

Local government in Scotland

Performance and challenges 2017



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
March 2017

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 

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents



Chair's introduction	4
Summary	6
Part 1. The challenge for councils	9
Part 2. Councils' responses to the challenges	18
Part 3. Looking ahead	32
Endnotes	36

Links

-  PDF download
 -  Web link
-

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.



These question mark icons appear throughout this report and represent questions for councillors.

Chair's introduction



Scotland's councils are operating in an increasingly demanding environment. New and returning councillors face major challenges from continued reductions in their funding from the Scottish Government, and greater demands for services from an ageing population and, in parts of the country, a growing school population. The scale of these challenges mean it is more important than ever that councillors provide effective leadership in setting a clear strategy and make the difficult decisions that will be needed. We have repeatedly stressed the importance of councils having established clear priorities and effective long-term plans. As reported in our 2015/16 financial overview, only 14 councils have long-term financial strategies in place to support delivery of their wider strategic priorities. We acknowledge that annual funding settlements from the Scottish Government make this more challenging but we remain firmly of the view that the absence of indicative funding should not prevent councils from projecting future income and expenditure, and planning accordingly.

Any council tax increases in 2017 may increase public expectations of local government. Paying more for potentially fewer or reduced services will be a difficult argument to sustain, and even more so if compounded by possible increases in other charges. In our report [*Charging for services – are you getting it right?*](#) (2013), we said 'charges should not be set in isolation. Any decision to vary or introduce charges should take account of the council's priorities and financial objectives; they should not be seen solely as a means of generating income'.

Councils are increasingly relying on the use of reserves to bridge projected funding gaps. Moreover, recent Best Value audits have highlighted a dependency on incremental changes to services, increasing charges and reducing employee numbers in order to make savings. These are neither sufficient nor sustainable solutions for the scale of the challenge facing councils. We stress the need for a greater openness to alternative forms of service delivery and the consequences of not conducting comprehensive option appraisals; services may not be as efficient or effective as they could be; and may not be achieving value for money; resources may not be directed to priority areas, and councils may not be able to demonstrate that they are achieving best value. The extent to which councils are evaluating their performance and appraising all available options for service delivery will be an important feature of our revised approach to auditing Best Value.

We recognise that councils are generally maintaining or improving performance in many services. But benchmarking data shows a wide variation in the cost of delivering services throughout the country, suggesting there are potential opportunities for councils to make further savings.

These are not the only challenges that councils face. They will need to respond effectively to national policy priorities in the Scottish Government's Programme for Government and, along with their partners, will need to demonstrate progress in integrating health and social care and in meeting the requirements of the Community Empowerment Act.

Local government elections in 2017 could see a significant change in elected members. Any change in leadership and administrations may delay the process of change as new priorities are established and new working relationships develop. In our recently published report, [*Roles and working relationships in councils – Are you still getting it right?*](#)  (2016), the Commission highlighted how local government has become much more complex and fragmented and that this additional complexity demands a broader set of skills for councillors, not only in option appraisal but also in scrutiny, audit and risk management all of which are becoming increasingly important. Councillors elected in May must have the necessary training and tools to do an increasingly complex job. We asked councils to ensure comprehensive training is in place for these key roles.

The Commission hopes that this overview report will be a helpful tool to enable councillors and officers to stand back and assess their council's progress. Indeed one of the most important documents in the next iteration of best value will be a council's self evaluation. The more effectively a council can demonstrate a high degree of self awareness of the challenges and improvements it needs to make, the better placed will be that council in becoming one that can demonstrate continuous improvement.

As always, the Commission welcomes feedback on its overview report.

Douglas Sinclair
Chair of the Accounts Commission

Summary



Key messages

- 1** Councils have faced significant challenges from a long-term decline in revenue funding and from an ageing and growing population. The scale of these challenges continues to grow. Policy and legislative changes are also placing additional demands on councils and changing how councils work.
- 2** Councils are responding to the challenges by continuing to adopt alternative ways of working, reducing the level of service they provide and reviewing fees and charges. While some councils are making good progress in managing services and delivering savings, others are not. The pace and scale of reform needs to increase in some councils. Despite these challenges, councils' performance has been maintained or improved.
- 3** With reducing budgets and workforces, councils will find delivering improvements increasingly difficult. It is critical, therefore, that they set clear long-term strategies and plans that target effort on priority areas. This includes organisation-wide workforce plans to ensure councils have the capacity to manage change and deliver services going forward. A councillor's role is complex, demanding and evolving. They are required to provide effective and strategic leadership, and it is therefore critical that their knowledge is up to date and skills are refreshed to enable them to establish strategic priorities, fully assess options for change and hold services to account.

Recommendations

Councils should:

- set clear priorities supported by long-term strategies and medium-term plans covering finances, services, performance and workforce. These plans should inform all council decision-making, service redesign, savings and investment decisions. [Exhibit 14 \(page 34\)](#) sets out the main elements of a councils' financial planning processes and how these link with other council plans
- ensure that budgets are clearly linked to their medium-term financial plans and long-term financial strategies. Budgets should be revised to reflect true spending levels and patterns. This requires good

financial management and real-time information to ensure spending is accurately forecast and monitored within the year

- have an organisation-wide workforce plan to ensure the council has the people and skills to manage change and deliver services into the future
- ensure workforce data allows thorough analysis of changes to the workforce at an organisation-wide and department level. This will allow councils to better assess the opportunities and risks in staff changes
- thoroughly evaluate all options for change and service redesign, including options for investing to save, and monitor the impact of change on council priorities and desired outcomes
- support communities to develop their ability to fully participate in setting council priorities and making decisions about service redesign and use of resources
- ensure councillors get support to develop the right skills and knowledge to fulfil their complex and evolving roles
- ensure there is clear public reporting of performance linked to council priorities to help communities gauge improvements and understand reduced performance in lower priority areas
- continue to work to understand the reasons for variation in unit costs and performance, and collaborate to identify and adopt good practice from each other.

About this report

1. This report provides a high-level, independent view of the challenges facing councils, how well they are addressing these and what more they can do. It draws on findings from [Local government in Scotland: Financial overview 2015/16](#) , local government audit work in 2016 (including annual audit reports, Best Value audit reports and national performance audits) and published performance data. All audit reports are available on our [website](#) .

2. This report is primarily for councillors and senior council officers as a source of information and to support them in their complex and demanding roles. It covers three areas:

- The current and future challenges facing councils.
- Councils' progress in meeting these challenges, including performance in key service areas, public satisfaction and unit costs.
- What more councils can do to ensure they are best placed to successfully manage the changes and challenges they face.

3. The 2017 local government elections could result in new councillors and changes to the political make-up of councils. To help councillors who are new to the role, those who are re-elected, and council officers, we have produced the following supplements to accompany this report:

- [***A self-assessment checklist for councillors***](#)  – this has questions that councillors could ask to help them understand their council’s position, scrutinise performance and make difficult decisions. Councillors should feel they fully understand, and are satisfied with, the answers to the questions most relevant to them in their role within the council.
- [***Good practice supplement***](#)  – a summary of the good practice we identified during the audit. It is not an exhaustive list of all good practice across Scotland but provides examples of councils improving performance and processes or using innovative techniques. This may be a useful source of reference for councillors or senior officers when appraising options for changes.

4. Councillors may also find it helpful to refer to our recently published report, [***How councils work: Roles and working relationships in councils – are you still getting it right?***](#) . This highlights the increasingly complex nature of local government and includes a series of questions designed to help councillors and officers review current practice and make sure governance arrangements are fit for purpose.

5. We refer to real-terms changes in the report, meaning that figures are adjusted for inflation, when we are showing financial information from past and future years. Our analysis of local government funding adjusts figures into 2016/17 prices to reflect the current financial year. Where the report focuses on council performance in 2015/16, figures have been adjusted to 2015/16 prices.

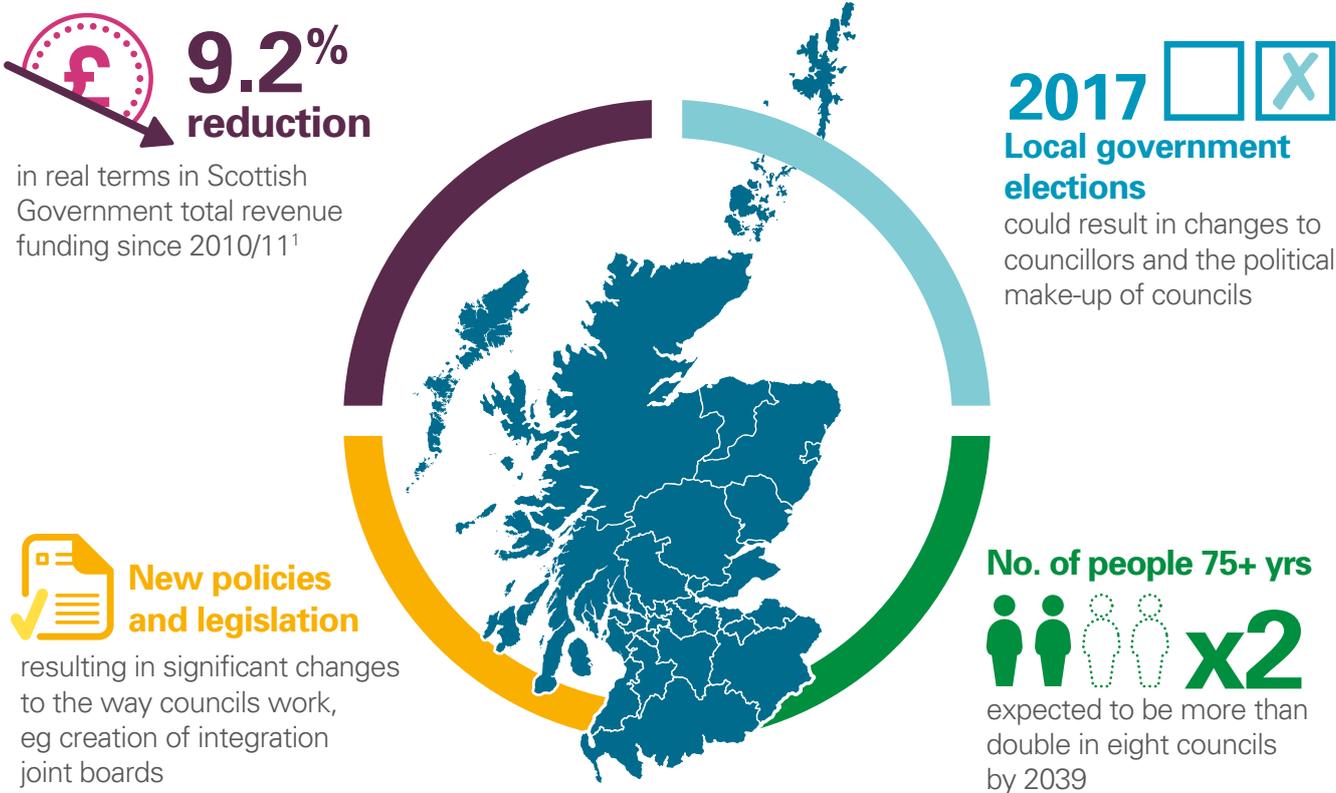
Part 1

The challenge for councils



6. Councils continue to face significant financial and demographic challenges, and the scale of these continues to grow. Council budgets are under increasing pressure from a long-term decline in revenue funding (in real terms) from the Scottish Government, and council services are under pressure from an ageing and growing population. Policy and legislative requirements are also changing how councils work and the services they must deliver ([Exhibit 1](#)).

Exhibit 1 The environment in which Scotland's councils are operating Councils are facing a number of different challenges.



Note: 1. Scottish Government funding for 2017/18 is subject to Parliamentary approval.
Source: Audit Scotland

The funding challenge for councils continues to deepen

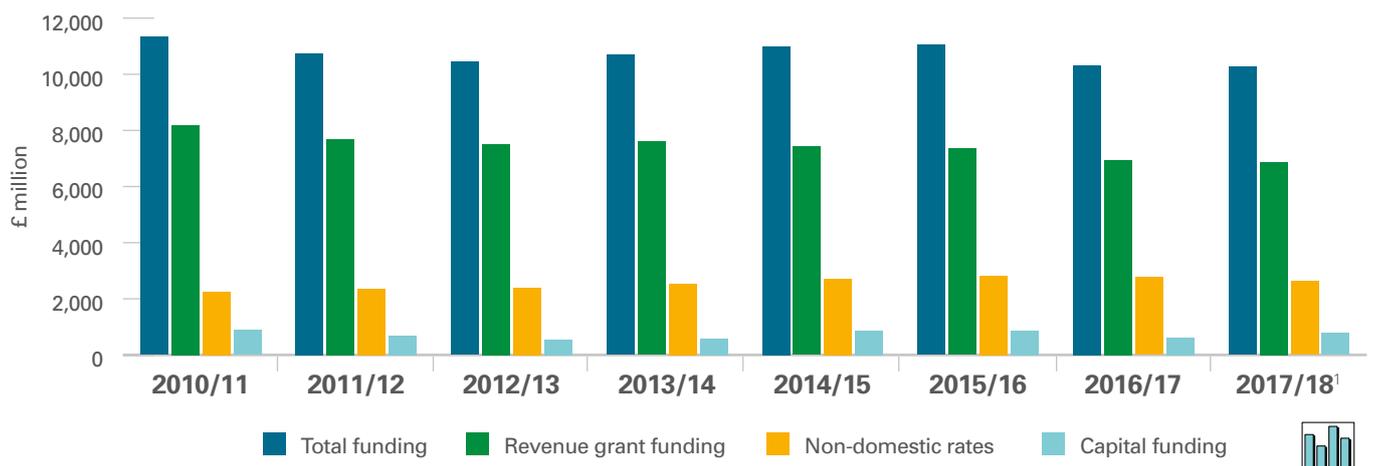
7. Councils receive most of their income (about 60 per cent) from the Scottish Government.¹ We previously reported that there has been a long-term reduction in total Scottish Government revenue funding, for day-to-day spending, to local government; and that further reductions were expected.² Since then, the Scottish Government has published its 2017/18 budget and a single year local government funding settlement for 2017/18. This is subject to Parliamentary approval.

8. Based on Scottish Government proposals, between 2016/17 and 2017/18, total revenue funding from the Scottish Government will reduce by about £216 million in real terms (2.2 per cent). Both non-domestic rates and revenue grant funding will reduce, by 5.1 per cent and 1.1 per cent respectively ([Exhibit 2](#)).

Exhibit 2

Scottish Government funding to councils from 2010/11 to that proposed in 2017/18 (at 2016/17 prices)

The most recent local government funding settlement continues the trend of a long-term reduction in revenue funding.



Notes:

- Figures for 2017/18 are subject to Parliamentary approval.
- Funding allocations up to 2012/13 have been adjusted to remove funding for police and fire. Responsibility for these services transferred from local to central government in April 2013. We have also adjusted figures for specific elements of funding related to adjustments for police and fire pensions.
- Since 2013/14, Scottish Government revenue funding has included payments of about £350 million per year to fund council tax reductions, replacing council tax benefit which previously came from the UK Government.
- The 2016/17 figures do not include £250 million the Scottish Government allocated to health and social care integration authorities specifically for social care. This is an allocation from the Scottish Government health budget to NHS boards rather than councils, and NHS boards allocate funding to the integration authorities. Integration funding, including the uplifted integration funding for 2017/18 and additional £107 million primarily to support implementation of the living wage for social care staff, is also excluded from 2017/18 figures.

Source: *Local Government Finance Circulars 2011-16*, Scottish Government

9. If approved, the 2017/18 settlement means that total revenue funding will decrease by 9.2 per cent from £10.5 billion in 2010/11 to £9.5 billion in 2017/18. A 16.3 per cent decrease in revenue grant funding has been partially offset by a 16.5 per cent increase in non-domestic rate income.³ The Fraser of Allander Institute predicts a total reduction of £1 billion to local government revenue funding between 2016/17 and 2020/21.⁴

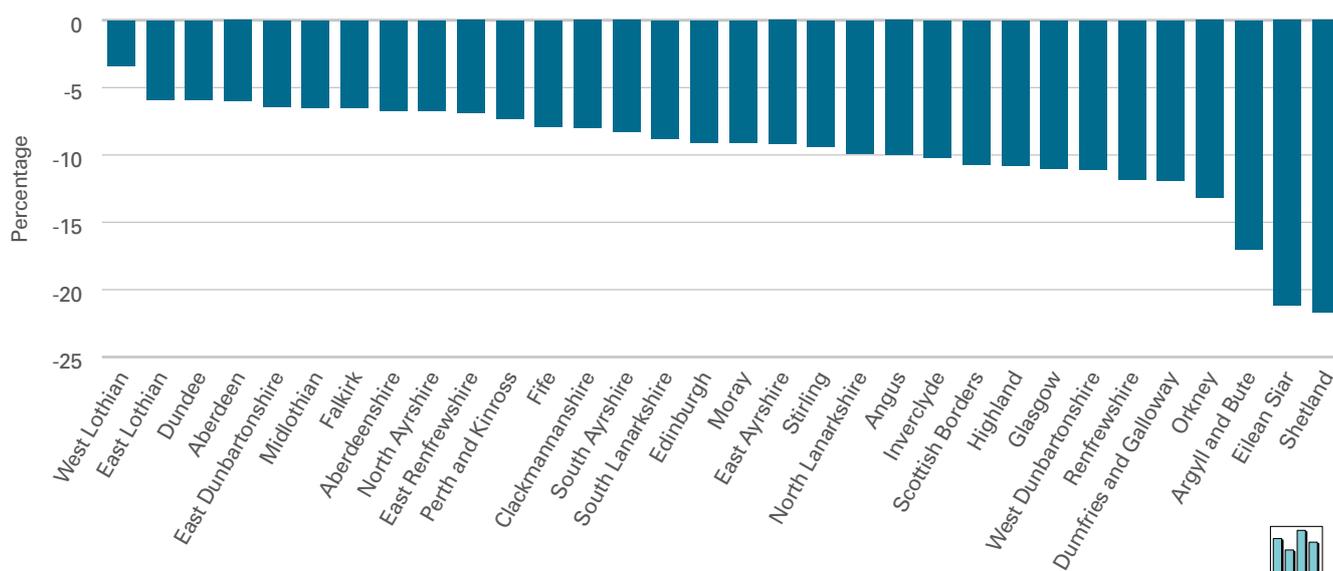
10. Although some elements of total revenue funding are allocated separately, such as funding for probationary teachers or elements of the council tax reduction scheme, the majority of revenue funding is distributed to individual councils. This funding is made up of non-domestic rate income, a small number of specific grants and general revenue grant funding. The Scottish Government distributes this funding to councils using a formula based on factors such as population, deprivation and rurality.

11. This means that not all councils have experienced the same level of reductions in funding. For example, Scottish Government funding for Comhairle nan Eilean Siar and Shetland Islands Council will reduce by over 20 per cent between 2010/11 and funding proposed in 2017/18, whereas 21 councils saw a reduction of less than ten per cent ([Exhibit 3](#)).

Exhibit 3

Changes in Scottish Government revenue funding by council, 2010/11 to that proposed in 2017/18 (at 2016/17 prices)

There is wide variation in changes in revenue funding allocated to councils.



Notes:

1. Figures for 2017/18 are subject to Parliamentary approval.
2. Figures are based on the distributable elements of initial funding allocations and include grant revenue funding, non-domestic rate income and a small number of specific grants.
3. 2010/11 funding has been adjusted to remove funding for police and fire. We have removed the specific police grant and the police grant element of the general revenue grant and estimated the share of distributable funding specifically for fire based upon councils' share of the total Grant Aided Expenditure and Scottish Government budget documentation.
4. There are elements of distributable funding that may not feature in all years across the period.

Source: *Local Government Finance Circulars 2011-16*, Scottish Government

Councils' ability to increase council tax in 2017 will have a limited impact on their financial position

12. The Scottish Government and councils agreed to freeze council tax levels in 2007. Although the Scottish Government provided funding of £70 million each year to compensate councils financially, the freeze did limit councils' flexibility to respond to changes in demand and grant funding by varying their tax rate accordingly. The council tax freeze will be lifted from April 2017. This gives councils the opportunity to increase their council tax charges by up to three per cent a year.

13. Not including direct funding for the council tax relief scheme, councils raised £2.1 billion from council tax in 2015/16 (10.9 per cent of total income). If councils had the ability to increase council tax rates by three per cent in 2015/16, and all had done so, this would have marginally increased the share of total income raised from council tax by 0.3 per cent to 11.2 per cent.⁵

14. In 2017/18, any additional income raised from increasing the general rate of council tax will be supplemented by income generated because of Scottish Government reforms to higher council tax bands. As part of the 2017/18 local government funding settlement, the Scottish Government has estimated these reforms will generate £110.5 million. Due to the make-up of council funding, however, the ability to increase council tax by up to three per cent per year will continue to have a relatively limited impact on the total income available to councils.

Education and social work make up an increasing proportion of council spending

15. In 2015/16, councils' net spending on services, that is spend minus service income, was £12.4 billion. Our [Local government in Scotland: Financial overview 2015/16](#)  report shows that £8.8 billion (71 per cent) of this was spent on providing education and social work services. Between 2011/12 and 2015/16, the proportion of relevant council spending on these two services increased from 69 per cent to 71 per cent. This increase is likely the result of a number of factors including:

- growing service demands, particularly on social care from an ageing population
- commitments to deliver national policy priorities, such as maintaining pupil to teacher ratios.

16. The proportion of spending on education and social work varies across councils, from about 60 per cent in Orkney Islands, Shetland Islands and Aberdeen City councils to about 80 per cent in Clackmannanshire Council. This could have implications for where councils can make future savings, particularly once charges associated with privately financed assets (via the Public Finance Initiative, Public Private Partnership and Non-profit distributing models) and debt repayment costs are factored in.

17. Analysis by Inverclyde Council in April 2016 shows that, of its £190 million spending in 2016/17, £145 million is on education and social work or on areas the council considers protected. This leaves £45 million to spend on other services such as roads, environmental services and corporate services. The council has estimated that it needs to make savings of £25.8 million between 2017/18 and 2019/20. Even if it makes five per cent of savings in education, social work and other protected budgets, it will potentially need to make savings of over 40 per cent in other service budgets such as roads and environmental services.

18. Research on Scotland's 2016 budget analysed the impact on other council services of the Scottish Government's commitment to protect areas such as healthcare and childcare spending. It found that other services could face average reductions of ten to 17 per cent over the next four years.⁶

19. Increasing demand for education and social care services from population change and national initiatives may make it harder for councils to control spending in these two services. Indeed, about a third of councils overspent their social

care budgets in 2015/16. However, these services do need to be included in councils' discussions on savings as it is possible to make savings and improve performance. We have previously reported that a group of seven councils decreased spending on education by more than five per cent between 2010/11 and 2012/13, while their percentage of S4 pupils achieving five awards at level five increased by more than the national average.⁷

Councils face further challenges from a growing and ageing population

20. Predictions of population change suggest that, if all other things remain the same, councils will continue to spend an increasing proportion of their budgets on education and, through integration joint boards, on social work. Between 2014 and 2039, the number of children (defined as aged 0-15) is expected to increase by 1.4 per cent to about 924,000; and the number of people aged 75 and over by 85 per cent to over 800,000.

21. The challenge of population change is expected to vary across the country. Some councils will see their total populations falling while the number of people aged 75 and over will increase. For example, Comhairle nan Eilean Siar's population is expected to fall by 14 per cent by 2039 with an increase of 64 per cent of residents who are aged 75 and over. In other councils, the whole population is projected to increase. The number of people aged 75 and over is expected to more than double in eight councils by 2039.⁸ This is likely to have a significant impact on demand for health and social care services. The number of people aged 15 and under is expected to increase by 25 per cent in Midlothian Council and decrease by 28 per cent in Comhairle nan Eilean Siar over the same period ([Exhibit 4, page 14](#)).

The environment within which councils operate is changing

22. Legislative and policy changes affect the way councils work. Councils will have to implement and manage significant legislative and national policy changes initiated by the Scottish Government, although some of the detail is still not clear ([Exhibit 5, page 15](#)). Some of these changes, such as the creation of integration joint boards (IJBs), have already fundamentally altered the role of councils. Some change the relationship between councils and the Scottish Government, NHS boards and local communities. While these changes provide opportunities for positive change, implementing them will require council capacity in terms of staff time, knowledge and skills. Additional funding may also be required, at least in the short term.

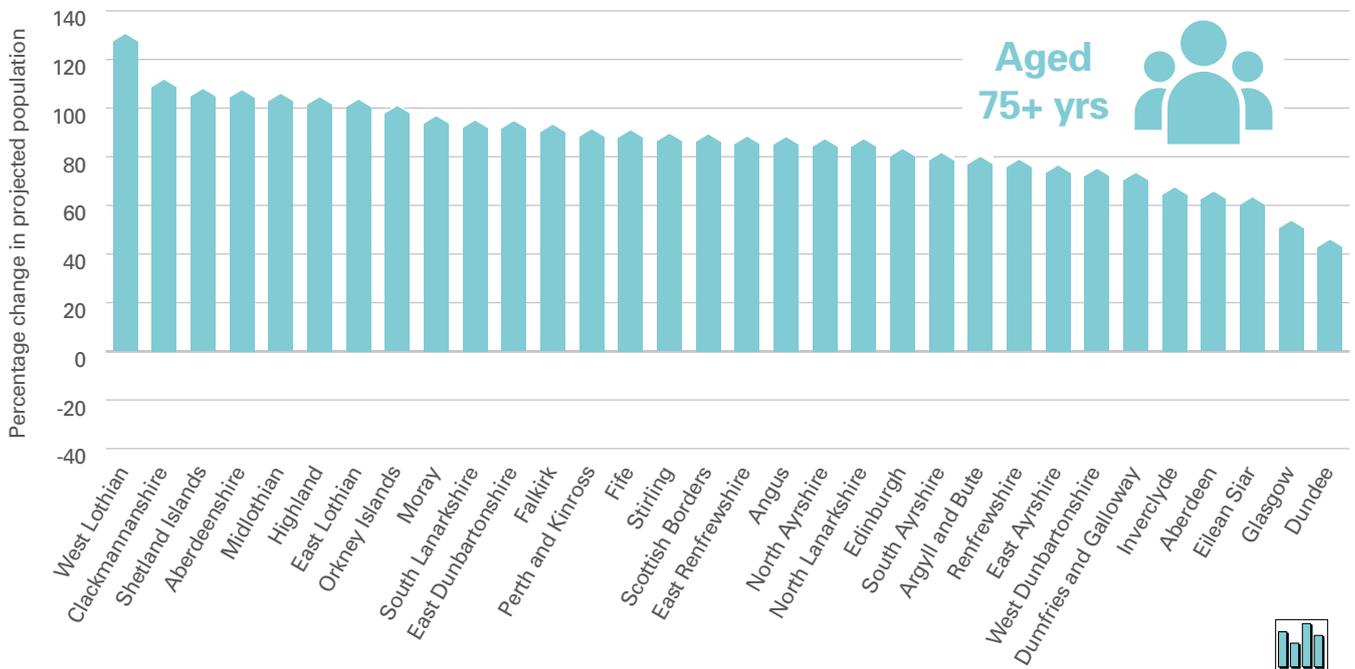
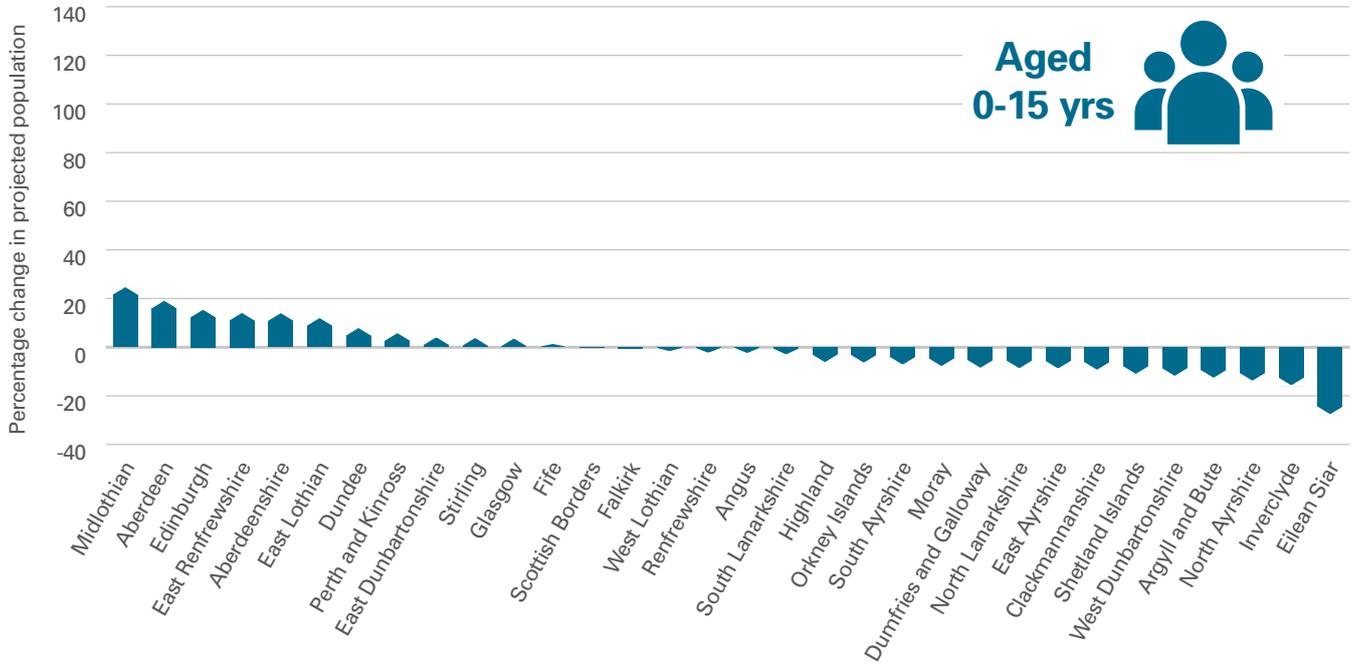
23. Councils also face further challenges and uncertainties:

- The United Kingdom's decision to leave the European Union will have an impact on councils' work. It is unclear what impact it will have and where, but some councils are starting to plan for a number of scenarios.
- The Scottish Government is currently considering a local democracy bill. This is still at an early stage so the details and impact on councils are not known.
- Equal pay remains an issue across local government. We are auditing equal pay in councils and will publish a report later in 2017.

Exhibit 4

Projected percentage change in population, 2014 to 2039

The projected change in population varies significantly by council.



Source: National Records Scotland, 2016

Exhibit 5

Ongoing and planned legislative and policy changes

Councils will have to change the way they work to successfully implement a wide range of reforms.

Legislative and policy changes



Public Bodies (Joint Working) (Scotland) Act 2014

Councils and NHS boards must integrate health and social care services. Almost all councils have chosen to do this by creating an integration joint board (IJB) with their NHS partners to commission health and social services through joint budgets.¹ Councils will no longer be wholly responsible for adult social work services.

Opportunity

- Fully integrate health and social care services to meet the Scottish Government's 2020 Vision of people living longer at home and more health and social care in local communities.
- To provide services which are better targeted to local communities.

Challenge

- Agreeing and managing budgets for the IJBs at a time of reduced funding and an ageing population.
- Agreeing how governance in IJBs will work in practice, including lines of accountability, systems and process for decision-making and managing performance.
- Ensuring continuity of progress after the 2017 local government election.
- Promoting public understanding and managing expectations.
- Localities and locality planning are defined differently in the Public Bodies Act and the Community Empowerment Act. This could lead to confusion.



Living Wage

Scottish Government commitment to replace the minimum wage (£7.20 an hour) with a living wage (£8.25 an hour) from 1 October 2016.

Opportunity

- Reduce inequalities.
- Provide financial benefits for low-paid workers.
- Improve recruitment and retention.

Challenge

- Significant increases in employee costs and the costs of some contracts, notably for social care. Costs could become unaffordable. The potential cost for councils of the Living Wage for social care workers is £199 million a year by 2019/20.²
- Impact on existing pay structures means new pay models may need to be developed.



Community Empowerment (Scotland) Act 2015

To help empower community bodies and ensure communities are involved in planning and decision-making.

Opportunity

- Improve outcomes for communities by improving the process of community planning and ensuring local service providers work more closely with communities to meet the needs of the people who use services.

Challenge

- Requires new ways of working – councils and other public bodies need to promote and involve communities in local decisions and activities. This includes decisions about how a council's money should be used, including a target of one per cent of all council spending being decided by communities.³
- Engaging with harder-to-reach groups could be challenging and expensive, particularly for rural councils.
- Duty to tackle inequalities at a time of budgetary pressures.
- Councils must focus on local community planning and contribute to developing Local Outcome Improvement Plans. This has resource issues.
- Localities and locality planning are defined differently in the Public Bodies Act and the Community Empowerment Act. This could lead to confusion.

Exhibit 5 (continued)

Legislative and policy changes



Education reform

Additional funding from Scottish Government will be targeted at specific schools to help close the attainment gap (ie, differences in pupil performance in richer and poorer areas). Attainment challenge funding will also go to councils.

Opportunity

- Additional money for education and potential increased flexibility for using money.

Challenge

- The additional money is to go to head teachers in some schools, removing some decisions about resources from councils.
- Proposed changes to education funding model are causing uncertainty and have an impact on longer-term planning.



City Deals

UK and Scottish Government funding initiative which provides significant funding to city regions to develop infrastructure and economy in line with agreed plans.

Opportunity

- Economic growth and improved outcomes for communities.
- Councils could benefit from investment in infrastructure such as roads, technology, housing and transport.

Challenge

- Requires partnership working with a wide range of public and private partners.
- Governance arrangements, such as roles, responsibilities, accountability and performance reporting, will need to be determined.
- Ensuring continuity of progress after the 2017 local government elections.
- May take longer for some, particularly rural, councils to see benefits.



Community Justice (Scotland) Act 2016

Changes arrangements for managing community justice services and creates a new national body, Community Justice Scotland, to be formally established on 1 April 2017.

Opportunity

- Integrating community justice planning with wider community planning.
- Improved outcomes for communities and people at risk of offending.

Challenge

- Replace eight Community Justice Authorities with community justice governance structures within each Community Planning Partnership.
- Councils are expected to consult with other community justice partners when developing community justice outcome improvement plans to ensure consistency.



Named Person provisions

The Scottish Government plans to implement a Named Person service for every child or young person in Scotland. This means that every child will have someone who is responsible for helping them get the support they need. This is expected to start in August 2017.

Opportunity

- To promote, support or safeguard the wellbeing of children and young people.

Challenge

- Head teachers, deputy head teachers or guidance teachers could be the Named Person for a large number of school-aged children but it is unclear if a limit applies to the number of children assigned to each Named Person.
- Detailed arrangements for how the Named Person will function during school holidays will be left to councils to organise, with the intention being that they build on current practice.
- There may be an impact on teachers' workloads and councils must ensure that people have the skills to deliver the Named Person service.

Exhibit 5 (continued)

Legislative and policy changes



Early learning and childcare (ELC)

Scottish Government commitment to increase access to funded hours of high-quality and flexible early learning and childcare. Includes plans to increase the entitlement to 1,140 hours per year by August 2020.

Opportunity

- To improve outcomes for children, especially those who are most vulnerable.
- To support parents to work, train or study, especially those who need routes into sustainable employment and out of poverty.

Challenge

- Councils will need to assess demand, and commission and provide flexible services.
- Councils, private and third sector ELC providers may face challenges in expanding workforces and extending buildings and facilities.



Council tax reform

Removal of council tax freeze and increases to the ratios for higher-banded properties.

Opportunity

- Removing the council tax freeze will give councils greater control over their income.
- Increased ratios for higher-banded properties will provide additional council tax income.

Challenge

- The changes to ratios will lead to increased charges of over 20 per cent for properties within the highest band. However, residents could be paying more for the same level of services which could be a difficult message for councils to manage.



We are carrying out performance audits in these areas later in 2017/18.

Notes:

1. Some have also included children's services and community justice services in their IJBs. NHS Highland and Highland Council are the only partners to not create an IJB. They are continuing with lead agency arrangements whereby NHS Highland leads on adult health and care services, with Highland Council leading on children's community health and social care services. These arrangements have been in place since 2012.
2. [Social work in Scotland](#) , Audit Scotland, September 2016.
3. *A Plan For Scotland: the Scottish Government's Programme for Scotland 2016-17*, Scottish Government, September 2016.

Source: Audit Scotland

Part 2

Councils' responses to the challenges



Councils have reduced staff numbers to save money but many do not have workforce plans

Councils' workforce has fallen by seven per cent in the last five years

24. Councils spend a significant amount on staff and staff-related costs. Most councils have reduced their workforces as a way to reduce costs. Our [Local government in Scotland: Financial overview 2015/16](#)  highlighted that, between 2011/12 and 2015/16, 13,443 individuals left councils through exit packages costing a total of £535.9 million (at 2015/16 prices). Councils' decisions to reduce their workforce numbers through exit packages should be supported by business cases that outline:

- associated costs
- potential savings
- the impact that this will have on the level of skills and experience within the council.

25. At March 2016, approximately 198,000 full-time equivalent (FTE) employees worked in Scotland's councils. Between 2011 and 2016, 27 councils reduced their number of FTE employees and councils' total workforce fell by 15,100 FTE (seven per cent).⁹ In the last year, 14 councils reduced their number of FTEs, with councils' total workforce reduced by 2,700 (one per cent) ([Exhibit 6, page 19](#)). From the data that is collected centrally by the Scottish Government, it is not clear how many of these moved to arm's-length external organisations (ALEOs).¹⁰

Only half of councils have organisation-wide workforce plans, risking their ability to deliver services and manage change

26. Reducing council workforces, if not planned and managed appropriately, can affect the skills mix and capacity of the organisation to deliver, manage and scrutinise services effectively. Councils should have effective systems in place for managing their workforce and monitoring staffing levels. Councils should hold accurate information on staff numbers by grade and department to help them prepare and implement organisation-wide workforce plans. These should be aligned with other long-term plans such as financial plans.



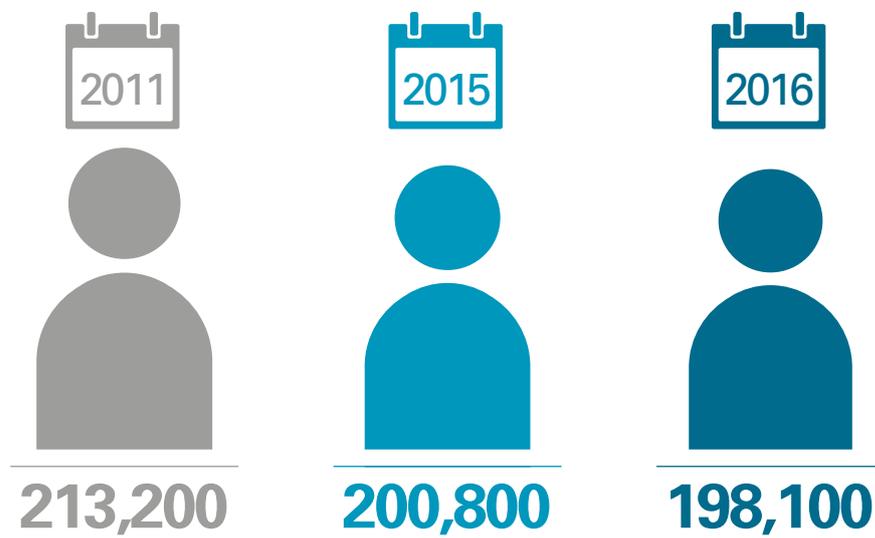
What do you need the workforce to look like in terms of numbers, skills and knowledge?

Does your workforce data allow accurate analysis of changes to the workforce at an organisation and department level?

Exhibit 6

Number of full-time equivalent employees in councils in 2011, 2015 and 2016

Councils reduced their workforce by seven per cent between 2011 and 2016.



Source: *Public Sector Employment in Scotland*, Scottish Government, 2016

27. Half of Scotland's councils do not have organisation-wide workforce plans in place. For those that do, the quality of these varies and they do not all include information on:

- the numbers and skills of the current workforce
- the numbers, costs and skills of the desired workforce
- how the move from the current to the desired workforce will be achieved.¹¹

28. Where comprehensive organisation-wide workforce plans are not in place, councils risk losing capacity in key areas. For example:

- Our report [Maintaining Scotland's roads: a follow-up report](#)  highlighted concerns about a loss of technical and commercial expertise within roads maintenance departments.¹²
- Auditors for East Dunbartonshire Council raised concerns about the capacity within both the finance and the revenue and benefits teams. Within these teams, staff reductions and changes have led to individual officers having sole responsibility for, and knowledge of, certain areas of work.

29. National initiatives impact on workforce planning. The Scottish Government's commitment to maintaining teacher to pupil ratios means councils cannot reduce the number of teachers below a certain level. This limits councils' flexibility to reduce staff numbers among a sizeable proportion of staff. The planned expansion of early learning and childcare could mean councils either have to redeploy staff or recruit additional early years workers.



Do you have an organisation-wide workforce plan with realistic targets and timescales for meeting objectives?

Do you think your organisation-wide workforce plan will ensure staff reductions do not have a negative impact on the skills mix and ability of your council to scrutinise, manage and deliver services effectively?

30. The absence of organisation-wide workforce plans means that it is harder for councils to manage workforce changes effectively and ensure that they have the right number of staff with appropriate skills and experience throughout the organisation. This is particularly important given the scale of the challenges and policy and legislative changes councils face. Councils must ensure they have the capacity to manage change and deliver services effectively.

Councils have the potential to further reduce staff sickness absence

31. Reducing staff sickness absence increases a council's capacity. Nationally, the average number of sickness days for all council staff (excluding teachers) reduced between 2010/11 and 2015/16; however, there is variation across councils. In 2015/16, sickness absence per non-teaching employee varied across councils from an average of 8.8 days a year in Aberdeenshire Council to 14.8 days a year in Comhairle nan Eilean Siar. If councils with high absence levels could reduce these to be in line with the top eight performing councils, they would gain the equivalent staff time of about 650 full-time employees across Scotland. This is a reduction of about ten per cent since 2014/15.

32. Sickness absence also varied among teachers in 2015/16, from an average of 4.2 days a year in Midlothian Council to 8.7 days a year in Perth and Kinross Council. If councils with high teacher absences could reduce these to be in line with the top eight performing councils, they would gain the equivalent staff time of over 160 full-time teachers across Scotland. This is a reduction of about 18 per cent since 2014/15.

The pace and scale of reform need to increase

Councils approved savings of over £500 million in 2016/17

33. Councils have managed their finances well so far in responding to the pressures they face.¹³ In 2016/17, councils approved £524 million of savings and intended to use £79 million of reserves to balance their budgets and meet their funding gaps. Evidence from annual audit reports shows that some councils have made better progress than others. For example, Midlothian Council did not achieve its savings target in 2015/16 and auditors reported that there is a risk that Orkney Islands Council will have to rely heavily on reserves to achieve its target savings. In contrast, auditors highlight the good track record of Inverclyde Council in delivering efficiency savings and note that Renfrewshire Council is expected to make significant savings. East Ayrshire Council has made savings of over £34 million in the five years to 2016/17.

Councils are adopting a range of approaches to deliver savings

34. Councils are adopting a range of approaches to address their forecasted gap in funding ([Exhibit 7, page 21](#)). While there is some evidence of positive change delivering better services for less money, there is limited progress in other areas.

Some councils are better placed to meet future challenges than others

35. Looking forward, councils are predicting significant funding gaps up to 2018/19. Using information available at the time councils were setting their 2016/17 budgets, we estimated that councils would have funding gaps of £358 million in 2017/18 and £544 million in 2018/19.¹⁴ These figures are likely to change as councils approve their 2017/18 budgets and continue to identify and deliver savings. However, they do demonstrate the scale of the challenge facing councils.



Do you have the staff and skills necessary to manage change and deliver services?

Do you need to invest in any skills, for example, change management?

Exhibit 7

Councils have been adopting different approaches to make savings

There is little evidence of progress in some areas but there are also examples of positive change.



Key fact



Good practice

Council approach	Progress
 <p>Sharing services</p>	<p>Key fact In 2007, the Scottish Government published guidance relating to shared services. Ten years later, there is limited evidence of councils sharing services. Evidence suggests that most shared services are on a small scale and for back office functions.</p> <p>Good practice East Dunbartonshire, Inverclyde, and West Dunbartonshire councils are exploring opportunities to share a range of services, beginning with roads and transportation services. In February 2016, the councils estimated that they may be able to generate recurring savings of about £3.5 million by 2020 (15 per cent of current spending on these services).</p> <p>When councils are considering sharing services, it is important that they have mutually understood and compatible objectives. Differing objectives can be a barrier to sharing services. Councils, together with their citizens, need to agree what their primary aims are, for example reducing costs or improving customer experience, or both.</p>
 <p>Using ALEOs</p>	<p>Arm's-length external organisations (ALEOs) can provide services more flexibly than councils, generate income and deliver savings.</p> <p>Key fact Evidence suggests that the number of council ALEOs has reduced slightly in 2016 from about 140 to 130. ALEOs provide a range of services across Scotland, with around one third providing leisure and culture services.</p> <p>We are planning to undertake an audit of ALEOs later in 2017.</p>
 <p>Using digital and online solutions</p>	<p>Key fact Digital and on-line solutions provide opportunities for councils to significantly reduce costs. The estimated cost of a face-to-face visit is £8.21, a telephone call is £2.59 and an online transaction is £0.09.¹</p> <p>Good practice Glasgow City Council has launched a myglasgow app and a new website which allows users to access or request services online (for example, request a bulk uplift). This is expected to deliver savings of £3 million a year and improve the customer experience.</p> <p>In recognition that more could be done, 27 councils have recently appointed a chief digital officer and chief technology officer to drive change across local services. It is too early to judge the success of this initiative.</p>
 <p>Increasing fees and charges</p>	<p>Increasing fees and charges is one way councils can increase their income. National information is not available on changes to charges and fees although there is some evidence of increases in charges in the last year. For example, research by Citizens Advice Scotland shows that burial charges increased by eight per cent between 2015 and 2016.</p>
 <p>Reducing/restricting services</p>	<p>There is evidence of councils reducing front-line services.</p> <p>Key fact Most councils, through IJBs, now only provide adult social care to people assessed as being of critical and substantial risk. This has reduced the percentage of older people receiving homecare between 2006 and 2015, from just under 70 per 1,000 population to 50 per 1,000. While this has saved councils money in the short term, there is a risk that removing more preventative services will cost more in the longer term.</p> <p>In education, Dundee City Council has closed a high school, saving £756,000. Aberdeen City Council has saved £440,000 a year by removing class size limits for S1 and S2 maths and English classes.</p>

Exhibit 7 (continued)

Council approach	Progress
 <p data-bbox="124 600 323 667">Improving procurement</p>	<p data-bbox="389 421 1471 488">Q Councils have made significant savings in the cost of homecare and care homes through competitive tendering and the national care home contract.</p> <p data-bbox="389 501 1471 674">✓ Through service redesign, councils are also procuring new models of care. For example, in East Ayrshire Council, changes to its model of care for supported living from 24-hour care per person to more flexible care that promotes independence has saved the council almost £500,000 in 2016/17 (about 40 per cent of costs). The council also reports improved service user satisfaction.</p> <p data-bbox="437 696 1460 754">All councils have signed up to Scotland Excel, the Centre of Procurement Expertise for the local government sector.</p>

Note: 1. 2012/13 figures for councils published by the Society of Information Technology Management (Soctim)

Source: Audit Scotland

36. In response, many councils have established corporate change, or transformation, programmes. These are significant council-wide programmes that look at what services councils provide and how they are delivered to identify how a council can save money and improve services. It is clear that some councils are taking a strategic approach and looking at what services they provide as a whole. Others are not. Rather, they are making individual departments responsible for identifying an equal proportion of desired savings. Evidence from annual audit reports shows that some councils are making faster progress than others. For example, Fife Council is still developing its change programme; progress is slow in Clackmannanshire Council; and behind schedule in East Dunbartonshire Council. In contrast, East Ayrshire Council is now working on its second transformation programme.

37. Best Value reports also raise concern over the pace of change and the small-scale nature of savings to date. For example, in Falkirk Council, the pace of change remains slow and the council needs to urgently agree its priorities and identify significant savings over the next two years.¹⁵

38. Some councils have lacked capacity to manage their corporate change and transformation programmes. In response, councils, through the Improvement Service, have established the Change Managers Network to support the exchange of skills, knowledge and practice to build capacity in corporate change. As part of councils' financial and savings plans, councils should actively consider options for investing to save such as investing in change management skills.

Effective leadership is required to explore all options for change

39. Effective leadership is required to set a clear strategy for how the council will achieve its priorities and outcomes, and make the difficult decisions that will be needed. Councillors must set the strategy and officers must work up options to implement the change required. The importance of effective leadership has been

demonstrated in our Best Value audit work. For example, South Ayrshire Council has made considerable progress in delivering improvements and meeting financial challenges as a result of effective political and managerial leadership.¹⁶

40. Comprehensive option appraisals, risk assessments and scrutiny are required to assess options for change and to monitor the impact and progress. Auditors at Stirling Council reported that the council has a project-driven approach where all projects need to be fully backed up by business cases and completed option appraisals before a decision is taken. Options are effectively challenged throughout the process to ensure that they are achievable and that the project provides value for money. Evidence also suggests that South Ayrshire Council has a robust system in place to review and improve services ([Case study 1](#)). However, it is a mixed picture in other councils. In Falkirk Council, auditors reported a good level of scrutiny and challenge by councillors. But they also noted a lack of detailed reporting on anticipated and achieved outcomes, with no process in place for providing updates on all projects.



How well do you scrutinise decisions on financial and service performance?

How do you ensure you have the knowledge and expertise you need to scrutinise effectively?

Case study 1

South Ayrshire Council



The council has developed a comprehensive review system to help approve and reform services. This follows a nine-step process and includes topic selection, approval, consultations and options appraisal. The reviews and consultation procedures involve staff at all levels, trade unions and service users.

Through this approach, the council has reported that it is starting to achieve positive results. For example, in April 2015, the council carried out a property maintenance service review that concluded that there has been an overall average increase in productivity of staff of 15 per cent from 2014; and an increase in the number of jobs completed on time, from 68 per cent in 2013/14 to 87 per cent in 2015/16.

Source: Audit reports

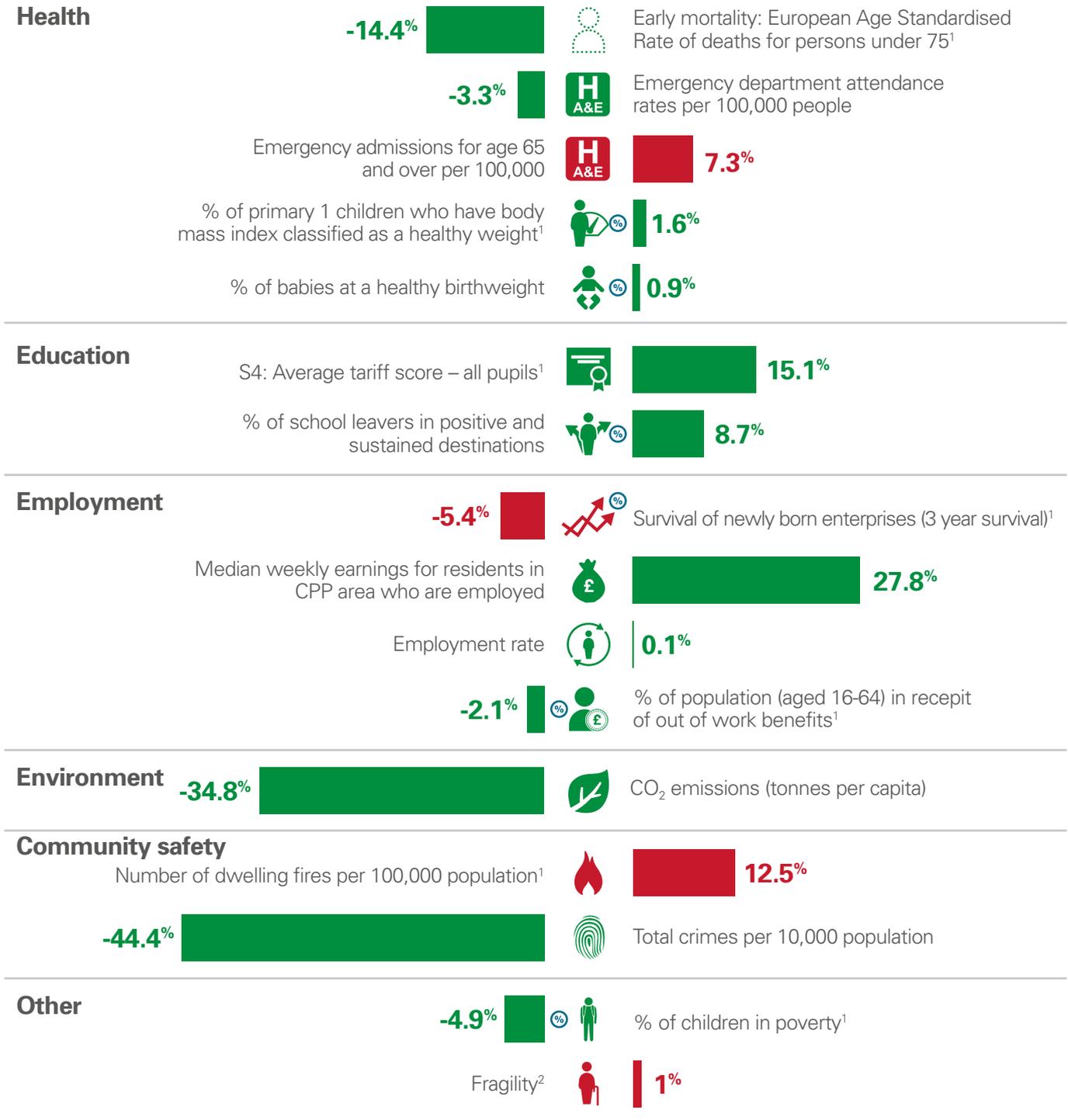
Despite challenges, performance has been maintained or improved

41. The Improvement Service reports on progress against 18 outcomes, supported by 16 performance measures, through the Community Planning Outcomes Profile. This is a new tool which allows outcomes and equalities data to be measured on a consistent basis. Councils need to work with partners and communities through, for example, community planning partnerships (CPPs) and integration joint boards (IJBs) to improve outcomes for communities. Changes in outcomes will be influenced by factors wider than council activity so cannot be solely linked to council activity. The 16 performance measures suggest that outcomes are generally improving across Scotland ([Exhibit 8, page 24](#)).

Exhibit 8

Changes in performance measures for Scotland's outcomes, 2004/05 to 2014/15

Performance measures suggest that outcomes for Scotland's communities are generally improving.



Percentage point change – raw data is not available therefore absolute changes are shown.

Notes:

1. Imputed and projected data has been calculated using different methodologies for different measures where raw data is not yet available.
2. Fragility is a weighted combination of three indicators: de-population, rural de-population and old age dependency ratio.

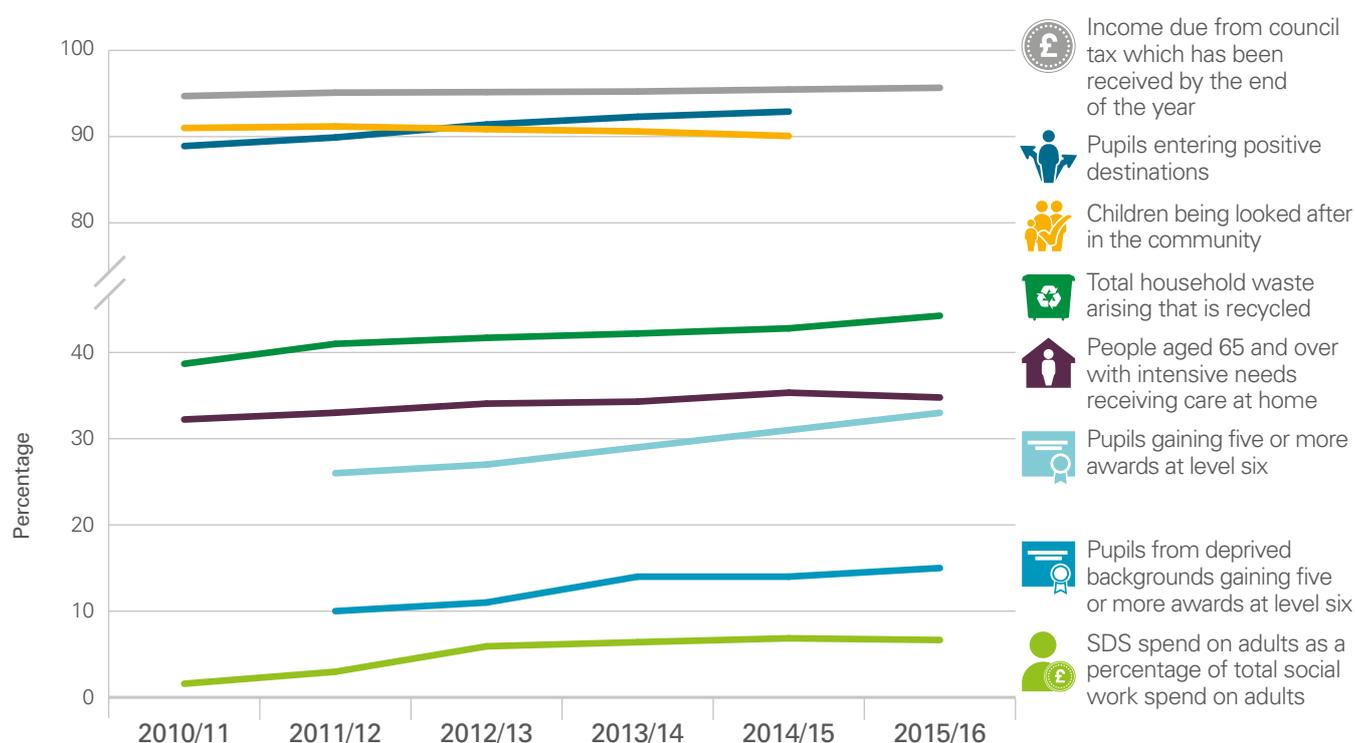
Source: Audit Scotland; and *Community planning outcomes profile*, Improvement Service, 2014/15

42. The Improvement Service, in partnership with councils, collates and reports on the Local Government Benchmarking Framework (LGBF) to provide information for councils to improve performance and costs. The framework covers a range of over 60 performance indicators covering a wide range of areas. We have selected those measures which give an indication of council performance in key service areas for the public.¹⁷ This shows that councils' performance in the last five years has been maintained or improved ([Exhibit 9](#)).

Exhibit 9

Performance against selected indicators, 2010/11 to 2015/16

Councils' performance has been maintained or improved over the last five years.



Notes:

1. Data is not available for all indicators for 2010/11 to 2015/16.
2. We have not included measures of public satisfaction or cost indicators in this analysis.

Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16

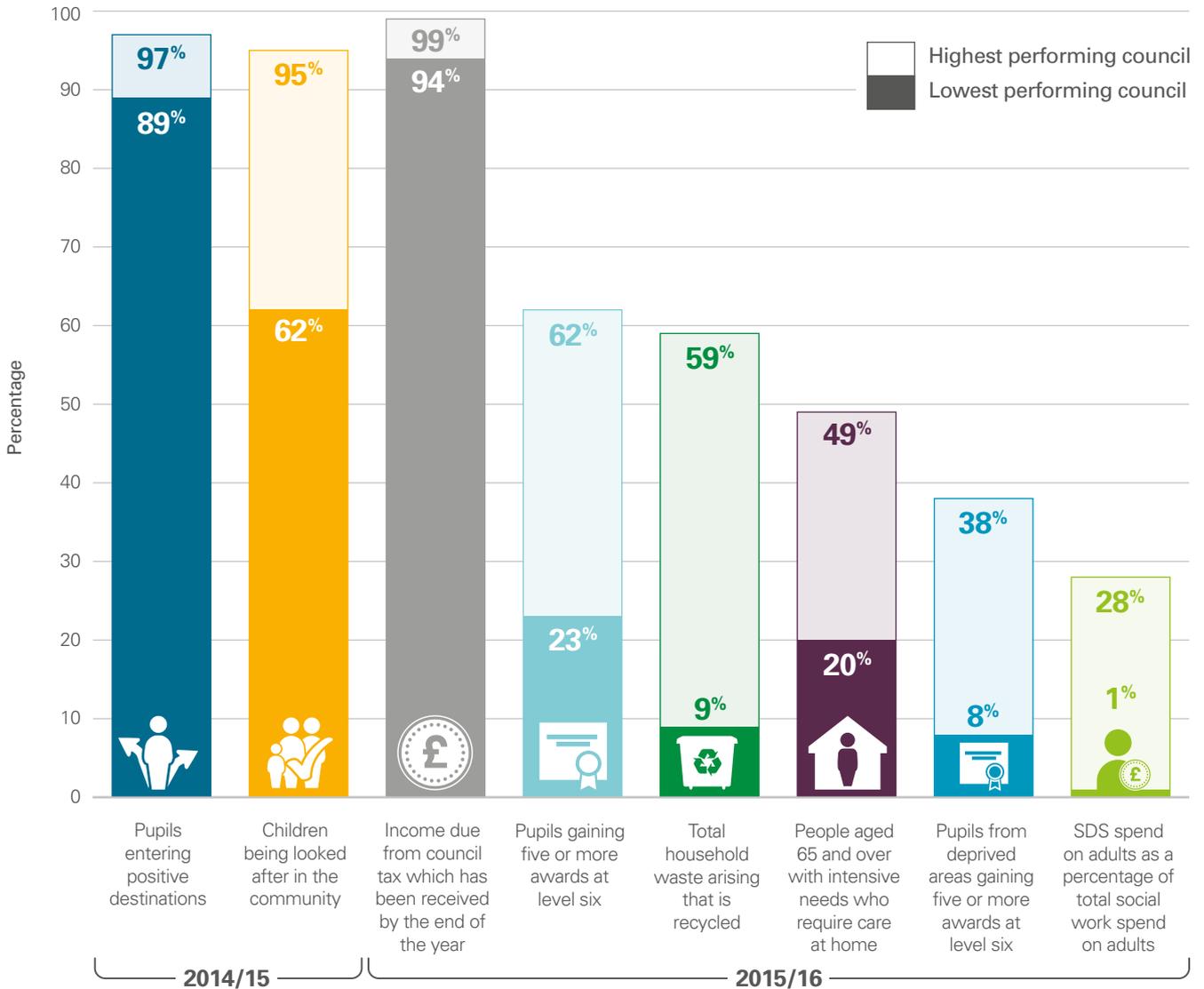


43. Analysis also shows significant variation in performance among councils ([Exhibit 10, page 26](#)). The amount of waste recycled and the percentage of pupils gaining five or more awards at level six show the biggest variation. However, there is also variation in social care indicators. There may be valid reasons for some of this variation; however, councils need to work to understand reasons for any lower performance in these measures, learn what has been successful in other councils and apply these lessons to their own services.

Exhibit 10

Variation in highest and lowest performing councils

There is significant variation in council performance in most performance measures.



Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16

Some unit costs have reduced but there is variation across councils

44. We have also analysed selected unit cost indicators over the last five years ([Exhibit 11, page 27](#)). The unit costs of these selected indicators have all reduced over the last five years. Some culture and leisure unit costs reduced by around one-third whilst education unit costs reduced by less than ten per cent.

45. The cost of providing similar services varies between councils. In some cases, cost variation will be heavily influenced by geography, population density and deprivation. The Local Government Benchmarking Framework has placed councils with similar profiles into family groups based on factors such as population density and levels of deprivation. This allows similar councils to compare themselves.

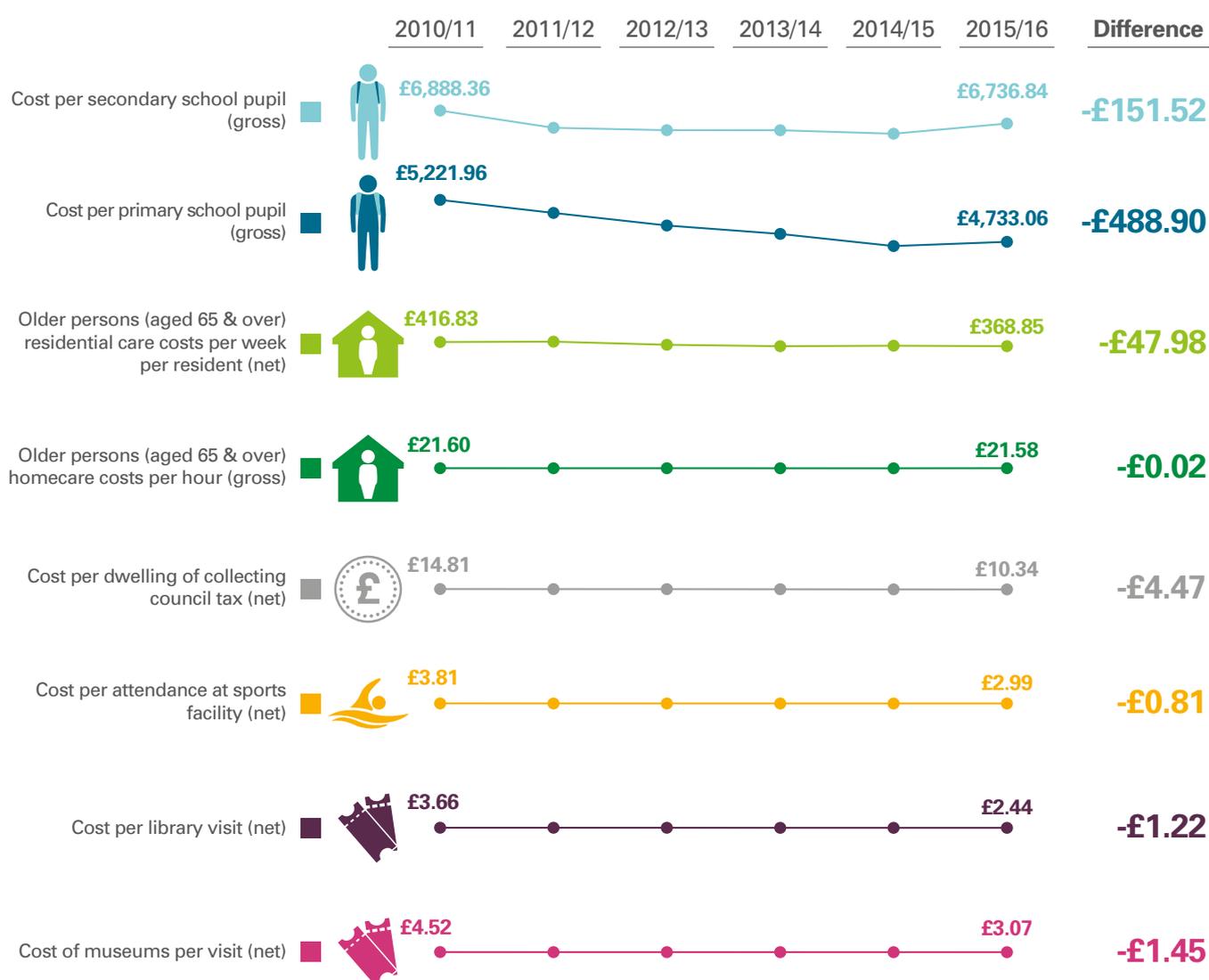
However, some councils in the same family group have significant variation in unit costs. For example, the cost of street cleaning per 1,000 population is almost three times greater in Glasgow City Council (£26,460 in 2015/16) than Aberdeen City Council (£9,312 in 2015/16).

46. Analysis of 2015/16 family group data for the cost of collecting council tax shows that, if all councils were able to reduce their cost of council tax collection per dwelling to the lowest in their family group, collectively they could save over £13 million. These figures are only indicative and there will be reasons for some variation, however they do indicate that savings can be made. Councils should continue to work to understand the reasons for their unit costs, learn from each other, identify possible savings that can be made and agree the acceptable impact on performance and policy.

Exhibit 11

Change in selected unit costs since 2010/11 to 2015/16

Unit costs have varied over the past five years.



Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16



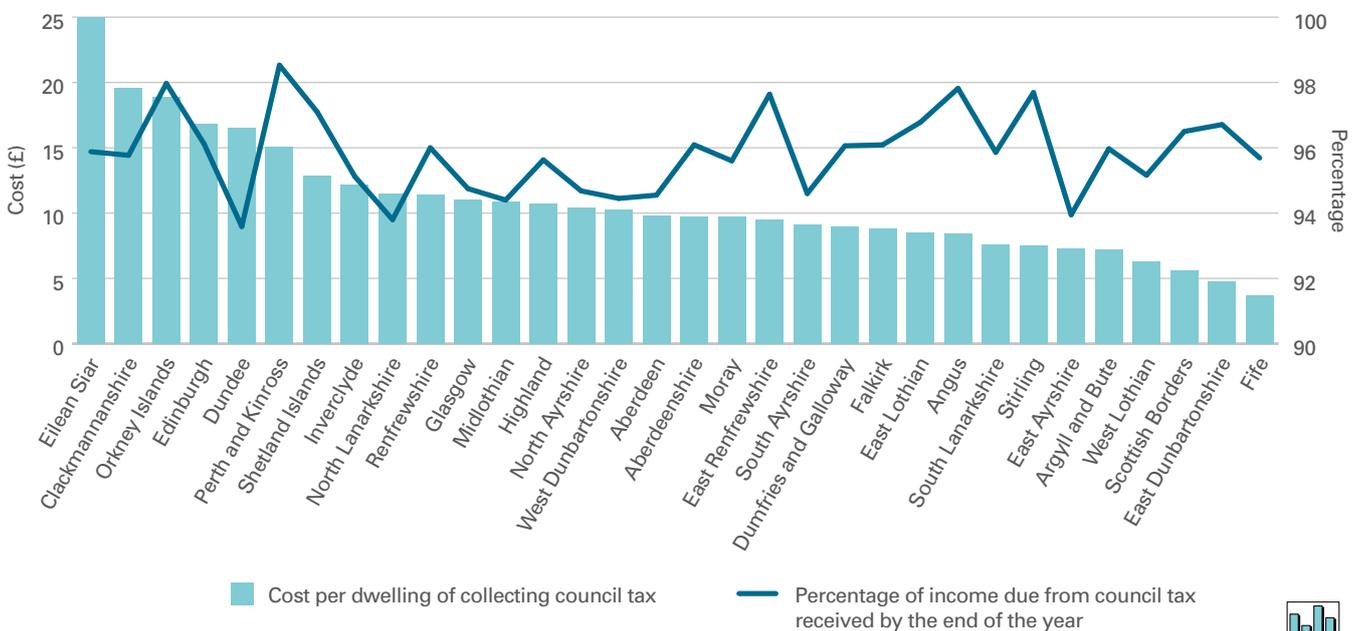
The link between performance and cost is not always clear

47. Variation in unit costs is not always reflected in performance measures at a local level. For example, there is no link between the cost and collection of council tax in 2015/16 ([Exhibit 12](#)). Similarly, changes in unit costs do not always have the expected impact on performance. For example, between 2010/11 and 2015/16, 11 councils improved their cleanliness score, of these; three increased their unit costs while eight reduced their costs ([Exhibit 13, page 29](#)).

Exhibit 12

The cost and collection rate of council tax, 2015/16

There is no link between the cost of collecting council tax and the collection rate.



Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16

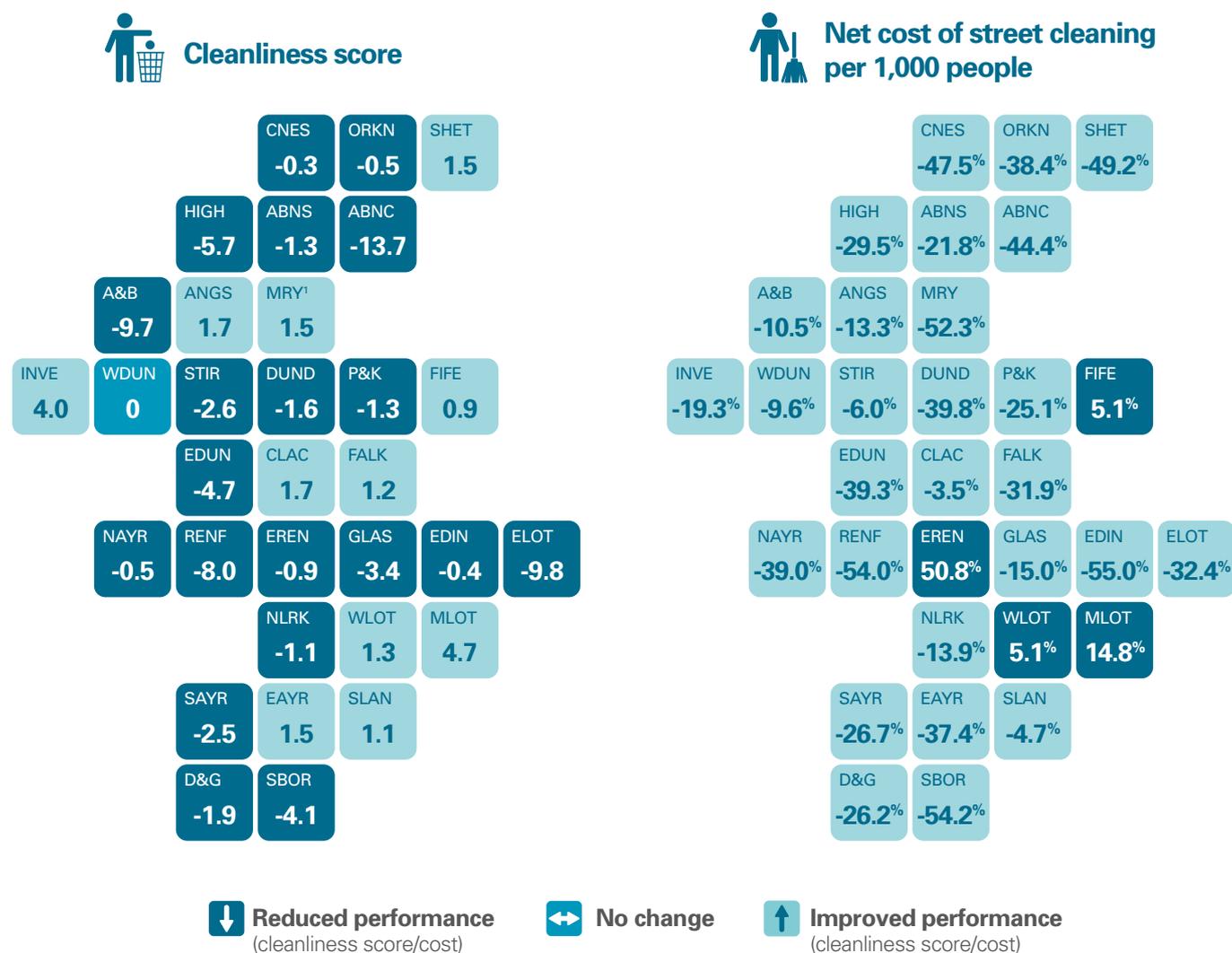
Councils have reduced some costs with no negative impact on performance

48. There is evidence of councils reducing costs and improving performance. Between 2010/11 and 2015/16, the average cost of collecting council tax reduced from £14.81 in real terms to £10.34 while the rate of collecting council tax improved from 94.7 per cent to 95.7 per cent. At council level, Glasgow City Council reduced the cost of collecting council tax in real terms from £18.48 per dwelling in 2010/11 to £10.98 in 2015/16. It achieved this by redesigning processes, better use of technology and closer working with partner organisations. Over the same period, the collection rate increased from 92.3 per cent to 94.7 per cent. City of Edinburgh Council has reduced the net cost of street cleaning per 1,000 residents by over 50 per cent in real terms, from £37,006 to £16,646, with the council’s cleanliness score only falling by 0.4 percentage points from 90.5 per cent to 90.1 per cent.

Exhibit 13

The cost and cleanliness of streets in Scotland, 2010/11 to 2015/16

The majority of councils have reduced the cost of street cleaning but there has also been a reduction in street cleanliness.



Councils

- | | | |
|--------------------------------------|-------------------------------|----------------------------------|
| ABNC Aberdeen | EDIN Edinburgh | ORKN Orkney Islands |
| ABNS Aberdeenshire | CNES Eilean Siar | P&K Perth and Kinross |
| ANGS Angus | FALK Falkirk | RENF Renfrewshire |
| A&B Argyll and Bute | FIFE Fife | SBOR Scottish Borders |
| CLAC Clackmannanshire | GLAS Glasgow | SHET Shetland Islands |
| D&G Dumfries and Galloway | HIGH Highland | SAYR South Ayrshire |
| DUND Dundee | INVE Inverclyde | SLAN South Lanarkshire |
| EAYR East Ayrshire | MLOT Midlothian | STIR Stirling |
| EDUN East Dunbartonshire | MRY Moray | WDUN West Dunbartonshire |
| ELOT East Lothian | NAYR North Ayrshire | WLOT West Lothian |
| EREN East Renfrewshire | NLRK North Lanarkshire | |

Note: 1. The data presented for The Moray Council is calculated using data for 2010/11 and 2012/13 as no further data is available.

Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16

49. The Accounts Commission has previously stated that given the challenges facing local government, not least the future financial challenges, it does not expect to see performance improving in all measures for all councils. It is up to individual councils and their communities to agree local priorities and identify where improvements are required.

Public satisfaction is declining and complaints are increasing

50. Public satisfaction with services is falling. The latest information from the Scottish Household Survey shows that between 2010 and 2015, satisfaction with schools fell from 83 to 74 per cent.¹⁸ However, around the same period, there was an increase in the percentage of school pupils gaining five or more awards at level six. As reported in [Social work in Scotland](#) , satisfaction with social care and social work fell from 62 per cent in 2010/11 to 51 per cent in 2014/15. We recognise that there are limitations with this data, particularly for some rural councils. Many councils therefore supplement this data with locally collected information.

51. In 2015/16, the Scottish Public Service Ombudsman (SPSO) received 1,722 complaints relating to Scottish councils. This is 13 per cent more than in 2011/12. It upheld 55 per cent of complaints in 2015/16 compared to 47 per cent in 2014/15. The health sector experienced a similar level of complaints being upheld in 2015/16. The SPSO records complaints by category. For councils, housing has the largest number of complaints (423 complaints in 2015/16), followed by social work (231 complaints). The number of complaints about environmental health and cleansing more than trebled between 2011/12 and 2015/16 to 126.

Greater community involvement could improve public satisfaction

52. The decline in satisfaction measures may be expected given the financial challenges councils have faced. It may also suggest that councils need to have frank and wide-ranging debates with communities to determine what they can realistically deliver in reduced budgets. Our 2016 report on [Social work in Scotland](#)  highlighted that councillors had a key role in consulting more fully with the public about service priorities. It stated that councillors also needed to manage people's expectations of services that councils can afford to provide in the future.¹⁹ North Ayrshire Council reviewed its library opening hours in consultation with local communities and reduced the service by 475 hours a year, saving £315,000.

53. The Community Empowerment (Scotland) Act 2015 should ensure councils work more closely with public bodies and communities to design, develop and deliver better-quality services. Some councils already do this through participatory budgeting ([Case study 2, page 31](#)). One per cent of a council's spending should be decided by communities.²⁰ This allows communities to be actively involved in decision-making and to influence where public funds should be spent.



How are you involving local communities and empowering them to design and deliver services to suit local needs?

How can you better engage with local communities to understand why public satisfaction is declining?

What level of complaints does your council receive? For which departments? How has this changed?

Are appropriate systems in place to deal with complaints?

Does your council have regular discussions with communities about service priorities and what level of service the council can afford to provide going forward?

What is the your role as councilor in this?

Case study 2

Participatory budgeting



Comhairle nan Eilean Siar

Community members were involved in designing and procuring the Uist and Barra public bus service. The procurement process involved using an 'output performance specification'. In this, participants were asked at various public meetings to define their priorities, rank types of services and vote for their preferred price/quality ratio. The final decisions were made by panels of local people. This participatory budgeting approach has provided a more responsive service for the local community and the council has reported an increase in uptake since it began in March 2016.

City of Edinburgh Council

'Leith Decides' is the longest-running participatory budgeting project in Scotland and has been used by Leith Neighbourhood Partnership since 2010/11. The approach involves the local community deciding how 50 per cent of the partnership's community grants fund is spent. In 2014/15, a total of 1,625 people took part in scoring projects (an increase of 66 per cent on the previous year) and £22,092 (in grants of up to £1,000) was allocated to 25 projects. In addition to this, the number of people engaged in local decisions has increased significantly, from 320 in 2010/11 to 1,625 in 2014/15.

North Ayrshire Council

In November 2016, the council [launched](#)  one of Scotland's largest online participatory budgeting projects in collaboration with Young Scot. About 5,000 young people aged 11-25 years in North Ayrshire used Young Scot's online voting platform to allocate a share of £60,762 to youth projects in their local area

Source: Audit reports

Part 3

Looking ahead



Councillors need to provide effective, strategic leadership

54. The next council term is likely to bring significant challenges and uncertainties for councils. The role of local government in Scotland is under review and is the subject of planned Scottish Government legislation. The impact of the United Kingdom's decision to leave the European Union is currently unknown but will have to be worked out and managed. The ongoing financial and population pressures are set to increase.

55. Our audit work has shown that there are still areas that councils need to strengthen in responding to the challenges they face. We recognise that, with reducing resources, councils will find delivering services and improvements increasingly difficult. It is critical therefore, that they set clear long-term strategies and plans that target effort on improving priority areas. This will require councils to evaluate all possible options to make improvements for their communities in the most efficient ways.

56. The 2017 local government elections could result in changes to elected members and the political make-up of councils. Councillors have a critical role in setting their council's strategies and need to have the right knowledge, skills and time to lead and scrutinise how councils are achieving these. Councils will also need to continue to involve citizens in decisions about local services and report their performance in ways that help local citizens gauge improvement. Our audit work has highlighted the importance of effective leadership in developing robust strategies and making difficult decisions.

57. Councillors need to provide effective strategic leadership if councils are to successfully change the way they work. Councillors need to make informed decisions on the increasingly difficult and complex choices they face and to scrutinise whether the council is achieving its priorities. Council officers must support new and returning councillors effectively by providing them with clear and understandable information, and access to necessary and essential training to help them fulfil their role. We have recently published a report on [***Roles and working relationships in councils – Are you still getting it right?***](#)  (2016) to support councillors in their difficult and challenging role. The Improvement Service's induction materials may be a useful resources here.



How can you ensure that you have the right skills and knowledge to help carry out increasingly complex and challenging roles efficiently?

Councils need comprehensive long-term financial strategies and plans in place

58. Our recent financial overview for 2015/16 highlighted the increasing challenges that councils are having in managing their budgets. About a third overspent social work budgets in 2015/16, similarly about a third underspent education budgets. The need for budgets and forecasts to reflect actual spending becomes increasingly important for councils with decreasing or low levels of usable reserves to draw on. Councils cannot continue to rely on underspends in certain services offsetting overspending elsewhere. Budgets should be revised to reflect true spending levels and patterns. This requires good financial management to ensure spending is accurately forecast and monitored within the year, including systems that allow budgets to be monitored in real time. The impact of current spending approved by councillors on the financial position can only be accurately assessed if budgets are accurate.

59. Councils are developing their financial strategies and plans in an increasingly complex environment. The Accounts Commission recognises that the Scottish Government providing funding settlement figures for a single year presents challenges to councils updating medium-term financial plans and having long-term strategies in place. But the absence of indicative funding should not prevent councils projecting future income, and spending and planning accordingly. A longer-term approach to finances provides a context for current decisions and, along with a clear set of financial strategies and principles, creates an overall framework for financial decision-making and sustainability. It is imperative that long-term financial strategies (covering five to ten years) link spending to councils' strategic priorities and that spending plans are considered in this context. Our [Local government in Scotland: Financial overview 2015/16](#)  highlighted that this is an area where councils can continue to improve.

60. Council priorities should be supported by long-term strategies and medium-term plans. Using tools such as scenario planning, councils can consider a range of different scenarios and become more agile in developing their responses. Financial strategies and plans must be aligned to workforce, service and operational plans to ensure that they take account of councils' operating environments. This will ensure the council is financially aware, takes decisions based on financial information and manages the financial risk. [Exhibit 14 \(page 34\)](#) sets out the main elements of the financial planning process and how these interact with key council planning documents.

Councils need to appraise all possible options for change and involve local communities

61. A crucial element of achieving Best Value is using options appraisal effectively to evaluate current and alternative ways to deliver services. There should be rigorous and challenging appraisal of all the options. It is important that councils consider a wide range of alternatives, including fundamentally different approaches, to help each council find the most effective and efficient way to achieve its priorities for its local communities. This includes examining opportunities to work with and give communities powers to deliver services in different ways as well as learning lessons from other councils across the United Kingdom and from wider public service reform. Councillors should get all necessary information and support from officers to help them fully assess the benefits and risks of each option.



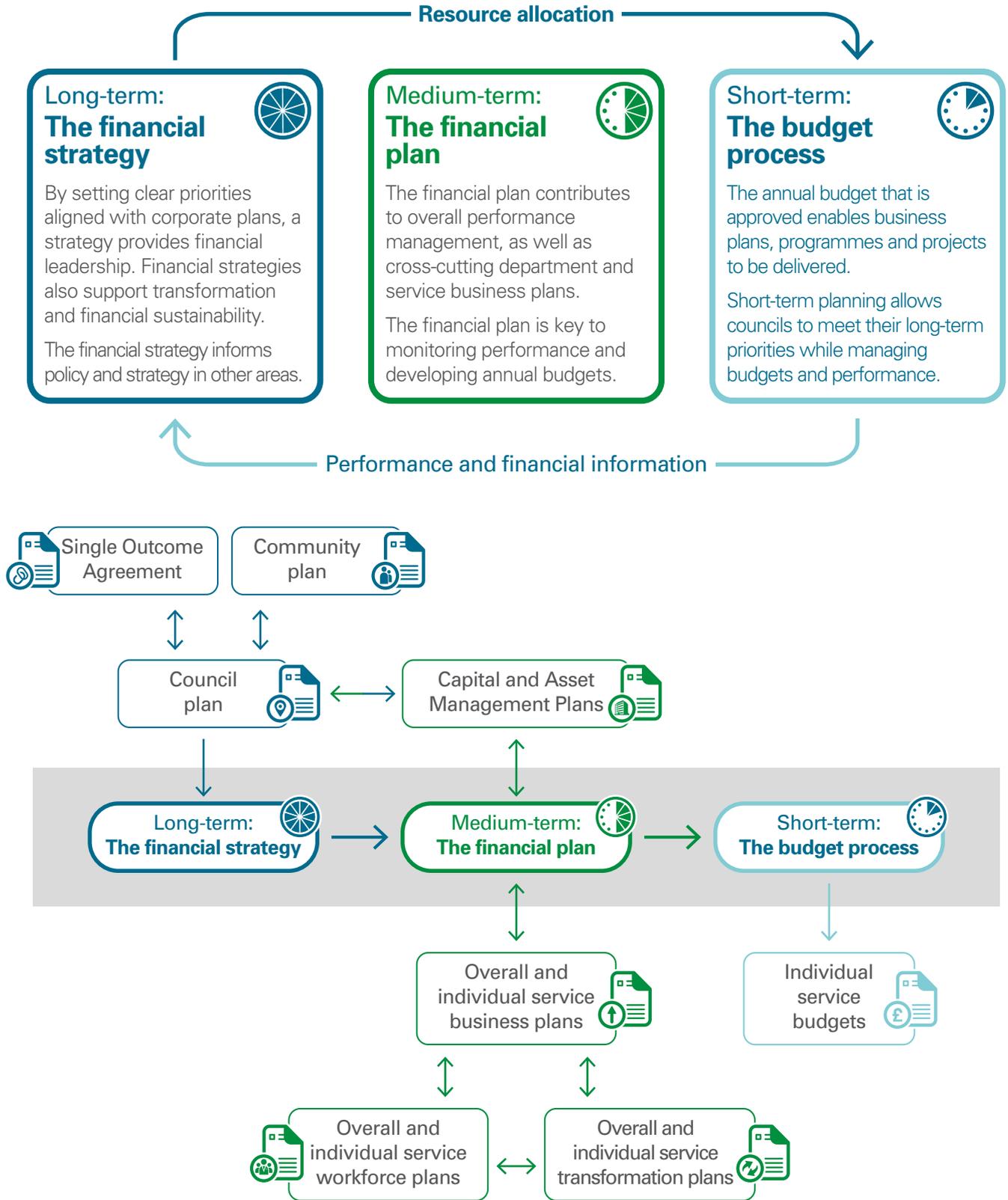
How fully have you appraised all options for delivering services differently?

How can you consider more business in public?

Exhibit 14

Key components of council strategic planning and operational management

Financial planning should be linked to operational delivery plans.



62. When councils and councillors are identifying and approving savings in any service area, it is important that they consider, assess and monitor the impact of their decisions. Councils should:

- identify expected savings
- consider the potential impact on people using services, communities and staff
- monitor how they are achieving savings
- review the impact of reforms on the outcomes that services are delivering.

63. We have seen examples of councils engaging well with their communities on important local issues. The Community Empowerment (Scotland) Act 2015 provides, among other things, a statutory basis for local people to be more involved in decision-making and to take ownership of councils' assets. Councils need to understand local expectations of services and to work closely with their communities and the people who use services to redesign how services are delivered. New guidance issued in December 2016 places a statutory duty on CPPs to improve local outcomes. An increased emphasis on joint working is expected to improve community involvement and address inequalities.²¹

Endnotes



- ◀ 1 This is gross income. Councils' total income in 2015/16 was £18.9 billion, with £10.9 billion being provided by the Scottish Government.
- ◀ 2 [Local government in Scotland: Financial overview 2015/16](#) , Audit Scotland, November 2016.
- ◀ 3 The Scottish Government guarantees the combined general revenue grant and non-domestic rate income figure approved by the Parliament for each council. This means that any reduction in one component of funding is compensated for by an increase in the other.
- ◀ 4 *Scotland's Budget – 2016*, Fraser of Allander Institute, 2016.
- ◀ 5 This assumes that council tax collection rates (and the households this was collected from) would have remained the same and that total funding, and therefore income, would have been adjusted to exclude £70 million of revenue funding provided annually by the Scottish Government to councils to support the council tax freeze.
- ◀ 6 *Scotland's Budget – 2016*, Fraser of Allander Institute, 2016.
- ◀ 7 [School education](#) , Audit Scotland, June 2014. This report shows that performance improved between 2002/03 and 2012/13 against the ten attainment measures examined.
- ◀ 8 Aberdeenshire, Clackmannanshire, East Lothian, Highland, Midlothian, Orkney Islands, Shetland Islands and West Lothian councils.
- ◀ 9 *Public Sector Employment in Scotland*, Scottish Government, June 2016. These figures will include staff who have transferred to or from ALEOs over the period.
- ◀ 10 We reported in our November 2013 audit, [Scotland's public sector workforce](#) , that councils transferred 9,100 FTE posts to ALEOs between 2009/10 and 2012/13.
- ◀ 11 Information collected by auditors as a follow up to [Scotland's public sector workforce](#) , Audit Scotland, November 2013.
- ◀ 12 [Maintaining Scotland's roads: a follow-up report](#) , Audit Scotland, August 2016.
- ◀ 13 [Local government in Scotland: Financial overview 2015/16](#) , Audit Scotland, November 2016.
- ◀ 14 Auditors provided this information in July 2016. We report more information on funding gaps in [Local government in Scotland: Financial overview 2015/16](#) , Audit Scotland, November 2016.
- ◀ 15 [Falkirk Council: Best Value audit report](#) , Audit Scotland, December 2016.
- ◀ 16 [South Ayrshire Council: Best Value audit report](#) , Audit Scotland, June 2016.
- ◀ 17 The full range of indicators includes unit costs and public satisfaction. These are available on the Improvement Service website – www.improvementservice.org.uk/benchmarking/ 
- ◀ 18 *Scotland's People Annual Report: Results from the 2015 Scottish Household Survey*, 2016. There are limitations when using this data as survey questions do not fully distinguish the views of the whole adult population on services from the views of those who are direct users of the services. Sample size may also be an issue in some councils.
- ◀ 19 [Social work in Scotland](#) , Audit Scotland, September 2016.
- ◀ 20 *A Plan For Scotland, the Scottish Government's Programme For Scotland 2016-17*, Scottish Government, September 2016.
- ◀ 21 *Community Empowerment (Scotland) Act – Part 2: Community Planning Guidance*, Scottish Government, December 2016.

Local government in Scotland Performance and challenges 2017

This report is available in PDF and RTF formats,
along with a podcast summary at:

www.audit-scotland.gov.uk 

If you require this publication in an alternative
format and/or language, please contact us to
discuss your needs: 0131 625 1500

or info@audit-scotland.gov.uk 

For the latest news, reports
and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

T: 0131 625 1500 E: info@audit-scotland.gov.uk 

www.audit-scotland.gov.uk 

ISBN 978 1 911494 16 4

This publication is printed on 100% recycled, uncoated paper

