

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	25 th September
REPORT TITLE	Accounts Commission – Local Government in Scotland: Challenges and Performance 2018
REPORT NUMBER	GOV/018/077
CHIEF OFFICER	Fraser Bell
REPORT AUTHOR	Fraser Bell
TERMS OF REFERENCE	1.3

1. PURPOSE OF REPORT

To provide assurance to the Committee on actions being taken or proposed to be taken to respond to the recommendations from the Accounts Commission in their report “Local Government in Scotland: Challenges and Performance 2018

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 notes the report from the Accounts Commission; and
- 2.2 notes the responses from officers against the recommendations in the report.

3. BACKGROUND

- 3.1 In April 2018 the Accounts Commission published their overview report “Local Government in Scotland, Challenges and Performance 2018”. This second overview report follows on from “Local Government in Scotland: Financial overview 2016/17” and provides a high level view of:
 1. The challenges facing Councils in Scotland
 2. How Councils are responding to these challenges; and
 3. How service performance has been affected.
- 3.2 The report also provides a scrutiny tool for elected members to understand their own Council’s position, scrutinise performance, and assist in making difficult decisions.
- 3.3 Key messages from the report are set out below:

Key messages

1. Local government in Scotland continues to operate in a complex and changing environment that involves increasing levels of uncertainty. While details of the terms for the UK's withdrawal from the European Union are not yet clear, there will likely be significant and profound implications for our 32 councils. Meanwhile, the Scottish Government remains committed to a significant pace of public sector reform, with some major changes for local government at key stages of implementation. These events are taking place in the overall context of substantial reductions in public spending alongside increasing demand for many local public services.
2. Developing new ways of working – or transformational change – is now an essential part of the agenda for councils as they respond to these challenges. Delivering savings is becoming increasingly critical, with forecast funding gaps higher than current levels of reserves for some councils. Where councils have properly scoped, resourced and managed their transformational work, they are more likely to successfully deliver sustainable service change. Cohesive, decisive leadership is required that brings officers, councillors and their communities together to address the major challenges councils face.
3. Councils are engaging with the increasingly difficult task of managing the competing priorities of reducing costs and maintaining services for an ageing population. Under current arrangements, some councils can expect to see government funding fall further than others as their total population declines while their older population grows and demand for key services, such as social care, increases. Councils are also implementing significant policy and legislative changes, some of which increase expectations on, or the duties of, councils and many will have additional resource implications. The detail of what these changes will mean is not yet clear in some cases.
4. Councils have done a considerable amount to manage the impact of continued budget reductions, and national indicators suggest they have maintained or improved performance in a number of areas. However, there is also evidence that budget cuts are having an impact on services, and customer satisfaction levels have fallen. Some services are not keeping up with demand and there is a risk that quality is being affected. Smaller services, which often include important regulatory functions, have borne the brunt of funding reductions although the impact of this on these services is not always made clear. In making difficult choices, councils need to continue to work with communities to understand the impact of reduced spending on services and communities and to clearly report this to the public.

“Local Government in Scotland: Challenges and Performance 2018”, Pages 6-7

- 3.4 As set out in the Appendix, the Council is currently well placed to respond to the findings of the Accounts Commission. In August 2017, the Council approved a target operating model (TOM) for implementation by 2021. The TOM seeks to address the drivers for change, including legislative change and a reduction in funding, and at the same time improve the staff experience and deliver better outcomes for our customers. The implementation of the TOM will continue to progress as part of the Council's transformation programme.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

- 6.1 The report presents actions which are planned or already underway to respond to the Accounts Commission recommendations. This provides assurance to the Committee that the challenges to the Council, and associated risks, are being effectively managed.

7. OUTCOMES

- 7.1 The Council's organisational outcomes are set out within the Local Outcome Improvement Plan. As part of the next stages of transformation, a number of projects are in preparation which will deliver the Target Operating Model, which in turn will ensure that these outcomes are met. There is detail on some of these projects in the officer responses appended.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Full EHRIA not required
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. BACKGROUND PAPERS

Accounts Commission - Local Government in Scotland – Challenges and Performance 2018

<http://www.audit-scotland.gov.uk/report/local-government-in-scotland-challenges-and-performance-2018>

10. APPENDICES

Appendix – Recommendations and Chief Officer Responses

11. REPORT AUTHOR CONTACT DETAILS

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Accounts Commission: Local Government in Scotland – Challenges and Performance 2018

Councils should ensure they are continuously improving their work in key areas by:	Officer Response:
<p>1. Looking to the future:</p> <ul style="list-style-type: none"> — continuing to improve understanding on how the landscape within which their council operates may change, by considering its demographics, the public spending environment and policy changes — using this information to inform council priorities — developing long-term financial and scenario planning that takes these factors into account and considers the impact on all their services and their users — considering how to make the most of new technology, for example streamlining processes and communicating differently with service users 	<p>The Council has led the development of a “Population Needs Assessment” for the City. It is intended to present this to the Strategic Commissioning Committee in September, 2018. It will be continually updated and analysed to inform and drive planning.</p> <p>Our Digital Strategy will ensure that we redesign services through a customer centric approach, using current and emergent technologies. This is supported and enabled by a council-wide strategic approach to the management of data, including the sourcing of both quantitative and qualitative data, master data management, information governance and the development of data and analytical skills.</p> <p>The Council monitors the policy and legislative agenda corporately. The Accounting Team use this process as a horizon scanning tool to identify new government guidance and consultations that may have financial implications. The Treasury Management Strategy, long term financial plans and credit rating information are updated on an annual basis and incorporate the latest information from the medium term financial plan, capital programme and all relevant forecasts and assumptions. Through links between Finance Partners / Accountants and Clusters, there is ongoing dialogue about future policy change impacting services and changes in external factors impacting budgets and forecasts.</p>

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<p>2. Working with communities - so that they are actively involved in decision making, know the effect decisions are expected to have on services and communities and see the impact of community empowerment</p>	<p>A Civic Engagement project is looking at how the Council engages with communities, identifying communities and their interests – as well as gaps that the Council needs to be aware of either thematically or geographically. It is anticipated that this will provide the following outcomes:</p> <ul style="list-style-type: none"> ▪ Active participation in Council decision making and an improved, sustained conversation between the Council and citizens of Aberdeen on the direction and governance of the City. ▪ Establish a culture of citizen coproduction and collaboration which is shared across CPA and partner organisations ▪ Citizens and communities feel respected and valued. ▪ Develop a shared responsibility for decisions and implementation of these decisions. <p>The Democracy Team arranges webcasts meetings of Council and major public hearings of planning applications; as an example, there were over 7,000 viewings of the meeting which considered the application by Aberdeen Football Club for a new stadium, and 4,000 viewings of the pre-determination hearings. The public may also submit petitions to committees with different criteria for young people and adults, as well as deputation requests to address meetings of Council, committees and sub committees to present their own or community views when decisions are being taken.</p> <p>Community Councils exist in most areas of the city and the Council has recently completed its triennial review of the Scheme of Community Councils, which involved full consultation on a number of issues including boundaries, in advance of the forthcoming elections. The Community Council</p>

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	Liaison Officer provides support on a daily basis to allow Community Councils to fulfill their roles and responsibilities to their communities.
<p>3. Focusing on the delivery of priority outcomes through:</p> <ul style="list-style-type: none"> — working with communities to understand their needs — establishing effective cross-party relationships to work together and make the sometimes difficult decisions needed to achieve the Council’s priorities — clearly linking budgets to plans and outcomes. 	<p>The Target Operating Model (TOM) will introduce a Commissioning Cycle by 2021. The Commissioning Cycle when fully implemented will:</p> <ul style="list-style-type: none"> • identify the needs of Aberdeen’s population which public bodies in Aberdeen must address; • identify and plan how to address the gaps between what is currently provided and the needs of the population; • commission activities against Local Outcome Improvement Plan (LOIP) outcomes to address the gaps; and • monitor the impact of activities and the extent to which they have achieved the purpose and outcomes intended. <p>The Commissioning Cycle will therefore drive the use of the available budget against LOIP outcomes through evidenced based planning. What this means from the budgeting perspective is:</p> <ul style="list-style-type: none"> • Identification of transformation programmes and projects that align to and will promote delivery of strategic priorities. • Development of the transformation programme and specific objectives and options records for relevance to strategic planning priorities. • Decision makers consider the budget with reference to the strategic plans and are directed to the links in budget reports. • Monitoring of performance and delivery is in the context of strategic priorities.

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	<ul style="list-style-type: none"> • Prioritisation methods used in decision making refer to strategic priorities. <p>Officers are developing a Strategy and Policy Framework. The Framework will ensure that all future strategies and policies are connected to each other and reflect the organisation’s planned approach to the commissioning of activities to deliver LOIP outcomes.</p> <p>Officers are also developing proposals looking at empowering and supporting communities through the development of wider Locality Plans, through the escalation of Participatory Budgeting at a local level to ensure the Fairer Scotland Duty target of 1% is available through PB exercise, and in preparing communities for this work (referred to above). This includes a target to allocate 0.5% of Council revenue funding through Participatory Budgeting exercises by April 2019; 0.75% the following year, and 1% by March 2021. Anticipated outcomes include:</p> <ul style="list-style-type: none"> • Allocation of 1% of budgets to Participatory Budgeting by 2021 • Improved perception of engagement and involvement in service design and delivery year on year • Increased use of digital platforms to deliver Participatory Budgeting • Cashable benefits • Link from Participatory Budgeting exercises and community engagement into procurement and commissioning processes and decisions <p>Member – Officer Relations Protocol was approved in 2017 which builds upon the provisions of the national Councillors’ Code of Conduct and</p>

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	provides a framework for improved working relationships between members and officers and during meetings.
<p>4. Establishing robust change strategies and developing realistic plans for transforming services, which incorporate:</p> <ul style="list-style-type: none"> — effective leadership and good governance arrangements — robust options appraisal — strong financial management — properly scoped and resourced plans 	<p>The Council recently adopted a Scheme of Governance to lay the foundation to the delivery of the Target Operating Model (TOM). This will be developed as the organisation moves to full implementation of the TOM by 2021. The Council’s governance arrangements are scrutinised by internal audit, external audit and CIPFA to ensure good governance standards are maintained and improved on. Recent changes to the Committee report template have emphasised the need to link all proposals with the current Local Outcome Improvement Plan so that the rationale for officer recommendations is clear and justified.</p> <p>The Transformation Programme is currently overseen by the Strategic Transformation Committee and the Transformation Management Group. Robust option appraisal systems, highlights reports and financial monitoring systems are in place to oversee the development of the transformation programme.</p> <p>The Customer Function is delivering a leadership programme around digital and service redesign. The program is designed to provided Officers with knowledge and understanding of emergent technologies and an insight into how these technologies can be exploited to redesign our services to improve customer experience and ensure our services are accessible in a digital age. The program will support Officers to develop robust plans to ensure serves are effective, efficient and customer centric.</p>

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	<p>In terms of strong financial management and planning, financial information in relation to cases for change will be collated for each annual budget process cycle and reviewed by the Accounting Team. Advice will be provided to decision makers regarding the robustness of information provided and this will be recorded as part of the collation of decision making papers. At the early stage of conception, cases for change may have many assumptions and have used a considerable number of estimation techniques, and these will be documented. As cases for change develop and are incorporated in the budget process, a more refined costing will be prepared and at the decision making point any outstanding assumptions and risks will be considered as part of the budget proposal. The Council's medium term financial strategy is aligned with the long term financial plan and meets the policies and boundaries securing the stability of finance to meet assurance requirements.</p>
<p>5. Ensuring change strategies are supported by:</p> <ul style="list-style-type: none"> — realistic savings plans with long-term implications and mitigation against unintended impact on other services and communities — effective workforce planning to retain and recruit people with the right skills to deliver sustainable future services — income generation plans — workforce and member support, training and development 	<p>The Council has agreed a Target Operating Model with a view to implementing it in full by 2021. It is anticipated that the move to the Target Operating Model will help deliver savings of approximately £125m over five years and better outcomes for the Council's residents. The delivery of the Target Operating Model is supported by a transformation programme is overseen by a transformation management group.</p> <p>The People and Organisation cluster has a number of projects underway relating to the transformation of the Council namely: the design, development and execution of a talent management strategy which will address workforce planning, succession planning, recruitment strategy, competency management and culture change.</p>

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	<p>Throughout the transition, staff will be supported with re-skilling, up-skilling and development programmes to ensure that they have the desired competency for a 21st century Council.</p> <p>Budget proposals are checked by the Accounting Team to ensure all financial implications are recognised including those across accounts and services. This includes but is not limited to capturing the revenue implications of the capital programme, ensuring any potential duplication of savings are flagged, a co-ordinated check of recharges and recharge income as well as general consistency checks.</p>
<p>6. Evaluating and reporting: — the impact that significant budget reductions, savings, workforce changes and service redesign are expected to have and have had on service delivery and quality — using the data collected and monitored to report publicly on the quality of services, as well as user satisfaction with those services.</p>	<p>Performance monitoring and reporting is an ongoing activity across the Council and with partners where this is appropriate. Reporting is being aligned to revised structure and governance arrangements and includes the measurable impact of all factors on service delivery and performance.</p> <p>A range of performance data, plans, inspection and scrutiny reports are publicly available through the Council’s “Public Performance Reporting” online portal.</p>