a range of guidance available to councils to help them develop their community empowerment approach. COSLA plans to publish guidance on participatory budgeting in 2020, which will include examples of positive practice and learning points. In July 2019, the Commission, alongside partners in the Strategic Scrutiny Group,[4] published the *Principles for community empowerment* ⊕ (Exhibit 7, page 38). The intention is to provide consistent understanding across the scrutiny bodies about what is expected of public sector bodies. It is also a useful reference for councils and communities.

69. The Scottish Government has commissioned an evaluation of participatory budgeting and community asset transfer, which was due to report in April 2020. In November 2019, the Scottish Parliament's Local Government and Communities Committee began a consultation on how best to achieve community wellbeing, which includes considering the effectiveness of community engagement arrangements and organisations working together in communities. This focus emphasises the importance of community empowerment and engagement. The Committee is considering the findings of its consultation as part of its current work programme, pending any changes in its programme required as a result of the COVID-19 pandemic.

70. Councils need to more fully embrace community empowerment as an integral part of changing the way they do things. It should not be seen as an add-on or separate to other work, but part of a new way of working. They need to engage with communities and involve the public in making decisions about the services councils provide, and the places people live in. This is crucial to councils making effective and sustainable changes to the ways they operate.

71. Community empowerment is relevant to all departments, roles and levels. It should not be seen as only relevant to staff who work directly with communities. All services should be involving communities more in decisions about public services. There needs to be clear leadership to embed this approach across organisations and to empower staff to carry out the activities and behaviours required to do this. It will mean more co-production of services, which will require trust between communities and public bodies and time to build up relationships. Ultimately, community empowerment should reduce inequalities and improve the wellbeing of communities, particularly those suffering from persistent inequality.

What do I know about the purpose and aims of participatory budgeting?

What do I know about my council's approach to participatory budgeting, and how effectively is it using this to empower communities?

Exhibit 7
Principles for community empowerment

Principles for community empowerment

1	2	3	4	5
Community control Support communities to successfully take more control over decisions and assets	**Public sector leadership** Strong and clear leadership on community empowerment sets the tone and culture of the organisation	**Effective relationships** Build effective working relationships between public bodies, local communities and local partners	**Improving outcomes** Evaluate whether outcomes for local communities are improving and inequalities are being reduced	**Accountability** Be accountable and transparent
Public bodies support communities to successfully take greater control over decisions and assets. Effective processes are in place and public bodies support a fair and sustainable approach.	Leaders provide a clear and consistent message, set clear objectives and priorities, encourage ideas and innovation, community leadership and support communities to develop sustainable approaches.	There is a healthy working relationship between communities, public bodies and local partners, marked by reciprocal trust, openness and transparency.	Public bodies are continuously improving their approach to community empowerment, evaluating local outcomes and experiences and learning from others. This includes evaluating the impact on local inequalities and understanding and learning from the experiences of seldom heard groups in communities.	Public bodies are clear and open about their approach to community empowerment and provide regular information to communities that is understandable, jargon-free and accessible. Public bodies are responsive to local communities when reaching decisions with a clear rationale for making difficult decisions and provide regular feedback.

Source: Strategic Scrutiny Group, July 2019

The local governance review is still ongoing

72. The Scottish Government and COSLA have jointly made a commitment to work together to further empower communities and councils in Scotland through their local governance review. The aim is to ensure that Scotland's diverse communities and places have greater control and influence over decisions that affect them.

Not all councils are reporting their performance to the public in a comprehensive and transparent way

73. Effective public performance reporting (PPR) enables communities to assess the progress their council is making against its priorities and compare its performance with other councils.

74. All councils have performance sections on their websites; most publish annual performance reports and report the performance of their different services, and in most cases, these are linked to the council's strategic objectives. But there is wide variation in the quality of performance information councils publish, and some councils are not making it clear how their targets are being met.

75. The Commission's Statutory Performance Information (SPI) Direction of December 2018 reinforces the importance of councils reporting their performance to people and communities and is a key tool to guide councils on what information the Commission expects them to publish. Good PPR will fulfil the requirements of the Commission's SPI Direction. It should provide a clear picture of the council's performance as well as demonstrating how it is meeting its duty of delivering best value. PPR should use a range of media formats to target key audiences with information, including digital channels. This should consider different community needs, including hard-to-reach groups that may need specifically targeted approaches. Good PPR will show progress against strategic and outcome priorities as well as service performance, in a balanced way. For example, it will report areas for improvement and what is being done to address these, as well as where good progress is being made. Good PPR will also invite communities to provide feedback.

Some councils are using place-based approaches to improve outcomes for their communities

76. The *Place Principle* was adopted by COSLA and the Scottish Government in February 2018 to support elements of the National Performance Framework. The Place Principle challenges those responsible for providing public services (and those looking after their assets), to 'work collectively with partners and communities, with the shared objective of providing more successful places that support inclusive economic growth and improved outcomes for the people in an area.'

77. There are some limited but positive examples of councils working with partners to start taking a place-based approach. For example, Perth and Kinross has adopted a place-based approach to tackling inequalities for each of its seven localities. These are supported by 'stories of place', created by the council to provide a profile of each locality to support its work.

78. An increasing emphasis on place is apparent in other key policy areas and developments, for example in relation to the Planning (Scotland) Act 2019 which we will refer to in greater detail in our planning services case study (page 41)). Place is also a core aspect of partnership planning as part of the LOIP and locality planning processes, the City Region and Growth Deals and participatory budgeting.

How well is my council providing clear, balanced and accessible information to the public about how well it is performing, what needs to improve and how it is addressing this?

79. The Scottish Government, in collaboration with NHS Scotland and Architecture and Design Scotland, has produced an online Place Standard tool (https://www.placestandard.scot/) ⬒ to help planners and communities assist with assessing and considering priorities for their places.

Service case study
Planning Services

80. In this section we focus on planning services to illustrate how the challenges for local government have affected this service area, and how it is responding. Planning is an important service for supporting delivery on national policy outcomes such as inclusive, sustainable economic growth and protecting and enhancing our environment. It is also subject to a range of national policy developments such as the new Planning (Scotland) Act 2019 (the Act) which changes the role and responsibilities of the service. It is an example of a service that has been significantly affected by reduced budgets and staff numbers in recent years. As with the previous sections, this case study was produced prior to the COVID-19 pandemic and does not reflect the challenges or changes that this brings to planning services. We are aware that councils are already responding with new thinking and approaches to the challenges, for example to enable physical distancing in streets.

81. Scotland's planning system is concerned with the use and development of land and buildings. Council planning services are a key part of that system, and their planning activity focuses on three areas:

- Development plans set out how places should change, and the policies councils use to make decisions on planning applications.

- Development management is the process for making decisions about planning applications.

- Enforcement is about making sure that development is carried out correctly and acting where this is not the case.

Challenges
How the challenges (page 10) are reflected in planning services
Population changes mean changing pressures for planning services

82. The demographic changes set out in the first part of this report also have implications at a service level. For planning services for example:

- Growing populations in areas such as Aberdeenshire, East Renfrewshire and the Lothians mean increased demand for housing, local services and amenities. Councils need to plan for these changes.

- Areas with shrinking populations, such as Argyll and Bute, Ayrshire, Dumfries and Galloway, Inverclyde and Eilean Siar may see reduced demand for some services and different challenges for planners.

Population changes also have implications for local economic activity and economic development priorities as demand for services and availability of workforces and skills change. This will affect the local priorities for planning services

How well informed am I about the requirements of the Planning (Scotland) Act 2019 and what this means for the council?

What do I know about the demographic make-up and the projected changes within the council area?

How effectively is the council using this information to plan how we deliver services, including planning services?

83. Increasing proportions of people over 65 and 75 years old, changes in the child population, and changes in inequalities such as deprivation levels have implications for the demand for types of housing and local services in the places where people live.

The Planning (Scotland) Act 2019 introduces new responsibilities for planning services and requires them to have a more strategic focus

84. The Act brings significant challenges for planning services, with new duties and activities. It brings a shift in role from focusing on regulating the planning process to becoming more proactive in engaging with communities and organisations to achieve shared outcomes, and a focus on places. Key new responsibilities for councils include:

- a legal requirement to take Local Place Plans into account when preparing development plans – these cover issues such as housing, open space and community facilities as well as business and employment opportunities

- a duty to work with other councils to produce Regional Spatial Strategies

- the appointment of statutory chief planning officers

- new powers to introduce control areas where planning permission will always be required if owners want to change the use of their property to short-term lets.

85. The Act widens councils' focus beyond their current largely regulatory role to more proactively engage at a strategic level with people, communities and organisations in developing and improving the places where they live. Our Planning roundtable February 2019 highlighted that there is a perception within the profession that the value of planning services is not recognised. There is also evidence (Scottish Government report: Barriers to community engagement in planning, May 2017) that communities lack trust and confidence in, and respect for, planning services. To change this and deliver the Act's objectives there needs to be a cultural shift in the way planning services are delivered, to focus on community engagement and empowerment. This change requires different skills and approaches from planning services that challenge their current practice. Councils must now plan for how they will meet these challenges.

86. It is early days in the implementation of the Act, so it is too soon to assess the effectiveness of councils' responses. However, a good deal of change in planning services will be needed to implement the Act effectively. Council political leaders and managers will need to provide effective leadership, support and resources for planning services to enable these changes to happen at a good pace.

Planning services' budgets are shrinking at the same time as their responsibilities are expanding

87. Planning services must meet their new responsibilities while they have seen some of the most significant budget cuts of all council services, with a 28 per cent decrease in net expenditure between 2013/14 and 2018/19, (34 per cent in real terms).[5] In response, planning services have been proactive for example by ensuring improved efficiency in processing applications. However, as councils face further forecast funding reductions the challenges for planning services are likely to increase.

Do I know how well prepared my council is to deliver the requirements of the Planning (Scotland) Act 2019?

How do I know if the planning service has the skills, capacity and resources to implement the new responsibilities the Act brings?

What am I and the council doing to improve or restore community trust, confidence and respect in planning services?

88. It is not possible at this stage to fully determine the financial impacts of the Act for local government, but RTPI (Royal Town Planning Institute) Scotland has estimated (Financial Implications of Implementing the Planning Act, August 2019) ⬍ that the Act places 49 new and currently unfunded duties on councils. RTPI Scotland estimates these new duties could cost councils an extra £12.1 million to £59.1 million over the next 10 years.

89. Planning services can charge fees for the services they provide to people and businesses, such as assessing planning applications, and these fees constitute a small but increasing proportion of the total income of planning services. The Scottish Government sets the basis for their calculation, including the maximum that councils can charge for planning applications. Fees were last increased by the Scottish Government in 2017. The Heads of Planning Services (HOPS) report "Costing the Planning Service"February 2019 🖥, found that fee income as a proportion of planning service costs increased from 26.1 per cent in 2014 to 32.9 per cent in 2018. But planning fee income does not, and isn't intended to cover the cost of planning services, and it is not retained exclusively by planning services to fund their activities. Planning services must therefore consider what changes will be needed initially and in the medium to longer term to resource their new responsibilities in the context of tightening budgets in the future. The Planning (Scotland) Act 2019 presents an opportunity to carry out a wide review of the planning fee structure, and a consultation on areas including looking at the potential for discretionary charging was completed in February 2020.

✉ **Uncertainty remains about the detail of the Act's requirements**
90. Planning services, like all council service areas are affected by political and economic change and uncertainty. Most directly, although the Act sets out new responsibilities and roles, there will continue to be a level of uncertainty during 2020/21 while the Scottish Government develops secondary legislation and guidance to support delivery of the Act's objectives. More widely, planning services will need to respond to the economic impacts of political changes such as withdrawal from the EU and national and global economic changes. Planning services also have a significant role to play in responding to the escalating climate change crisis and in the national and local strategies to combat this.

Doing things differently

Planning services need to do things differently to be able to meet national policy priorities while maintaining and improving services
How the core aspects for change (page 24) are reflected in planning services.

👥 **Leadership: Strong leadership of planning services is needed to meet the challenge of performing new duties with reducing resources**
91. Meeting the challenges of the Act and putting the Place Principle into practice requires strong leadership from council officers and councillors. Collaborative leadership is critical to success.

92. The Act introduces a statutory requirement for chief planning officers to be appointed in every council. This is a positive step creating a lead senior officer post to drive the changes required for councils to fulfil the objectives of the Act. Details of the role are yet to become clear, and the Scottish Government is scheduled to work with councils and partners over 2020 and 2021 to develop supporting guidance and legislation for the Act. Including chief planning officers

❓ *How confident am I and what assurance do I have that the council is well prepared to make the shift in planning services from the regulatory role to include more proactive engagement with communities and other partners?*

as key members of councils' senior management structures will enable the required collaborative leadership across council service boundaries and with partners.

93. The cultural shift from a mainly regulatory to strategic role will need effective leadership and engagement with staff. Given skills gaps in change management in many councils, they need to consider how they will ensure the change management capacity required is put in place to support councillors and management to lead the culture change needed.

Change and improvement: planning services have improved performance over recent years but need to widen their focus from the regulation process to engaging with communities and partners

94. Planning services have reacted to reducing budgets and staff numbers in recent years by focusing on providing a core regulatory service, ensuring that planning standards are being met.

95. Possibly as a result of that narrowed focus, performance in processing planning applications has improved. For example, the average time taken per business and industry planning application has fallen by 34 per cent since 2013/14.[6] However, this improved performance has been achieved with reducing numbers of planning decisions made each year since 2013/14: from 29,779 applications to 25,027 in 2018/19 (Exhibit 8).

Exhibit 8

Planning decision times and number of applications since 2013/14

| | Number of applications | Average time per business and industry planning application (weeks) |
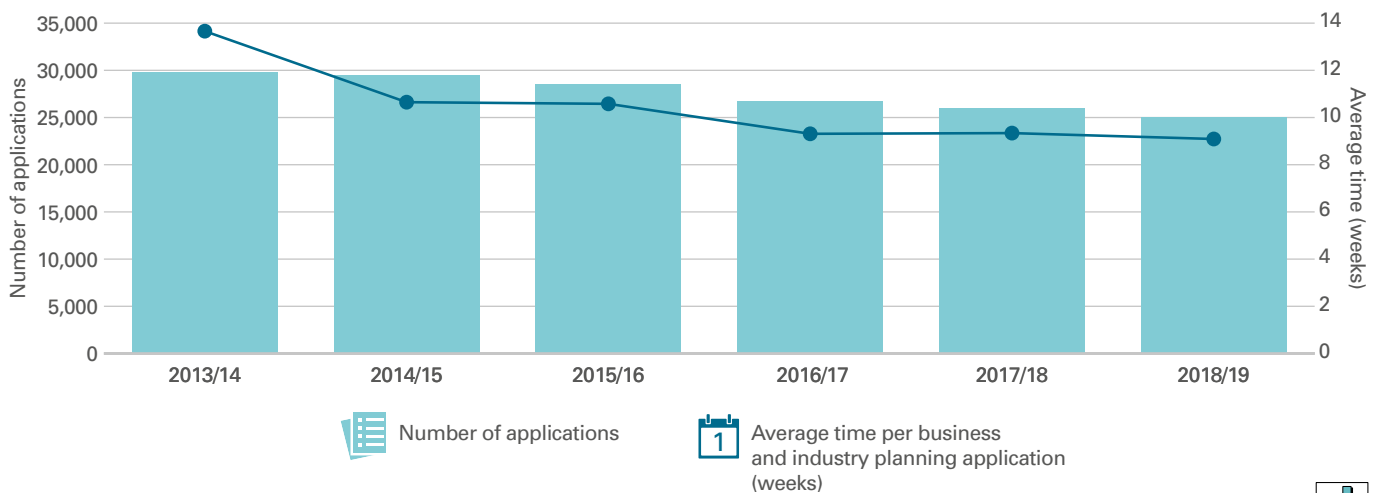
Source: Audit Scotland, Improvement Service, Local Government Benchmarking Framework data 2013/14 to 2018/19

96. Councils are making positive changes to the way they approach planning applications, which may also be contributing to improved performance. Many councils are increasing their use of pre-application advice which can reduce the numbers of applications they receive, for example, where the advice is that the application should not proceed. This approach may also increase councils' efficiency when dealing with previewed applications.

97. The improving performance in reducing application processing and decision-making times is positive, but current performance indicators don't reflect how planning services impact on people and places or how they contribute to broader outcomes in the National Performance Framework. Wider measures of responsibilities beyond councils' regulatory role need to be developed so that councils can demonstrate their contribution to delivering them.

98. The Act provides opportunities to widen the scope of performance reporting, including new requirements for councils to produce annual planning performance reports, which they must submit to Scottish Ministers and publish. The detail of these reports has yet to be determined but the requirement puts statutory weight behind the Planning Performance Framework reporting process.

99. Measuring how planning services are delivering or supporting more successful outcomes means looking beyond service-specific processes to the outcomes achieved. For example, the Clyde Gateway initiative measures and reports progress against three strategic goals:

- **Sustainable place transformation** to focus on the overall infrastructure and environment of the area which in turn will increase its attractiveness as a place to live and work.

- **Increased economic activity** to attract major employers into the area and work with existing businesses to maximise growth, which in turn will generate employment opportunities for local people.

- **Building community capacity,** to ensure that there are increased levels of community participation in activities that promote a better, healthier lifestyle and/or improve employment prospects.

Progress against these strategic goals is measured through nine performance indicators. These measures are not service-specific but rather aim to assess progress made in these key outcome themes by all partners in the initiative.

100. The changed role, responsibilities and focus for planning services also mean that councils need to review how these services are funded, to ensure that they can meet their current responsibilities and the new duties arising from the Act. In January 2019, HOPS reported on the impacts of councils' 2017 major planning application **fees increases** ⓘ, following the Scottish Government increasing the maximum planning application fees from £20,050 to £125,000 and maximum fees for applications for planning permission in principle from £10,028 to £62,500. The report found that the impact of the fee increases varied widely across Scotland: the main beneficiaries are the larger city councils, Edinburgh and Glasgow and the larger urban planning authorities. Smaller, more rural councils and island councils do not receive significant numbers of major applications, if any, which significantly influences the overall impact of the fees increase for these councils.

101. More broadly, planning fee income is not directly reinvested in planning services in many councils. In some councils planning fee income is treated as a corporate or council income, and so is not controlled by or ringfenced for the planning service. The additional income generated by fee increases does not make much difference to the budget available for reinvestment. Increasingly the income generated is offset against council savings targets.

ⓘ The total additional income generated by a fee increase in 2017 was £4.2 million generated by 338 separate major planning applications. This averages out at £12.5 thousand per application or £124 thousand per planning authority; Edinburgh and Glasgow's combined fee increases were £1.2 million, or 29 per cent of the total Scottish fee increase.

ⓘ Fees and costs of planning services vary across councils:

In 2018/19 Inverclyde had the highest planning application fee of £8,818, compared to the lowest fee of £1,048 in Renfrewshire.

Renfrewshire saw the largest reduction in the cost of planning between 2013/14 to 2017/18, by 74 per cent while Shetland Islands had the greatest increase of 218 per cent.

Workforce planning: the workforce in planning services is ageing and reducing in number. New skills will be needed to deliver the Act's objectives

102. There are significant workforce challenges for planning services. Local government planning services have seen a 25.7 per cent cut in staff numbers since 2009[7] (Exhibit 9).

Exhibit 9
Challenges for planning services workforce

Evolving role	Workforce reductions	Workforce profile	Skills gaps challenge
The new duties under the Act place new demands on the workforce outside the traditional 'planner' role. Building community engagement and collaborative relationships will be important.	In March 2019, there were 1,332 planners in Scotland. Across local government planning staff numbers have reduced by almost 26 per cent since 2009.	Around 9 per cent of planning staff are aged under 30 and 35 per cent are over 50. Only around 100 new planners graduate each year, many taking up private sector employment.	A HOPS survey found that 30 councils confirmed that they had to fund additional technical planning expertise in the last three years. Only 18 councils had in-house training provisions. 28 councils shared a service with another council. Training and sharing services is more challenging for island authorities, due to the associated distance and cost.

Source: Audit Scotland, Heads of Planning Scotland, Royal Town Planning Institute Scotland

103. Seven councils reported challenges in recruiting for planning roles in the last year (Argyll and Bute, Dumfries and Galloway, Eilean Siar, Glasgow City, North Ayrshire, Shetland and West Dunbartonshire). Councils are taking steps to address their skills and recruitment challenges, for example:

- Eilean Siar, which had to re-advertise for a planning officer, looked at unqualified applicants interested in learning additional skills to become a planning officer. The council operates a career-grade structure, which supports officers to qualify through work.

- North Ayrshire, recognising a nationwide deficit in qualified and experienced planners, has re-designated planning officer posts to planning assistants and recruited new graduates. Staff development is supported with a planning skills programme including training and site visits.

Do I know how the council is addressing any specific issues with the workforce age profile or skills gaps in services, such as planning services?

- West Dunbartonshire, which experienced difficulties in recruiting building and planning officers, is investing in a 'grow-your-own' programme.

104. In terms of planning training and development for councillors, 28 councils have an in-house training programme for planning committee members. The Act strengthens the importance of training councillors on planning, giving councils the power to impose training requirements and a requirement that councillors who have not completed specified training will be excluded from taking part in planning business.

105. Further collaboration and innovation are required to tackle skills gaps and respond to the training and capacity issues in planning services and in the range of specialisms within planning. The Improvement Service is working with Skills Development Scotland to identify planning skills demands, needs and gaps across councils, what training and support is currently provided, and what measures are needed to address the recruitment challenges that planning services face.

Partnership working: planning services need to build relationships with other council services, external partners and communities

106. The Act puts increased emphasis on planning services engaging and collaborating with key partner organisations and communities to develop and improve places. The need for improved collaboration has been an issue for some time as highlighted in a report by HOPS in 2013, Collaborative working in development planning which highlighted key themes for improvement:

- the importance of ongoing dialogue

- clear and considered engagement, including improved publicity for consultations and engagement methods so that all parties get the most out of them

- culture change, collaborating more effectively with partners in developing policies, engaging meaningfully with partners and using shared information to improve outcomes

- clearly communicating roles and remits.

These themes are now even more relevant given the Act's requirements. Making the necessary changes in practice and culture happen is challenging and will take time to become a reality, so councils need to respond actively and with urgency now.

Community empowerment and engagement must become a core activity for planning services to deliver the letter and spirit of the Planning Act and the Place Principle

107. Planning services have an important role to play in supporting community empowerment. They need to effectively engage and involve communities when developing proposals and local plans for the places where they live. This reflects the purpose of community empowerment, namely, to reduce inequalities and improve the wellbeing of communities, particularly those suffering from persistent inequality.

Case study

West Dunbartonshire

West Dunbartonshire Council's Place and Design Panel brings together professionals to provide objective guidance on design through collaborating with developers, architects and contractors. The panel aims to ensure a high-quality built environment that 'raises aspirations, elevates levels of health and wellbeing and increases economic vitality'. The panel's volunteer members review planning proposals in the design review process, before they reach the application stage. It aims to improve the quality of the proposals and allow applicants to consider a wide range of issues such as the suitability of materials and wider considerations such as transport links.

West Dunbartonshire includes some highly deprived areas. The council wants to raise people's aspirations in those areas and focus on planning as an enabler of improvement. To do this the panel has developed close working relations with a range of other council services.

The council has seen positive early indications of the panel's value such as encouraging more open and informative conversations between developers and planners, which creates a smoother planning process. The panel's role is still developing and one of its key aims is to encourage more community involvement in the design process.

Source: Audit Scotland

108. To deliver the aims of the Planning and Community Empowerment Acts, planning services need to be much more proactive in leading the collaborative development of places, by bringing together the various parties across their communities. This requires a change in focus from meeting statutory responsibilities to linking planning activity to wider outcomes, and to developing local plans in partnership with communities and partners.

Planning services are key drivers in delivering the Place Principle
109. The challenges brought by the Act are still taking shape as the Scottish Government develops supporting secondary legislation and procedural guidance over the next two years. But from our review of a sample of councils' Planning Performance Framework reports there are examples of councils adopting different approaches, with an awareness of the value of prevention to address current challenges, such as:

- encouraging online applications

- increasing use of pre-application advice services

- developing new software techniques for various aspects of planning, for example mapping exercises

- re-aligning planning teams, changing how teams are structured and the scope of work for team members

- using revised schemes of delegation to create efficiencies, upskilling existing staff to process planning applications more efficiently and to work across diverse roles.

The Place Principle aims to move public service delivery away from the traditional focus on service structures and boundaries to place-based approaches which have communities at their heart. Such approaches aim to create more successful outcomes for people and communities, through improving the quality of people's lives. Within this principle there is scope for the planning system to support the delivery of some of the outcomes in the National Performance Framework, and for councils to focus on this through planning services' changing role.

110. A 2017 Scottish Government report 'Barriers to community engagement in planning: a research study' highlighted that there is limited public trust, confidence in and respect for the planning system and that public perceptions are that community engagement has very little influence on planning outcomes. The study highlighted reasons for seldom-heard groups' exclusion from the planning process, including officers' attitudes towards disadvantaged and minority groups, as well as the skills, capacity and motivation of those groups. The study findings also mirrored our 2019 planning roundtable discussion where planning practitioners and key stakeholders find that too often engagement is about managing expectations and securing consent for development proposals, rather than working with communities to achieve better planning outcomes.

111. To be effective planning services need to lead a change in perceptions of planning and its relationship with communities. This means attracting and developing people with the right skills, including leadership, to work with communities and partners to make improved places a reality.

112. Through our BVAR work in 2019, we saw some examples of councils taking a place-based approach to improving the lives of the people in their communities:

- North Lanarkshire Council plans to demolish all its tower blocks and replace them with new modern homes to help reduce inequalities. This is part of its regeneration of place 'plan for growth', which also includes transforming town centres. The council's 'tower re-provisioning programme' will see tower blocks and low-rise properties demolished across North Lanarkshire over the next 25 years, and the council's 'NL Homes' new build programme aims to deliver 5,000 affordable new homes by 2035.

- Perth and Kinross Council adopts a place-based approach for each of its seven localities, aimed at tackling inequalities. Localities are each supported by 'stories of place', created by the council to summarise statistical and background information on each locality to support its work.

- Clyde Gateway is a partnership between Glasgow City Council, South Lanarkshire Council and Scottish Enterprise, with funding and support from the Scottish Government. Beginning in 2008, the 20-year initiative aims to lead social, economic and physical change across communities in the east end of Glasgow and Rutherglen.

113. Planning services are operating in a challenging environment that reflects the wider challenges faced by local government. The introduction of the Act heightens that challenge. Council planning services must grasp the opportunity this presents by building on good practice and developing new ways of working. This includes working with communities more closely and engaging with them and with partners to develop shared plans and objectives to improve places and jointly tackle inequalities.

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☑ AUDIT SCOTLAND

Covid-19

Strategic Scrutiny Group

Scrutiny responses to Covid-19

Prepared on behalf of the Strategic Scrutiny Group
November 2020

ACCOUNTS COMMISSION

AUDIT SCOTLAND

HMICS improving policing across Scotland

Healthcare Improvement Scotland

Inspectorate of Prosecution in Scotland

care inspectorate

Education Scotland Foghlam Alba

Scottish Housing Regulator

HMIPS HM INSPECTORATE OF PRISONS FOR SCOTLAND

HMFSI

Scrutiny responses to Covid-19

Introduction

1. Covid-19 has changed our lives. Responding to it has changed how public services are delivered and how we scrutinise them. This paper sets out:

- the key areas of risk facing the sectors we scrutinise

- how we have adapted our approaches to scrutiny in response to Covid-19

- how we plan to capitalise on the advances made in our working practices

- how we can build on the increased joint-working that has taken place by collaborating more extensively and effectively in future.

2. I am grateful to all members of the **Strategic Scrutiny Group (SSG)** *ⓘ* for contributing to our consideration of what Covid-19 means for the sustainability of the public services we scrutinise and to inform a discussion about the role of scrutiny in the future.

3. Responding to Covid-19 has placed immense demands on the people who work in Scotland's public services. That response has been impressive. They have adapted and changed very quickly, in some cases, overnight. Organisations have coordinated and empowered their staff to support communities. Changes and developments, previously considered almost impossible, have been made in a matter of weeks.

4. Covid-19 has led to changes in SSG members' planned programmes of scrutiny. This has required new ways of thinking and working. In some cases, it led to scrutiny bodies working with new powers created specifically in response to Covid-19. All SSG members have given the organisations they audit, inspect or regulate time and space to respond to the crisis. Where appropriate, they are collaborating with them to provide support and reassurance. However, high-quality, independent, evidence-based scrutiny remains critical. Striking the right balance between supporting public bodies and ensuring effective scrutiny will be important in the long-term recovery and renewal of public services.

Covid-19 has accelerated change in public services and magnified risks

5. Covid-19 has been a catalyst for rapid change in many public services. We have seen a significant shift to more digitally-delivered services, such as online GP consultations, e-care, school, college and university education and virtual courts. This shift brings real benefits to service users and providers, and

ⓘ

Strategic Scrutiny Group

Scrutiny coordination in local government is led by the Strategic Scrutiny Group (SSG). The SSG comprises Scotland's main public sector scrutiny bodies and aims to deliver efficient and effective, well-coordinated scrutiny that supports improvement. It is convened and chaired by the Accounts Commission.

Public services scrutinised include education, health, social care, housing, fire and justice.

SSG members' individual contributions can be found on the Audit Scotland website ⬐.

we expect many of these changes will become permanent. But the rapid pace of change and shifts in ways of working have also increased risks to the delivery of public services and exclusion of certain people.

6. As scrutiny bodies, we see several key issues across the public services we scrutinise including:

- public finances under acute pressure, amplifying serious questions about the financial sustainability of some sectors, including social care

- backlogs where public services have been disrupted, for example the NHS, courts and maintenance of social housing

- the disproportionate impact of Covid-19 on some groups, for example, the black, Asian and minority ethnic community and more deprived communities have experienced more acute effects in areas such as health and education. Digitally-delivered services have exacerbated, in some cases, inequalities of access to digital technology and connectivity with regard to geography and deprivation

- concerns around staff burnout in delivering critical services, with some services reporting critical shortages, often associated with the need for staff to self-isolate

- adjustments to governance systems to enable rapid decision-making. Although this has led to more empowerment of local staff and communities, it may also have reduced scrutiny and oversight by non-executives and councillors.

7. We are already seeing these risks, and others, escalating as we enter the second wave of Covid-19.

We have responded to Covid-19 by changing how we work and what we do

8. Most colleagues in SSG member organisations moved to working at home from March 2020. The majority of our scrutiny since then has been done remotely. Where staff were on secondment, they have generally been released back to their home organisation to support the delivery of frontline services.

9. In March 2020, SSG member organisations suspended planned audit, inspection and regulation plans in favour of monitoring and supporting those in the relevant sectors. This involved prioritising activity around areas of highest risk, such as care homes, and supporting frontline services by sharing good practice. For example, Education Scotland shared examples of effective approaches to supporting learning at home in the wake of school closures. The majority of on-site inspection work was replaced by more extensive use of intelligence and technology for support and performance monitoring. We have individually adapted our systems for gathering information, assessing risks and providing public assurance around service quality. We have utilised technology where possible, conducting 'virtual visits' to services and digitally signing off accounts. We are continuing to work on developing ways of accessing key information, such as case records, remotely.

10. Some SSG members, such as the Care Inspectorate, HMICS, HMIPS, HMFSI and HIS, have restarted work programmes that include on-site activity. Where this is the case, they have adjusted and redesigned how they do their inspection activity. This will be subject to continuous review to take account of the changing understanding of the risks posed by the virus.

We will capitalise on advances we have made due to Covid-19

11. We have learned a lot as a result of Covid-19. Our colleagues can be flexible and operate incredibly well in a rapidly changing environment. We have learned to work remotely and our colleagues have embraced new ways of working. Remote working has inevitably brought challenges for some people and for some elements of our work. It has also brought efficiencies that we will adopt into our standard working practices for the future.

12. We have broadened and enhanced the way we gather intelligence about services to accurately assess service quality and any improvements required. We are working to improve further how we share the information that we gather about the sectors we scrutinise, and how this can help inform policy and decision-making. We are also using our data and intelligence to help develop risk-based plans for our scrutiny programmes, which will take account of the impact of the second wave of Covid-19.

13. In addition to sharing information, we have been sharing examples of effective practice across Scotland. In education, Education Scotland staff engaged with early learning and childcare providers and school and council staff across Scotland to share effective practices around assessment, adapting the curriculum and providing motivating learning activities for children and young people to support learning at home.

14. We will capitalise on the advances we have made in response to Covid-19, including our learning experiences in sharing information and good practice and using digital technology. This will underpin our scrutiny activity in future and ultimately help shape service design and delivery.

We will build on the increased joint-working resulting from Covid-19 by collaborating further in future

15. Covid-19 has led us to work together more regularly. This is particularly evident between scrutiny bodies in the justice and health sectors. For example, the heads of justice inspectorates (HMICS, HMIPS, IPS, HMFSI and PIRC) have been meeting as frequently as every two weeks during the pandemic, leading to effective and timely sharing of information about the justice sector. HIS has been carrying out care home inspections in collaboration with the Care Inspectorate, providing expertise in the inspection of infection control. There is a commitment among SSG members to learn from each other's experiences to inform their own organisation's work.

16. Covid-19 has also led to many SSG members increasing engagement with our counterparts elsewhere in the UK. This is most apparent in policing, education and public sector audit. For example, Audit Scotland has developed a shared commitment with other UK audit agencies to coordinate, collaborate

and share learning in the collective audit response to Covid-19, including looking at potential areas to collaborate on audit work in relation to personal protective equipment (PPE) procurement and distribution.

17. The immediate impact of Covid-19 on our work provides us with an opportunity to examine our scrutiny approaches for the future. We need to strike the right balance between scrutiny and support to improve public services. Clearly, we need to focus on where the risks to the delivery of public services and the wellbeing of the public are greatest. External scrutiny also has an important role in encouraging public services to work together collaboratively in the pursuit of better outcomes for communities.

18. The effects of Covid-19 have reinforced some views that, as scrutiny bodies, we look at some issues too disparately. Public service reform places more emphasis on looking at public services from a citizen perspective, adopting, for example, victim-centred and patient-centred approaches. We can collectively examine this in a much more coordinated and overarching way in future.

19. We will strive, where possible, to collaborate and coordinate our scrutiny activity and support around key common themes that either present risks or can support improvement to the delivery of services and our communities. Some of these issues have been exacerbated by the Covid-19 pandemic but others are increasing in risk as a result of wider demographic and environmental changes. These issues include:

- addressing inequalities

- recovery from Covid-19

- the provision of and access to digital services

- human rights and balancing protection/safety

- climate change

- mental health

- community and organisational resilience.

Conclusion

20. Covid-19 has changed society and the economy in profound ways. It has required public services to change radically how they work at pace and under extreme pressure. Recovering from the effects of Covid-19 will take a long time. The regulation, inspection and audit of public services will play a key role in learning lessons from the past few months and supporting improvement, so that the renewal of public services in Scotland is as strong and inclusive as possible.

Elma Murray, Interim Chair
November 2020

Strategic Scrutiny Group

Scrutiny responses to Covid-19

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