

MEETING: 13 JUNE 2019

REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

LOCAL GOVERNMENT OVERVIEW: IMPACT AND APPROACH

Purpose

1. This report provides the Commission with a summary of the initial impact of the two overview reports published during 2018/19:
 - Local government in Scotland: Financial overview 2017/18
 - Local government in Scotland: Challenges and performance 2019.
2. The report also invites the Commission to consider the development of overview reporting for 2019/20 and beyond.

Background

3. Local government overview reporting is an important part of the Accounts Commission's annual reporting programme. The two local government overview reports provide an annual opportunity for the Commission to share its conclusions from audit activity throughout the year, alongside commentary on key issues concerning local government. Supporting evidence is drawn from the range of local and national audit work carried out in the year, as well as specific research and analysis carried out in the weeks prior to the reports being drafted.
4. In June 2017, the Commission considered the impact of its new approach to overview reporting, which included issuing two reports – a financial one in November 2016 and a more forward-looking report that focussed on performance in March 2017. The Commission concluded that the approach increased the impact of the work and was well received by stakeholders.
5. In 2018/19, the financial overview was published on 29 November 2018 and the challenges and performance report on 21 March 2019. This was the third year of this approach to local government overview reporting. In June 2018, the Commission agreed that the scopes and emerging messages for the overviews would be brought to the full Commission rather than the committees.

Impact of the 2018/19 reports

6. The financial overview had by the end of March 2019, achieved:
 - 2772 downloads (2958 in 2018)
 - 78 podcast downloads (38 in 2018)
 - Supplement 1 – Scrutiny tool for councillors had achieved 398 downloads (402 in 2018)
 - Supplement 2 – Scottish Local Government pension scheme had achieved 108 downloads (382 in 2018).
7. Since publication of the challenges and performance report on 21 March (to 13 May 2019) the report has achieved:

- 1962 downloads (2803 in 2018)
- 74 podcast downloads (62 in 2018)
- Supplement 1 – Scrutiny tool for councillors had achieved 185 downloads (242 in 2018).

Councils

8. We have not carried out any formal exercise to assess councils' views on the overview reports this year. However, we have collected a degree of informal feedback from our day to day engagement activity. The feedback is positive, expressing that the reports are valued. For example, Directors of Finance value the independent, objective nature of the financial overview and the wider perspective that the reports give. The reports are widely considered at council audit/scrutiny committees and again feedback is positive. For example, we have feedback from auditors at one council that (with reference to the challenges and performance report), the chair of the committee was very pleased with the report, calling it an "excellent report" and stated that a member of the public had called him up to ask whether councillors were aware of the report. Other members also agreed that it was a useful report. There was some minor criticism of exhibits in the report being too compressed and trying to get across too much information. This is valuable feedback, which we will reflect on when developing our exhibits in future reports.

Scottish Parliament

9. Both reports created interest from the committees of the Scottish Parliament. The Commission's Chair and the Controller of Audit provided a briefing on the 2018/19 Financial Overview to the Local Government and Communities Committee on 12 December 2018 and on the 2019 Overview on 12 May 2019. A wide range of questions were asked by the MSPs. Focus of questions for the overviews were:

Financial Overview	Challenges and Performance
<ul style="list-style-type: none"> • The change in profile of funding/ income to local government • Comparative funding to other sectors • The funding formula for Scottish Government revenue funding 	<ul style="list-style-type: none"> • Scottish Government funding trend since 2013/14
<ul style="list-style-type: none"> • Spending on education and social services: impact on other service areas 	<ul style="list-style-type: none"> • 'Ring fencing'
<ul style="list-style-type: none"> • Income from fees and charges 	<ul style="list-style-type: none"> • Income from fees and charges
<ul style="list-style-type: none"> • Transformation 	<ul style="list-style-type: none"> • Transformation
<ul style="list-style-type: none"> • Long term financial planning 	<ul style="list-style-type: none"> • Long term financial planning
<ul style="list-style-type: none"> • IJB financial positions, financial transparency and financial planning 	<ul style="list-style-type: none"> • IJB financial positions, financial transparency and financial planning
<ul style="list-style-type: none"> • Equal pay 	<ul style="list-style-type: none"> • Workforce – planning, recruitment, sickness absence, equal pay
<ul style="list-style-type: none"> • Reserves • Borrowing and debt 	<ul style="list-style-type: none"> • Performance information – Local Government Benchmarking Framework (LGBF) and National Performance Framework
	<ul style="list-style-type: none"> • Community empowerment

Media and political reaction

Local government in Scotland: Financial overview 2017/18 –

10. The report was widely covered in the press and media, including the BBC. There was good coverage across a range of print titles including the Sun, Herald, Courier, Times and Telegraph. Key messages were well reflected as were CoSLA's remarks, welcoming the report. Media themes included the public having to make up income through increased council tax, to compensate for Scottish Government funding reductions. Local angles included Aberdeen City Council's debt, as the report noted that it took on the most debt of any local authority in Scotland last year.
11. The Scottish government said it had treated local government "very fairly". Political comment included:
 - Scottish Conservatives: Council tax payers across Scotland have been forced to compensate their local authorities following SNP budget cuts, a report has confirmed.
 - Scottish Labour's Finance spokesperson James Kelly MSP: "This report shows once again the shocking extent of SNP cuts to lifeline services.
 - Scottish Greens local government spokesperson Andy Wightman MSP: A damning report ...should be a wake-up call for the Scottish Government ahead of the forthcoming Scottish budget.... councils have raided their reserves to fill funding gaps ...and financial pressure they are under 'shows no sign of easing.'
 - Scottish Liberal Democrat leader Willie Rennie urged the Scottish Government to ease financial pressure on local authorities, after the local government auditor warned councils face a "complex range of challenges" and continued financial pressures.
12. The report was the lead for Labour FMQs. Richard Leonard said "the First Minister claimed last week to have given a fair settlement to local government, yet today's report highlights a cut of £220m in the past year". Ms Sturgeon replied that "the Accounts Commission report was for 2017/18 and we are currently in 2018/19 and the Scottish Government this year delivered a real-term increase for local government despite cuts from the UK government."

Local government in Scotland: Challenges and performance 2019 -

13. The Challenges and Performance report, published in March 2019, was also widely covered in the press and media, including STV, the BBC and across a wide range of national and local print titles. Key messages were broadly well reflected. Key themes reported included commentary around council tax increases compensating for reductions in Scottish Government funding and reduced flexibility in how councils can spend their money. Most print titles focused on the increases in charges seen in councils across Scotland, in particular burial charges. Various publications also focused on staff sickness levels. The Press & Journal took a different angle, looking at the councils being impacted by depopulation and the effect on funding. Holyrood magazine highlighted the Commission's message about transformation – "transformation of councils needed to withstand Scottish Government budget cuts, Accounts Commission warns".
14. Local angles included a focus on the fact that schools in Dundee were making the slowest progress in terms of school attainment and the reasons for this being more than just money or levels of deprivation. Public Finance reported at length about the funding formula for Scotland.
15. CoSLA welcomed the report. Comments on the report included:

- "... like other recent independent reports, clearly shows that councils have performed well and continued to deliver essential services for their communities over the last year despite the severe financial challenges that they face".
- "Today's report also makes clear that difficult times and choices lie ahead - coupled with continuing pressure on our finances."

16. The Scottish government said:

- there were "challenges" for local government, but it had been treated "very fairly" in budget allocations.
- "We welcome the report's findings that local authority performance is largely improving or being maintained. We expect all councils to consider and take any necessary action to implement the report's recommendations to help meet future challenges and continue to improve outcomes."

17. Political comment included:

- Scottish Conservatives: Scottish Conservative local government spokesman Alexander Stewart said the government "cut council finances to the bone, then expects hard-working council tax payers to pick up the slack".
- Scottish Labour: Labour Finance spokesperson James Kelly said: "This expert report exposes the brutal legacy of the SNP's cuts to council funding. We know across the country local authorities are struggling to keep up with demand and having to make brutal cuts and increase charges as a result. It's simply horrifying that the cost of burying a loved one is soaring because of brutal cuts to councils".
- Scottish Greens: MSP Andy Wightman said it was "essential that councils are better resourced and have more powers to fund services locally"
- Scottish Liberal Democrats: Scottish Liberal Democrat Communities and Local Government spokesperson Councillor Peter Barrett said that ... "Local authorities are faced with tough decisions to make ends meet. The Scottish Government has a duty to ease the pressure on struggling local authorities. Ministers must provide them with the funding and economic levers necessary to properly tackle local priorities."

Other stakeholders

18. The audit team continued to build effective relationships with key stakeholders, building on the establishment of an advisory group in the previous year. For 2018/19, an advisory group was established for each overview, with some overlap of key contacts that engaged with us on both overviews. We tried a new approach with the advisory groups which was to primarily seek comment and feedback through email rather than meetings. This proved successful and we received good quality comment and engagement from participants. This was supported by face-to-face meetings with some members and telephone discussions with others. The advisory groups were effective in offering the audit team the opportunity to test its thinking at key stages in each project, and to hear how emerging messages might play with specific stakeholders.

Approach for 2019/20 and beyond

19. Local government overview reporting is an established and important part of the Commission's work programme. Commission members refer to these as 'flagship' reports, and it is important that we continue to review and improve our approach.

Timeline for 2019/20

20. The Commission’s oversight of the overview reports last year was as follows:

- The Chair and Deputy Chair acted as our Commission sponsors. This has worked well, and we propose the same arrangement for 2019/2020. The current Deputy Chair has been involved in an initial discussion about the scope for the financial overview (also on the agenda for this meeting). Future engagement will be with the Chair and the new Deputy, after their appointment in August.
- Last year we brought the draft scope for both reports, the emerging messages and draft reports to the full Commission rather than the committees. This recognised the whole Commission’s interest in overview reporting and worked well.

21. Last year’s timeline and the proposed timeline for this year are set out below. In light of the challenging timescales involved, we are proposing a different approach to the emerging messages stage of the process, as outlined in paragraph 23, below.

2017/18 and proposed 2018/19 timelines for reporting to the Accounts Commission

Reports to Accounts Commission	Financial overview 2017/18	Financial overview 2018/19	LG overview 2019 – challenges and performance	LG overview 2020 – challenges and performance
Scope	13 Sept 18	13 June 19	13 Sept 18	12 Sept 19
Emerging messages	11 Oct 18	10 Oct 19 (see para 23)	6 Dec 18	12 Dec 19
Draft report	8 Nov 18	14 Nov 19	7 Feb 19	March 20
Final report publication	29 Nov 18	5 Dec 19	21 March 19	April 20

22. This year we have brought the scope for the financial overview forward to the June Commission meeting. We aim to move towards a more year-round approach to the work and earlier agreement of the scope will support earlier progress with the core analysis work.

23. Last year the Commission considered emerging messages for the financial overview in October. This year, we are proposing a different approach. We ask that the Commission consider delegating review and challenge of the emerging messages to its overview sponsors. The team do not receive and analyse core evidence for the financial overview until October. This includes the final accounts and local Annual Audit Reports for all councils, pension funds and IJBs (almost 150 outputs). Emerging messages for the October Commission meeting would be submitted by 30 September and therefore does not reflect the messages from these key sources. The team is also drafting the report during October. Discussing the emerging messages with the sponsors rather than the full Commission during October would allow the team to discuss with the sponsors the messages emerging from the annual audit reports and final accounts as the work progresses.

24. An additional option would be to share with the Commission, by correspondence, a copy of the emerging messages discussed with the sponsors in October or, to provide early messages by correspondence in August or September that set out the messages gathered by that stage. There is no Commission PA committee during this period that would provide an alternative to bringing the emerging messages to the full Accounts Commission meeting.

25. As the Commission meeting is the second week of November this year, rather than the first, it is not feasible to publish the financial overview report in November, as we did last year. We plan to publish the financial overview on 5 December this year.
26. This year, we published the challenges and performance report in March rather than in April (we published in April in 2018). Although we recognise that for presentation, publication within the financial year is preferable, this had some risks:
 - There was less time for the team to analyse LGBF data, develop messages from the analysis to add value, discuss potential areas of focus with the Improvement Service and test out our conclusions with other stakeholder. The LGBF draft report findings were presented to the Commission at its February Commission meeting by David Martin and Emily Lynch, the same meeting as the draft overview report. It would be helpful to have more time to consider the LGBF board's findings before presenting the draft overview.
 - The Local Government financial settlement circular, which includes important details about funding for the year ahead, was issued on 7 March 2019. Analysis and updating of exhibits and data was needed at this late stage which created additional risk to the quality and accuracy of the report and brought additional pressures to the team and sponsors.
27. Bringing the draft report to the Commission's March meeting and publishing the report in April would reduce these risks and be beneficial for the quality of analysis and information available to discuss with the Commission.
28. In addition to the overview reports, the Controller of Audit proposes bringing the Annual Assurance and Risks Report to the Commission at its February 2020 meeting. This will be a month before the draft challenges and performance overview is presented. This worked well this year in providing background and detail for Commission members to discuss in advance of considering the challenges and performance report.

Improvement work

29. We continue to seek ways to develop and improve the local government overview work. This year we aim to build on the success of the advisory group approach taken last year. This includes extending the invitation to a wider group of internal and external stakeholders for each group. It also includes more engagement with these stakeholders throughout the audit work. For example, we are planning a round table meeting between Audit Scotland, CoSLA and SPICE, to discuss our different use and analysis of financial information.
30. There are many forums and relationships that we already have with local government stakeholders. We can make better use of these in relation to overviews and have begun to build these into the work. Part of this engagement will also be to seek ongoing feedback on the overview reports and supporting products to inform improvement. This might include developing a more systematic feedback mechanism to gather the views of Council Leaders and Chief Executives following the publication of the reports.
31. We are piloting a new approach to support scoping and intelligence gathering on specific service areas. In February 2019, we hosted a round table session, in partnership with the Improvement Service, with local government planning service professionals. The objective is to focus on this service area in the Commission's challenges and performance report this coming year to illustrate the strategic issues. We plan to develop the approach further and look at other service areas in this targeted way.

32. There is scope to continue to increase the impact of the overview work by making better connections to the rest of our work on local government. Our aim for the challenges and performance overview work is to develop a closer tie for scoping and planning the work to the forward work programme and our programme development activity.. We are planning to develop a three-year rolling plan with the Commission, for the broad scope of local government overview work. We will set out this approach with the challenges and performance overview scope paper, which we plan to bring to the Commission in September 2019.
33. Alongside the three-year rolling plan, we plan to develop an improvement plan for the communication and impact of the overview work. We will develop this with our sponsors, the Secretary to the Commission and the communications team. We will report on progress alongside the planning approach and challenges and performance overview scope paper, in September 2019.

Conclusion

34. The Commission is asked to:

- a) note the initial impact of the overview reports in 2018/19;
- b) agree the proposed approach to overview reporting in the future, including:
 - i. timescales for 2019/20;
 - ii. approach to considering emerging messages for the financial overview;
 - iii. development of medium-term planning for the challenges and performance overview work.

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