

Public Document Pack



AUDIT AND SCRUTINY COMMITTEE MONDAY, 15 FEBRUARY 2021

A MEETING of the AUDIT AND SCRUTINY COMMITTEE will be held on MONDAY, 15 FEBRUARY 2021 at 10.15 a.m. The meeting will be conducted by Microsoft Teams live event. Arrangements are in place to stream the meeting for public viewing. Further information and a link is provided on the Council's website.

There will be a meeting of Members of the Committee at 9.30 a.m. prior to the main meeting to consider the completion of the Scrutiny tool for Elected Members within the recently published Digital Progress in Local Government.

J. J. WILKINSON,
Clerk to the Council,

8 February 2021

BUSINESS		
1.	Apologies for Absence.	
2.	Order of Business.	
3.	Declarations of Interest.	
4.	Minute. (Pages 3 - 8) Minute of Meeting of the Audit and Scrutiny Committee held on 14 January 2021 to be approved and signed by the Chairman (copy attached).	5 mins
5.	Action Tracker (Pages 9 - 10) To note progress made on the Action Tracker (copy attached).	5 mins
AUDIT BUSINESS		
6.	Risk Management in Services Presentation by Service Director HR & Communications on the strategic risks facing the Services and the internal controls and governance in place to manage / mitigate those risks to demonstrate how risk management is embedded within Services. (Verbal presentation).	30 mins
7.	Best Value Action Plan (Pages 11 - 20)	15 mins

	Consider Progress Update by the Executive Director Corporate Improvement & Economy on the Best Value Audit Implementation Plan (copy attached).	
8.	Internal Audit work to December 2020 (Pages 21 - 32) Consider a report by Chief Officer Audit & Risk on findings from recent work carried out by Internal Audit, including the recommended audit actions agreed by Management to improve internal controls and governance arrangements (copy attached).	15 mins
9.	Digital Progress in Local Government (Pages 33 - 80) Consider report by Accounts Commission (copy attached).	15 mins
10.	Local Government in Scotland Financial Overview 2019/20 (Pages 81 - 134) Consider report by Accounts Commission (copy attached).	15 mins
11.	Following the Public Pound Code of Practice Update (Pages 135 - 148) Consider report by Executive Director Finance & Regulatory (copy attached).	10 mins
12.	Loans Charges and Private Finance Accounting Treatment (Pages 149 - 152) Consider Briefing Note by the Executive Director Finance & Regulatory providing requested background and information (copy attached).	10 mins
13.	Any Other Items Previously Circulated.	
14.	Any Other Items which the Chairman Decides are Urgent.	

NOTES

1. **Timings given above are only indicative and not intended to inhibit Members' discussions.**
2. **Members are reminded that, if they have a pecuniary or non-pecuniary interest in any item of business coming before the meeting, that interest should be declared prior to commencement of discussion on that item. Such declaration will be recorded in the Minute of the meeting.**

Membership of Committee:- Councillors S. Bell (Chairman), H. Anderson, J. A. Fullarton, J. Greenwell, N. Richards, E. Robson, H. Scott, E. Thornton-Nicol, S. Scott, Mr M Middlemiss and Ms H Barnett

Please direct any enquiries to Fiona Walling Tel: 01835 826504
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**SCOTTISH BORDERS COUNCIL
AUDIT AND SCRUTINY COMMITTEE**

MINUTE of Meeting of the AUDIT AND
SCRUTINY COMMITTEE held via Microsoft
Teams on Thursday, 14 January 2021 at
10.00 am

Present:- Councillors S. Bell (Chairman), H. Anderson, J.A. Fullarton, J. Greenwell,
N. Richards, E. Robson (from para 3.3), H. Scott and S. Scott.
Also present:- Councillors S. Aitchison and A. Anderson (for petition).
Apologies:- Councillor E. Thornton-Nicol

In Attendance:- Service Director Assets & Infrastructure, Service Director Young People,
Engagement & Inclusion, Service Director Customer & Communities, Clerk to
the Council, Democratic Services Officer (F. Walling).

SCRUTINY BUSINESS

1. **MINUTE.**

There had been circulated copies of the Minute of the Meeting held on 10 December 2020.

DECISION

APPROVED for signature by the Chairman.

MEMBER

Councillor Harry Scott declared an interest in the following item of business and left the meeting during the discussion.

2. **PETITION**

2.1 **Petitions Procedure**

There had been circulated copies of an extract from the Audit and Scrutiny Committee Petitions procedure and the Chairman asked for this to be noted. The Chairman welcomed to the meeting lead petitioner Dr Stuart Gordon.

2.2 **Petition – Save Scott Park - Galashiels**

There had been circulated copies of a petition entitled “Save Scott Park – Galashiels”, which had received the required 10 signatories. There had also been circulated a Change.org petition with over 700 signatures, although not all those signing were from the Scottish Borders. There had also been circulated copies of a briefing note by the Service Director Assets and Infrastructure in response to the petition. The reason for the petition, as stated within the submission circulated, was that from a presentation given by Scottish Borders Council to local residents, it was clear that the Council was currently developing its preferred option for the new Galashiels Academy and, if given planning consent, the proposal would place the new campus within Scott Park. The Clerk confirmed that this was a valid petition for consideration by the Committee.

2.3 The Chairman invited the petitioner to present the petition. Dr Gordon introduced himself and gave a summary of his background. He explained that he was a Chartered Engineer with over 30 years’ experience. He was now a consultant and been involved in a series of high profile projects which included work for the Scottish Government. Dr Gordon referred back to the petition statement, which maintained that the design team had selected a preferred site for the new development before any public consultation had

taken place. Although the petitioners agreed that the construction of a new school and associated sporting and community facilities would be of great benefit to Galashiels, the group strongly opposed locating the campus within the park. It was stated that Scott Park was one of the few remaining open spaces in the town which provided a safe and natural environment that was used widely by families and for a range of social events and sporting activities. The petitioners insisted that the Council should develop an alternative option to their proposed plan that would make use of the existing 7 hectare site to accommodate the new campus building and pitches. Council policies included reference to Key Greenspace and Scott Park was identified as such. The policy offered protection to these spaces and the petitioners asked that the Council respect this policy and endeavour to deliver a new campus within the existing school grounds that would sit alongside and in harmony with the park. The statement concluded by emphasising that the petition was being presented to save one of the best open spaces in Galashiels.

2.4 Dr Gordon had noted that ground investigation works had been undertaken in Scott Park in October of last year and he and his group had made efforts, in October and November 2020, to raise objections to development within the park with the Service Director Assets & Infrastructure. A petition had been submitted at the end of November but had been misplaced. Dr Gordon referred to the report to Council on 17 December 2020, which he said was to essentially take forward the preferred option for the campus building despite there having been no consultation on the options. The report did not preclude consideration of all 5 options for location but only option 3, the preferred option, had been fully developed. The public now expected robust consultation on a set of properly developed options. Dr Gordon went on to highlight in detail the problems that he saw within that report. He emphasised that policy should drive development but he gave examples of where he believed the proposal contradicted the Local Development Plan (LDP2) and in particular policy EP11 – protection of greenspace. Dr Gordon quoted parts of policy EP11 and stated where he believed this was not being complied with. He referred to the independent planning advice, accompanying the report to Council, which noted that policy EP11 could be seen to permit development on greenspace subject to mitigation in the form of replacement greenspace to a similar level of provision. Dr Gordon maintained that the alternative proposed area of greenspace offered in mitigation was not an acceptable or adequate replacement for the area of Scott Park being lost, in terms of its character and amenity. The alternative represented a patchwork of areas which would be severed by a live access road to the new school and rather than creating safe places for leisure activities the secluded areas would be hidden from sight and encourage vandalism. Furthermore it was proposed to remove an attractive Victorian Lodge and replace this with a playpark. Dr Gordon said that, in terms of the preferred option, he had physically marked out in Scott Park the footprint of the campus building and that this could be compared in size to one of the large superstores within the town. He said this option should be a last resort and that the Council should properly develop other options which had been presented in the report to Council. He had ideas, in particular, about the feasibility of options 1 and 2 and how these could be developed. He would be happy to share these ideas with the Council. In conclusion Dr Gordon asked the Council to adhere to LDP2, to properly comply with policy EP11 and to develop a set of viable options to take forward to public consultation.

2.5 Councillors thanked Dr Gordon for his detailed presentation. In response to a question about the alternative greenspace offered as part of the preferred option, Dr Gordon explained that if the alternative area had the same flat and open character of Scott Park this would be more acceptable. In fact it was different in character and not connected but divided by trees. He regarded the existing park as an open and safe area which he had observed being used by children and adults for games and exercise, dog walking and sledging. The park was also used for Braw Lads events and in the past had been used to facilitate an annual caravan rally. In response to a further question about whether he was suggesting the existing school children be decamped while a new campus was built on the same site, Dr Gordon accepted that he did not want this but suggested that if option 1 was explored, to build on existing pitches behind the school, the children would be

unaffected. He clarified that what the petition was seeking was for the Council to take forward for public consultation a set of viable well developed options that were the best they could be.

- 2.6 In attendance to present the Council's response to the petition, were Mr John Curry, Service Director Assets & Infrastructure and Mr Steven Renwick, Project Manager. Also present was Ms Lesley Munro, Service Director Young People, Engagement & Inclusion. The report, which had been circulated prior to the meeting, summarised the content and context of the petition received by the Council. It set out the background to the decision to build a replacement Galashiels Academy, that the location should be focused on the existing school site and that a key criteria was to develop a proposal for a new Community Campus while keeping the existing Academy operational. The 5 options presented in the report to Council on 17 December 2020 had been assessed as part of an options appraisal process. The report identified a preference for option 3 and Councillors agreed at the Council meeting to take the project to public consultation. The report acknowledged that this would have an impact on Scott Park and its key greenspace designation. Independent planning advice had been obtained which identified that there would be prospects to promote a planning application for the new Community Campus. The planning advice identified that, subject to justification, replacement greenspace adjacent to the development would be considered material to a planning application. The appendix to the report to Council on 17 December 2020 identified landscape proposals that re-provided and enhanced Scott Park. These proposals would be developed in more detail as part of the ongoing design process to improve access, usability and the overall environment of the park. Public consultation material was now being prepared with the intention of commencing early February 2021. The public consultation would be structured under the Schools (Consultation) (Scotland) Act 2010. Within this legislation, the Council was required to consult on a 'relevant proposal'. While the consultation material would show and describe all options considered, it was intended that the 'relevant proposal' would be Option 3 as contained within the report to Council on 17 December 2020. Mr Curry advised that as the project would cover an area greater than 2 hectares a 'Proposal of Application Notice' (PAN) would be required under planning legislation. This process would take place prior to a full planning application. Officers had reviewed the requirements of the PAN and intended delaying this consultation process until after the consultation which was being prepared under the Schools (Consultation) (Scotland) Act 2010. Mr Curry acknowledged that, whilst it was normal practice to carry out ground investigation works based on a preferred option, this survey work carried out in the October School holiday, appeared to have been the catalyst for local and community based opposition to a proposed development that would impact on Scott Park. Officers had taken steps to meet groups, including the nearby Scott Crescent residents, in an attempt to be proactive and engage with the community.
- 2.7 The Chairman invited Members' questions on the officers' response to the petition. In terms of the area of proposed replacement green space Mr Renwick referred to the appendix to the report to Council on 17th December 2020 which identified a net gain of 2.3 hectares, but he acknowledged that this did not provide like for like replacement of a flat area of grass. However, there appeared to be no reason that the present activities identified as taking place on Scott Park could not also take place on the re-provisioned spaces. Mr Curry confirmed that, for the consultation, there were no plans to develop the other options to an equivalent level as Option 3 but that the public would be able to question and comment in relation to all the options. It was hoped that the consultation would access a large number of groups and capture as much feedback as possible through major platforms and on-line workshops. In terms of the successful bid for funding support from Scottish Government, Mr Curry agreed that there was a potential risk to the delivery of the new campus if delivery proved to be too challenging. However it was a priority for the Council to include and engage with the community throughout the process. With reference to the Council's dual role in relation to this project, the Chairman asked how the Council, in developing the proposal, would ensure its independence from the planning process. Mr Curry explained that the external team commissioned to develop the

proposals sat separate from the regulatory team. An independent planning consultant had also been brought in to advise the design team and to ensure separation from the Council's planning team. The Chairman asked Mr Curry to make this clear in communications to the public. With regard to proposals for the site and in particular in terms of plans for the historic lodge building and the access road across the park, Mr Renwick agreed that there was flexibility. Under Option 3, the volume of traffic on the existing access road which bisected the park would be reduced as the proposal was to use, as an access to the school, the access to the new car park to the north of the site. He confirmed that there was scope for changes. When invited to put questions to the officers, the petitioner, Dr Gordon, asked if the design team would consider exploring further development of Options 1 & 2 in a workshop with himself and others within his group, so that there was a viable strong alternative to Option 3. Mr Renwick pointed out that, as outlined in the report to Council, Option 1 would result in the loss of existing sports provision for about 900 children during the 2 ½ year construction period, which would significantly disrupt curriculum provision for those young people. Mr Curry expressed confidence in the experienced and capable design team and indicated his preference to continue as planned rather than develop a solution that may not be viable. He added that should the outcome of the consultation raise other options these would be considered.

- 2.8 The Chairman invited members of the Committee to discuss the submissions and consider their findings. Members welcomed the well-researched petition and the debate that had been initiated. However, on balance, they were satisfied that all the options had been developed and wanted to support Mr Curry in taking forward the existing proposals for public consultation. They commented in particular on the importance of minimising the impact on the pupils attending the existing Academy during the construction of the new campus building. Members noted that should other possibilities and suggestions be put forward as a result of the public consultation they could be considered at that stage. The Chairman asked that the micro-siting opportunities discussed, such as restricting use of the existing access road, be explored for Option 3 if, after consultation, that remained the favoured way forward. Councillor Bell thanked Dr Gordon for his well-articulated case and the officers for their response. He apologised to Dr Gordon for the delay in considering his petition which had not happened until after Council had considered the options for the new Galashiels Campus and hoped that Dr Gordon would take the decision of the committee in the spirit in which it was intended.

DECISION

AGREED that the issue raised by the petition did not merit further action at this time.

MEMBER

Councillor Harry Scott re-joined the meeting.

3. CHILD POVERTY

- 3.1 There had been circulated copies of a joint report by the Service Director, Customer & Communities and Service Director, Young People Engagement & Inclusion providing an overview of the evaluation of the actions that Scottish Borders Council and Partners were taking to tackle Child Poverty in the Scottish Borders. The report was presented by Ms Jenni Craig, Service Director, Customer & Communities and summarised in a slide presentation. Also in attendance was Ms Janice Robertson, Strategic Planning & Policy Manager. Ms Craig explained that The Child Poverty (Scotland) Act 2017 required Local Authorities and Health Boards to jointly prepare a Local Child Poverty Action Plan, Report and an Annual Progress report. A Report, Action Plan and Annual Progress Report for both 2018/19 and 2019/20 had been agreed by the Community Planning Partnership Strategic Board, submitted to Scottish Government and published on the Council's website. A current Report and Action Plan for 2020/21 had also been agreed and published with an Annual Progress Report to follow in April 2021. The Child Poverty Planning Group (CPPG) managed the implementation of the Plans and was accountable

to the Scottish Borders Community Planning Partnership (CPP). Membership of the CPPG, a strategic group of senior multi-agency partners, was shown in Appendix 1 to the report. The remit of the CPPG was to plan, undertake and monitor actions and to report to CPP and Scottish Government. Plans were prepared within themes and outlined the activity taking place, which partners were involved, which poverty driver the action sought to improve, intended beneficiaries/target groups and how the impact would be assessed.

- 3.2 Ms Craig went on to provide the highlights from the reports and referred to the Child Poverty Action Plan attached as Appendix 2 to the report. The 2018/19 report, the first produced under the Act, detailed activities including modern apprentice opportunities; targeted support and intervention to close the poverty related attainment gap; active promotion of free school meals, clothing grants and educational maintenance allowances; Early Years Pathway Project; and Housing Plans to assist homeless. Highlights of the 2019/20 report included apprenticeships and training opportunities in partnership; Inspire Learning programme – access to own Ipad for all students from P4; and continuing successful Early Years Project. The current report, due by June 2021, contained planned actions on a Money Worries App to signpost to services; Connecting Scotland bids to enable the more vulnerable to get online; continued work on the poverty related attainment gap; families in crisis access to emergency funds; and affordable housing developments. A recommendation that was highlighted for local action, in a Poverty and Inequality Commission review of the 2018/19 Action Reports, was ‘to review how data and evidence is used to measure progress and ensure effective evaluation and monitoring methods were in place’. The approach to this recommendation was outlined in the report. Action Plans were organised into themes and indications given of which partners were involved in each action and which poverty driver the action was designed to address. The Action Plan also set out how the impact of each action would be assessed and the beneficiaries and target groups of that action. Evaluation and monitoring methods continued to be strengthened and were reviewed by the CPPG to ensure that they were effective and produced outputs and evidence to support actions.
- 3.3 In a discussion of the report and presentation, Members received further information in response to their questions, particularly in relation to the statistics contained within the Action Plan attached as Appendix 2 to the report. Attention was drawn to the fact that, in terms of the HMRC child poverty data, shown within the appendix, the percentage of children who lived in families with limited resources in the Scottish Borders was significantly higher than the percentages in other local authorities in the family group. It was accepted that this could be due to the significant impact of the low wage economy in the Scottish Borders. However officers were asked if more in-depth benchmarking work could be carried out with the comparator authorities to explore whether there were significant underlying issues or whether the difference was due to how the data was gathered. Attention was drawn to a formatting problem in the table under Figure 8 within the appendix which resulted in a misleading set of figures. Also there were no headings on the table to explain the information presented. Officers apologised for this error and advised that a corrected table, with headings and showing figures for each Ward, would be circulated to Members. When asked if there was scope for Councillors to be more involved in the actions to tackle child poverty, Ms Craig referred to the Member/Officer Anti-Poverty Strategy Working Group. This was a short-life working group but there may be an opportunity for further Member involvement deriving from that. Officers would raise this point with the Group. In terms of the progress of the Pathways Project, Ms Craig explained that the pilot had been successful and that the project had been at the point of roll-out when the Covid outbreak occurred. A question was asked about the risk of poverty remaining hidden and the significance of the Child Poverty Index (CPI), developed by Scottish Borders Council from data related to four components, rather than relying on one-dimensional measures. Ms Craig confirmed that the CPI was a valuable tool with data being reported through the Anti-Poverty Strategy Working Group. She would provide an update on how this was used and circulate to Members. In response to a question about the attainment gap and issues around internet connectivity, the Service Director, Young People Engagement & Inclusion, agreed that in addition to providing Ipads there

were actions being taken to address connectivity problems, for example by the provision of MiFi Units. However there needed to be more granular understanding of the attainment gap and its impact as this may not be the same for each young person. Ms Craig agreed that financial challenges for families appeared to be growing and that an increasing level of advice would be required. The Council would be liaising with Citizen Advice colleagues about what was expected to be a key area of focus this year. The concluding discussion focused on how Child Poverty was defined as there appeared to be no clear definition. It was noted that identification of the drivers for poverty were dependent on the definition. Members also expressed the view that, although the report presented a raft of initiatives, it would be helpful to have more performance information. Members welcomed Ms Craig's suggestion to include performance information in the quarterly corporate performance report in addition to the presentation of a more detailed annual report. It was agreed that officers be requested to provide an update to the Audit and Scrutiny Committee meeting in June 2021 to take forward the issues that had been raised. The Chairman thanked the officers for their attendance.

DECISION

AGREED:-

- (a) that an updated table of figures showing child poverty levels in each Ward would be circulated; and**
- (b) to request that officers provide an update to the June Audit & Scrutiny Committee to facilitate discussion on the following:**
 - (i) a definition of child poverty and a view of the key drivers for child poverty;**
 - (ii) how Councillors could be involved in the Council's approach to tackle child poverty;**
 - (iii) the information to be included in presentation of data in quarterly performance reports; and**
 - (iv) whether benchmarking with local authorities within the family group could be carried out to identify any underlying issues giving rise to the difference in percentage levels of child poverty and to learn from best practice.**

The meeting concluded at 12.45 pm

SCOTTISH BORDERS COUNCIL

ACTION SHEET MASTER COPY

AUDIT and SCRUTINY COMMITTEE 2020/21

Notes:-

1. Paragraphs Marked with a * require full Council approval before action can be taken
2. Items for which no actions are required are not included

TITLE	DECISION REQUIRING ACTION	DIRECTORATE/ SECTION	RESPONSIBLE OFFICER	STATUS
28 September 2020				
Best Value Action Plan	The Chairman commented that the detail of progress had been reassuring but it would be helpful to have such information in advance of the meeting to give Members the opportunity to understand and consider what questions they may wish to ask. It had been useful to see the total of actions but for the quarterly reviews going forward, the focus would be on exceptions rather than all actions.	Transformation & Performance	Jason McDonald	Next quarterly update of BV Action Plan scheduled for presentation on 15 February 2021. Complete.
Audit Scotland Counter Fraud Reports	Request that the Corporate Fraud Steering Group (Integrity Group) of officers consider all three reports as part of their counter fraud role and responsibilities, and carry out an assessment of counter fraud controls associated with the covid-19-emerging-fraud-risks and report back to the Committee on findings and necessary actions at the earliest opportunity.	Audit & Risk	Jill Stacey	Initiated at the meeting of the Corporate Fraud Steering Group (Integrity Group) on 30 October 2020. Report scheduled for presentation to A&SC on 8 March 2021.
22 October 2020				
Annual Assurance Statement 2019/20 to the Scottish Housing Regulator	It was requested and noted that future reports would contain more detail with regard to actions taken. A private Members' briefing would also be arranged to update Ward Councillors on progress with the occupancy agreement for Tweedside Park residents.	Customer & Communities	Jenni Craig	In hand.
	Approve the Annual Assurance Statement 2019/20 for submission to the Scottish Housing Regulator.	Customer & Communities	Jenni Craig	Submitted along with the 'Summary Statement of Self-Assessment of Compliance against Regulatory Framework' to the Scottish Housing Regulator via the Landlord Portal on 26 November 2020. Complete.

Police Community Action Teams Governance	AGREED that officers bring back a report with details on enhancing reporting to Executive Committee and investigating a mechanism for improving communication between the Oversight Group and Police, Fire and Rescue and Safer Communities Board.	Clerk to the Council	Jenny Wilkinson	Agenda item A&SC (Scrutiny business) meeting on 10 December 2020. Complete.
23 November 2020				
Treasury Management Mid-Year Report 2020/21	AGREED to request the Executive Director Finance & Regulatory bring a briefing paper on the financial elements of PFI contracts, including any changes being sought on the national regulations.	Finance & Regulatory	David Robertson	Draft Treasury Management and Investment Strategy 2021/22 scheduled for presentation to A&SC on 15 February 2021.
Progress on Implementation of Internal Audit Recommendations	AGREED to request that the senior managers implementing the Digital Customer Access programme attend the next meeting of the Audit & Scrutiny Committee (Audit business) to provide further information.	Customer & Communities Transformation & Performance	Jenni Craig Jason McDonald	Next meeting of Audit & Scrutiny Committee (Audit business) is on 15 February 2021.
Internal Audit Work to October 2020	AGREED to request that the Executive Director Finance & Regulatory write to the Chief Executive NHS Borders to encourage sign-off at the earliest opportunity of the SLA relating to the Community Equipment Service.	Finance & Regulatory	David Robertson	In hand.

Best Value Audit Implementation Plan

Progress Update

15 February 2021

UPDATE

- The last update on the progress of the Best Value Audit Implementation Plan was presented to the Audit and Scrutiny Committee in September 2020.
- As requested, this update focusses on actions by exception and presents 12 of the 40 actions which make up the Implementation Plan.
- The update was presented to CMT on 27 January 2021 and a further update on progress of the wider Implementation Action Plan will be provided to this forum in due course.
- Best Value Audit Implementation Plan Update Timeline:

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29/07/2020	15/09/2020	28/09/2020	27/01/2021	08/02/2021
Corporate Management Team	APWG	A&S Committee	Corporate Management Team	A&S Committee



UPDATE *cont.*

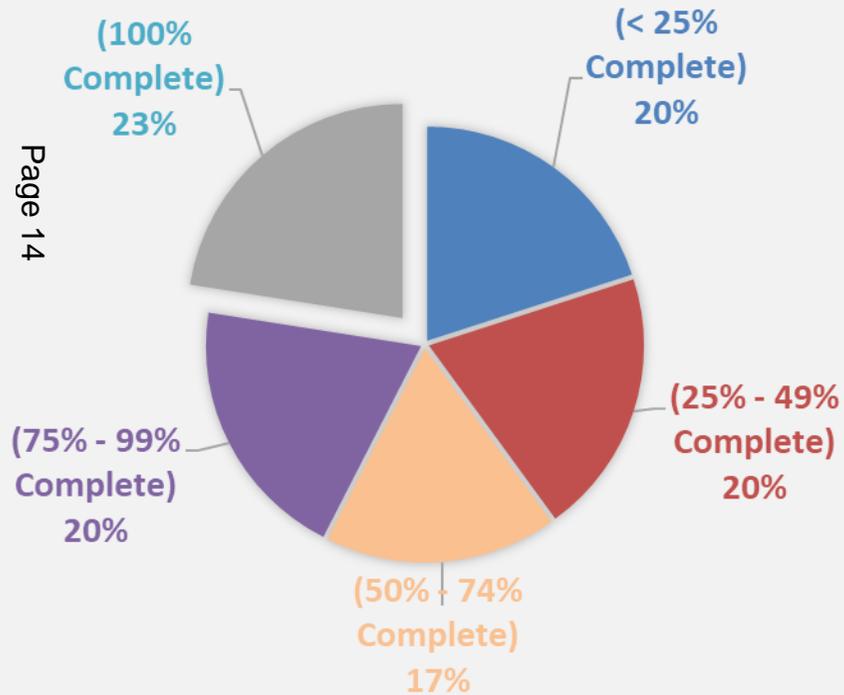
- The impact of CV-19 on the organisation is acknowledged and while the response to the pandemic has provided opportunity to progress many developments, it has also brought an increased demand on staff.
- Many of the Officers responsible for the Implementation Plan's progression are heavily involved in the council's response to CV-19. Where progress has been halted or delayed, senior managers have noted these and will endeavour to move these forward quickly.
- Since the last update there has been completion of a further 3 actions, with many more continuing to make progress.

NEXT STEPS

- CMT to continue to help drive through implementation of actions.
- Regular updates to continue to be sought from Service Leads and progress reported to A&S

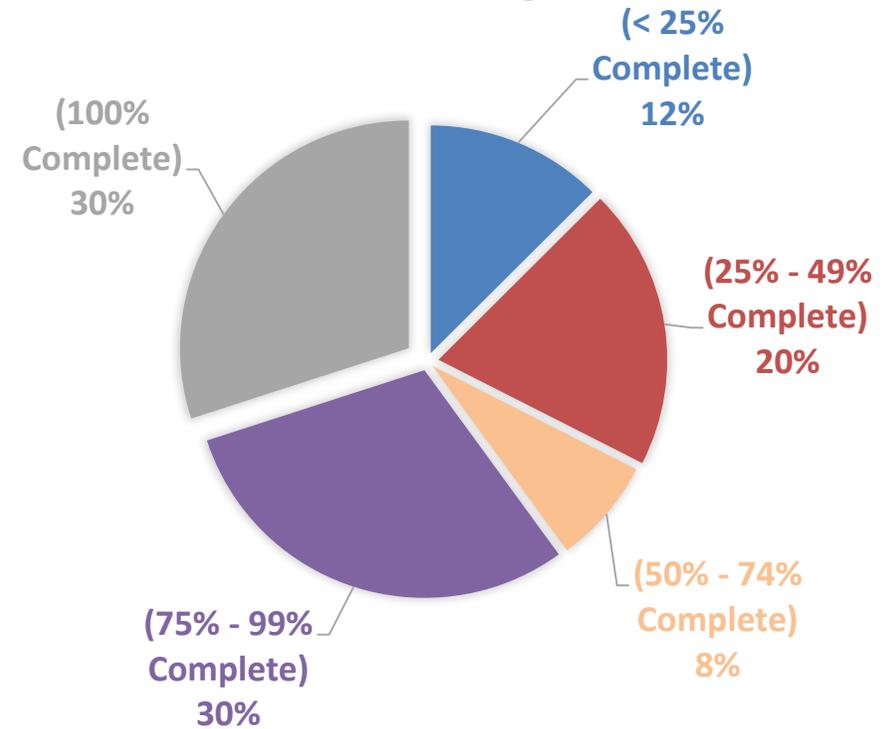
PROGRESS ROUND UP OF ALL 40 ACTIONS

Progress at 28/09/2020



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Current Progress



Audit Recommendation: *Embed a culture of Continuous improvement by implementing a corporate approach to self evaluation and benchmarking*

ACTION		Timescales	Lead Officer	Report Ref	Service Lead	Progress at 28.09.20	Updated Progress	NOTES
2	As part of regular Corporate Management Team performance monitoring, review service self-evaluation arrangements, including use of peer evaluations.	30-Jun-20	Jenni Craig	67	Jason McDonald	0%	30%	The Self Evaluation tool has been agreed and is ready to go to managers; however, this has been delayed due to demands placed on all managers to facilitate CV-19 related response work and information returns.
4	Review content of customer satisfaction surveys, engaging with partner organisations/providers as required, to maximise opportunities for insight and ensure appropriate questioning & results analysis in future Scottish Borders Household Surveys.	30-Jun-20	Jenni Craig	62	Clare Malster	0%	25%	Recent customer engagement initiatives, such as Borders Older Peoples Planning Partnership (BOPPP), have created opportunity to gather real-time feedback to inform and shape future surveys. The next phase is to engage internally with Service Areas to ensure appropriate questioning for future surveys. Discussions are ongoing to determine how best to proceed with this while services continue to respond to the CV-19 pandemic.

Audit Recommendation: *Seek to improve partnership working with NHS Borders in order to support the strategic objectives of the Integration Joint Board*

ACTION		Timescales	Lead Officer	Report Ref	Service Lead	Progress at 28.09.20	Updated Progress	NOTES
5	Bring together a joint approach to transformation and evaluation process across the organisations.	28-Feb-20	C Hepburn / J Smyth	112 – 116	Clair Hepburn	25%	25%	An evaluation on the discharge programme of work due for discussion at IJB in February 2021, the method used here could form the basis of a joint approach to transformation and evaluation across the organisations.
7	Explore co location and shared services opportunities as part of Fit for 2024 and corresponding NHS programmes.	30-Sep-20	John Curry	112 – 116	-	25%	25%	Discussions between SBC and NHS took place on 19/01/21 in relation to co-location and shared services opportunities. NHS were supportive of a joined up approach and being involved in this, including exploring options for shared facilities and/or services. Further discussions will be arranged in due course. A summary paper on strategic service review/place making is due to be presented to CMT for discussion on 27/01/21.
8	Enhance governance arrangements and clarity of role of respective partnership groups including IJB Board , Executive Management Team and Strategic Planning Group. <ul style="list-style-type: none"> improving quality and availability of reports outlining proposals to enable these groups to plan and take decisions more effectively. 	31-May-20	Rob McC-G	112 – 116	Graeme McMurdo	80%	90%	As Action 10.The Chief Officer Health & Social Care Integration recently presented a revised structure which will enhance governance arrangements and joint working between SBC and Health.

Cont./

ACTION		Timescales	Lead Officer	Report Ref	Service Lead	Progress at 28.09.20	Updated Progress	NOTES
9	Develop a model for localities that adopts a single structure for the management and provision of joint health and Social services.	31-Mar-21 (30/06/2020)	Rob McC-G	112 – 116	Clare Richards	25%	40%	Locality hubs in operation, accelerated by response to CV-19. Work is ongoing to determine local demand, resource requirements and structures. No governance issues, current risk would be reduction in NHS involvement as staff are pulled away to support the response to CV-19. Next steps are to re-establish virtual What Matters hubs, standardise approach across localities with a core framework and, finalise staffing structure. Scope expanded to include multiple services (C&F, Education, Homelessness, H&SC).
10	Ensure a joint financial and service plan that is fully endorsed by respective partners is prepared for IJB on an annual basis.	30-Apr-20	Rob McC-G	112 – 116	Graeme McMurdo	80%	80%	Meeting of the IJB on 17 February 21 will consider IJB's commissioning role of the Strategic Implementation Plan; therefore, bringing together budget and operational delivery. This will be 100% complete following the February meeting.

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Audit Recommendation:

Improve how the Community Planning Partnership involves communities and the third sector, through greater involvement in local decision making and by accelerating implementation of the Community empowerment act

ACTION	Timescales	Lead Officer	Report Ref	Service Lead	Progress at 28.09.20	Updated Progress	NOTES
<p>11 Support to gain insight into best practice on the implementation of the community empowerment act.</p>	<p>30-Nov-20 (30/04/2020)</p>	<p>Jenni Craig</p>	<p>133 - 144</p>	<p>Shona Smith</p>	<p>40%</p>	<p>80%</p>	<p>Ongoing - CEA information now appears on every Area Partnership Agenda, and features on SBC website.</p>
<p>13 Use the experience of the budget consultation process 2020/21 to develop the approach to mainstreaming participatory budgeting. Work with communities to identify priority areas within current budgets. Evaluation of Localities Bid Fund to be undertaken.</p>	<p>31-Oct-20</p>	<p>Jenni Craig</p>	<p>133 - 144</p>	<p>Shona Smith</p>	<p>20%</p>	<p>50%</p>	<p>Evaluation of Locality Bid Fund 1&2 as well as the Community Fund was received by Council 27.08.2020. Further engagement is taking place on the future of the Community Fund and, although Covid-19 has delayed the progress of mainstreaming Participatory Budgeting, this will be picked up as part of the budget process and will be a focus for 2021/22.</p>

Audit Recommendation:

Update its people plan for 2017 -21 and ensure longer term workforce plans are reflected in service and financial plans

	ACTION	Timescales	Lead Officer	Report Ref	SERVICE LEAD	Progress at 28.09.20	Updated Progress	NOTES
28	Ensure that resourcing of Fit for 2024 does not adversely impact on business as usual service delivery. Rebalance senior portfolios or use of secondments, backfill, recruitment and/or consultancy as appropriate.	31-Dec-20	Jason McDonald	35	Jason McDonald	30%	100%	With the exception of new Chief Executive, CMT roles are occupied with full time officers.

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Audit Recommendation: *Support members Continuing Professional Development by tailoring training to meet their individual needs and use technology to make training more accessible*

ACTION		Timescales	Lead Officer	Report Ref	SERVICE LEAD	Progress at 28.09.20	Updated Progress	NOTES
31	Develop a members section of SBLearn where specific materials linked to Councillor responsibilities could be housed.	31-Dec-20	Jenny Wilkinson	28-29	Jenny Wilkinson	0%	0%	<p>Delayed start due to CV-19.</p> <p><i>Although development of SBLearn modules has been delayed, Members development of digital skills has progressed through MS teams training, 1-1 digital support, assistance with accessing paperwork online, the use of skype for business and through the development of training guides to assist and inform on how to utilise digital resources.</i></p>
33	Review the potential for earlier visibility of meeting / Committee content, for members.	31-Dec-20 (31/03/2020)	Jenny Wilkinson	25	Jenny Wilkinson	0%	0%	<p>Delayed by CV-19 - anticipate work underway by end of financial year.</p>

INTERNAL AUDIT WORK TO DECEMBER 2020

Report by Chief Officer Audit and Risk

AUDIT AND SCRUTINY COMMITTEE

15 February 2021

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide the Audit and Scrutiny Committee with details of the recent work carried out by Internal Audit and the recommended audit actions agreed by Management to improve internal controls and governance arrangements, and the conclusions of the External Quality Assessment of the Internal Audit service against the Public Sector Internal Audit Standards.**
- 1.2 The work Internal Audit has carried out in the period from 1 November to 31 December 2020 associated with the delivery of the approved Internal Audit Annual Plan 2020/21 is detailed in this report. A total of 3 final Internal Audit reports have been issued. There were a total of 5 recommendations made associated with 2 of the reports (4 Medium Risk; 1 Low Risk).
- 1.3 An Executive Summary of the final Internal Audit reports issued, including audit objective, findings, good practice, recommendations (where appropriate) and the Chief Officer Audit and Risk's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1 to this report.
- 1.4 The SBC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) including the production of this report to communicate the results of the reviews.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit and Scrutiny Committee:**
- a) Notes the final assurance reports issued in the period from 1 November to 31 December 2020 associated with the delivery of the approved Internal Audit Annual Plan 2020/21;**
 - b) Notes the Internal Audit Assurance Work in Progress and Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal Audit Charter;**
 - c) Acknowledges the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work; and**
 - d) Notes the conclusions and improvement actions from the External Quality Assessment of the Internal Audit service against the Public Sector Internal Audit Standards.**

3 PROGRESS REPORT

- 3.1 The Internal Audit Annual Plan 2020/21 was approved by the Audit and Scrutiny Committee on 9 March 2020 and the re-assessed Plan approved on 23 November 2020. Internal Audit has carried out the following work in the period from 1 November to 31 December 2020 associated with the delivery of the Plan to meet its objective of providing an opinion on the efficacy of the Council’s risk management, internal control and governance.
- 3.2 The SBC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) including the production of this report to communicate the results of the reviews.

Internal Audit Reports

- 3.3 Internal Audit issued final assurance reports on the following subjects:
- Schools Financial and Business Administration Processes
 - Foster and Kinship Carer Payments
 - Education Maintenance Allowances (EMA) Process
- 3.4 An Executive Summary of the final Internal Audit assurance reports issued, including audit objective, findings, good practice and recommendations (where appropriate), and the Chief Officer Audit and Risk’s independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1.

The definitions for Internal Audit assurance categories are as follows:

Level	Definition
Comprehensive assurance	Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives. Some improvements in a few, relatively minor, areas may be required.
Substantial assurance	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or misuse.
Limited assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or misuse.
No assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or misuse is unacceptable. Significant improvements are required.

Current Internal Audit Assurance Work in Progress

- 3.5 Internal Audit assurance work in progress to complete the delivery of the Internal Audit Annual Plan 2020/21 consists of the following:

Audit Area	Audit Stage
ICT Operational Computer Systems	Drafting the report
Integrated People, Financial and Business Planning	Testing underway
Adults and Children with Physical Disabilities	Testing underway
Revenues (Council Tax and NDR)	Testing underway
Information Governance	Continuous audit
Corporate Transformation Programme - Fit for 2024	Continuous audit

Internal Audit Consultancy and Other Work

- 3.6 Internal Audit staff have been involved in the following for the Council to meet its aims and objectives, and its roles and responsibilities in accordance with the approved Internal Audit Charter:
- a) Provide 'critical friend' internal challenge and quality assurance through engagement in meetings of programmes and projects involving major change (Fit for 2024, Information Governance Group) and attendance at the Contract and Supplier Management Implementation Group and Social Work Performance Board.
 - b) Learning and development during the research stage of new audit areas for all Internal Audit team members and through joining virtual audit forums and meetings. The Chief Officer Audit & Risk accessed IIA and CIPFA webinars on "Head of Internal Audit Annual Opinion 2020/21" which provided insights to adapting to internal auditing in a new environment and signposted additional reference resources.

Recommendations

- 3.7 Recommendations in reports are suggested changes to existing procedures or processes to improve the controls or to introduce controls where none exist. The grading of each recommendation reflects the risk assessment of non-implementation, being the product of the likelihood of the risk materialising and its impact:

High: Significant weaknesses in existing controls, leaving the Council or Service open to error, fraud, financial loss or reputational damage, where the risk is sufficiently high to require immediate action within one month of formally raising the issue. Added to the relevant Risk Register and included in the relevant Assurance Statement.
Medium: Substantial weaknesses in existing controls, leaving the Council or Service open to medium risk of error, fraud, financial loss or reputational damage requiring reasonably urgent action within three months of formally raising the issue.
Low: Moderate weaknesses in existing controls, leaving the Council or Service open to low risk of error, fraud, financial loss or reputational damage requiring action within six months of formally raising the issue to improve efficiency, effectiveness and economy of operations or which otherwise require to be brought to attention of senior management.
Outwith the report, Internal Audit informs operational managers about other matters as part of continuous improvement.

- 3.8 The table below summarises the number of Internal Audit recommendations made during 2020/21:

	2020/21 Number of Recs
High	0
Medium	4
Low	1
Sub-total reported this period	5
Previously reported	2
Total	7
Recommendations agreed with action plan	7
Not agreed; risk accepted	0
Total	7

4 PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS), QUALITY ASSURANCE & IMPROVEMENT PLAN (QAIP) AND EXTERNAL QUALITY ASSESSMENT (EQA) OUTCOMES

- 4.1 The SBC Internal Audit function follows the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) effective April 2013 (updated April 2017) which includes:
- Definition of Internal Auditing;
 - Code of Ethics;
 - Attribute Standards (responsibility, independence, proficiency, quality);
 - Professional Standards (managing activity, nature of work, engagement planning, performing the engagement, communicating results, monitoring progress, risk management).
- 4.2 The remit of the Audit and Scrutiny Committee as stated in the Scheme of Administration approved by Council on 25 September 2020 includes "Monitor and review the performance of Internal Audit, conformance to the Public Sector Internal Audit Standards and code of ethics".
- 4.3 The PSIAS requires the self-assessment to be subject to an External Quality Assessment (EQA) each five years, by appropriately qualified and independent reviewers. The first EQA of SBC Internal Audit was carried out by Renfrewshire Council in October 2015, and the results were reported to the Audit and Risk Committee in November 2015. The schedule for the second cycle of EQAs has been affected by the Covid-19 response when activities for the EQA for SBC by North Lanarkshire Council and the EQA of Angus Council by SBC were paused in March 2020. The EQAs processes recommenced in September 2020 following the receipt of additional guidance from the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) on conducting the EQAs in a virtual way.
- 4.4 The findings of the Angus Council EQA, concluded by Scottish Borders Council Internal Audit team in November 2020, were presented to the Angus Council Scrutiny and Audit Committee on 26 January 2021.
- 4.4 The findings of the SBC EQA concluded by North Lanarkshire Council in early January 2021 assessed the function as 'fully conforms' (in line with the SBC Internal Audit self-assessment 2019/20). A small number of recommendations have been raised by North Lanarkshire Council, based on areas for further improvement. These have been accepted for implementation and have been included in the Quality Assurance and Improvement Plan (QAIP). The main areas for improvement highlighted in the Final EQA Report are as follows:
- reviewing and amending the planning process to better comply with expected good practice including formally documenting the results of the annual risk assessment and including more information about other sources of assurance and/or undertaking and referencing assurance mapping work;
 - review the performance management arrangements with a view to ensuring a balanced suite of performance indicators are established, monitored and reported as appropriate. This should include consideration of seeking more formal feedback from clients / stakeholders as part of performance management arrangements; and
 - amending the Annual Internal Audit Assurance Report to include assurance/specific reference as to whether there had been no/any impairment during the year to the organisational independence of the function (including no/any scope or resource limitations).
- 4.5 The PSIAS requires the Chief Audit Executive (CAE), the Council's Chief Officer Audit & Risk, to carry out an annual internal self-assessment against

the PSIAS, develop a quality assurance and improvement plan (QAIP) based on the outcome, and report the results of the QAIP to senior management and elected members.

- 4.6 An annual internal self-assessment against the PSIAS of the Internal Audit function will be completed prior to the end of 2020/21. The results and any associated improvement actions will continue to be reported to Corporate Management and the Audit and Scrutiny Committee within the Internal Audit Annual Assurance Report scheduled for presentation to the Audit and Scrutiny Committee in May 2021. This will enable the Council to meet the requirements of the Local Authority Accounts (Scotland) Regulations 2014 to consider the findings of assessments as part of the consideration of the system of internal control required by regulation 5.

5 IMPLICATIONS

5.1 Financial

There are no costs attached to any of the recommendations in this report.

5.2 Risk and Mitigations

- (a) During the development of the Internal Audit Annual Plan 2020/21 and at the start of each audit engagement, to capture potential areas of risk and uncertainty more fully, key stakeholders have been consulted and risk registers have been considered.
- (b) If audit recommendations are not implemented, there is a greater risk of loss and/or reduced operational efficiency and effectiveness, and Management may not be able to demonstrate effective management of risks through improved internal controls and governance.

5.3 Integrated Impact Assessment

This is a routine good governance report for assurance purposes, required under the Local Authority Accounts (Scotland) Regulations 2014 and the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017). It does not relate to new/amended policy/strategy and as a result an integrated impact assessment is not an applicable consideration.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues in this report.

5.5 Carbon Management

No direct carbon emissions impacts arise as a result of this report.

5.6 Rural Proofing

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes are required as a result of this report.

6 CONSULTATION

- 6.1 The Executive/Service Directors relevant to the Internal Audit reports issued have signed off the relevant Executive Summary within Appendix 1.
- 6.2 The Corporate Management Team, Executive Director Finance & Regulatory, Chief Legal Officer (and Monitoring Officer), Service Director HR & Communications, Clerk to the Council, and Communications team have been consulted on this report and any comments received have been taken into account.
- 6.3 The Executive Director Corporate Improvement & Economy and the Chair of the Audit and Scrutiny Committee have received a copy of the Final EQA Report, in addition to the Chief Officer Audit & Risk.

Approved by

Jill Stacey, Chief Officer Audit and Risk Signature

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit and Risk Tel 01835 825036
Sue Holmes	Principal Internal Auditor Tel 01835 825556

Background Papers: Appropriate Internal Audit files

Previous Minute Reference: Audit and Scrutiny Committee 23 November 2020

Note – You can get this document on tape, in Braille, large print and various computer formats by using the contact details below. Information on other language translations can also be given as well as provision of additional copies.

Contact us at Internal Audit intaudit@scotborders.gov.uk

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Internal Controls</p> <p>Subject: Schools Financial and Business Administration Processes</p> <p>No: 127/033</p> <p>Date issued: 21 January 2021 Draft; 08 February 2021 Final</p> <p>Level of Assurance: Substantial (purchase cards, procurement policies, income collection and mandatory training) and Limited assurance (petty cash and school fund).</p>	<p>The purpose of the review was to ensure the internal financial controls and business administrative procedures are in place to ensure the efficient and effective use of resources in the school establishments.</p> <p>The school establishment comprises of 9 Secondary schools and 60 Primary schools. For this 2020/21 academic year, there are over 14,000 children and young people being educated at the school establishments.</p> <p>The school establishments operate a Petty Cash Imprest with a total value of £6k, which includes £1k for Home Economics in secondary schools. The Devolved School Management budget for 2020/21 is £54.8m (total devolved resources). There is a 96% uptake of ParentPay, which helps to reduce the financial risk within the school.</p> <p>The following good practice was found:</p> <ul style="list-style-type: none"> • Mandatory training was being completed as required. • Business World is being used effectively for the ordering of goods and services. <p>It is acknowledged that significant activity on business processes has been undertaken over the years since the creation of the schools business manager cluster model.</p> <p>Internal Audit are able to provide substantial assurance (largely satisfactory risk, control, and governance systems are in place for purchase cards, procurement policies, income collection and mandatory training) and limited assurance (risk, control and governance systems are not readily visible for petty cash and school fund which could leave them vulnerable to error or misuse).</p>	0	1	1	Management have accepted the factual accuracy of the report and its findings, and agreed to implement the recommendations within acceptable timescales to enhance the consistency and standardisation of business practices in schools using the new formats and guidelines for the new academic session.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Schools Financial and Business Administration Processes (cont'd)	<p>We made the following recommendations:</p> <ul style="list-style-type: none"> Petty cash amounts should be reviewed across the school establishments and reduced or removed as appropriate in tandem with the issue of purchase cards. The number of imprest holders should also be reviewed and reconciliations saved for those remaining. (Low) The recording, reporting, monitoring and governance of the school fund should be improved: <ul style="list-style-type: none"> - Develop a new School Fund electronic file to provide greater assurance, control, consistency and data analytics. Incorporate individual work sheets for the current guidance, Accountability statement, working process, running balance, categories, pivot table, reconciliations to provide similar assurance to a physical visit; - Monitoring/reviews of unspent balances should be recorded to provide greater transparency; and - All schools should be reminded of the standard procedures including the requirement for audited accounts to be completed and saved in the appropriate folders. (Medium) 				

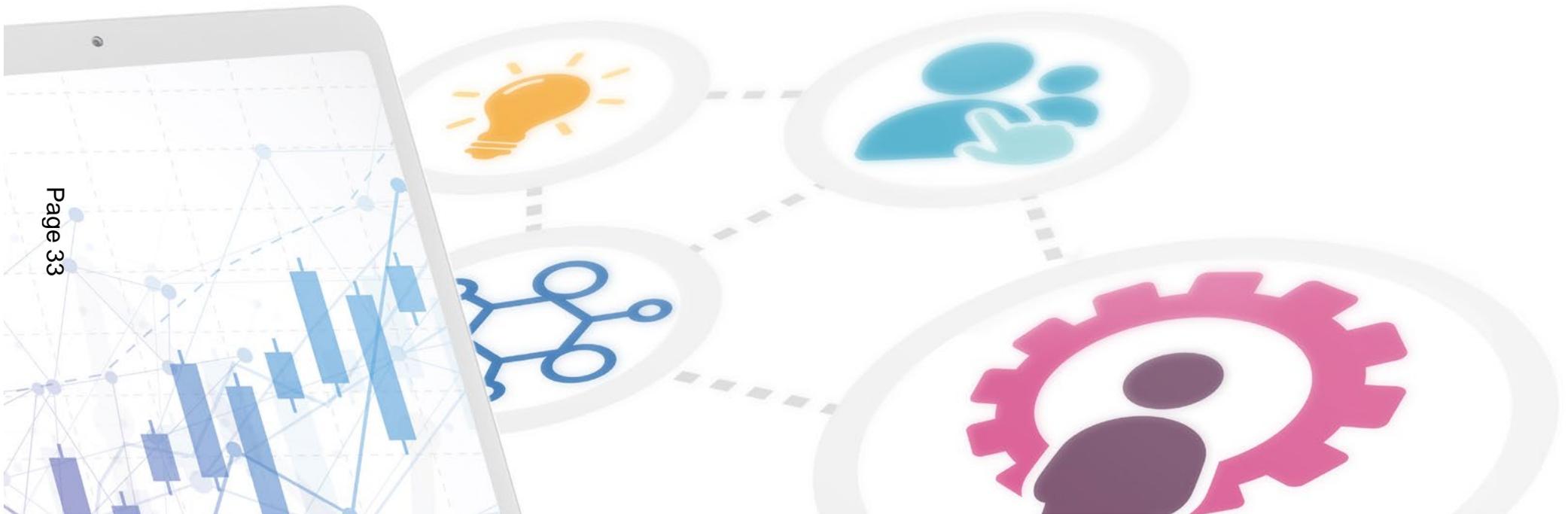
Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Internal Controls</p> <p>Subject: Foster and Kinship Carer Payments</p> <p>No: 170/004</p> <p>Date issued: 16 November 2020 Draft; 23 November 2020 Final</p> <p>Level of Assurance: Comprehensive</p>	<p>The purpose of the review was to assess the controls in place to ensure payments to foster and kinship carers are accurately and correctly calculated and acted upon.</p> <p>Scottish Borders Council Fostering Service provides a fostering and family placement service for children and young people aged from 0 to 21 years who are assessed as in need of alternative family care.</p> <p>The following good practice was found:</p> <ul style="list-style-type: none"> • Improvements have been made in Mosaic prompting Social Workers to complete the Change in Circumstances notification when a placement ends to avoid overpayments and ensure statutory timescales and obligations are met. • Regular budget and service meetings are in place with a clear understanding of the service needs. • There is regular reporting to the Scottish Government. <p>Within the service, there is a good awareness of the requirement to keep policies and procedures up to date and there is a formal plan in place to ensure policies are reviewed, updated and published in a timely manner.</p> <p>Our sample testing of payments for Foster Care and Kinship Care showed that they are accurate and correct and robust record keeping for all payments is in place. We have no areas of concern.</p> <p>Internal Audit are able to provide comprehensive assurance. Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives.</p> <p>We have made no recommendations.</p>	0	0	0	Management have accepted the factual accuracy of the report and its findings.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Contingency – Internal Controls</p> <p>Subject: Education Maintenance Allowances Process</p> <p>No: 239/999/002</p> <p>Date issued: 11 December 2020 Draft; 21 January 2021 Final</p> <p>Level of Assurance: Limited</p>	<p>This review was added to the Plan utilising Contingency days following a request by Management in response to the External Audit Annual Report 2019/20 by Audit Scotland.</p> <p>The purpose of the review was to ensure compliance with Education Maintenance Allowance (EMA) legislation, policies and procedures and that all required documentation and attendance records are fully maintained and updated in order that payments made are accurate and timely. This review focusses on the policies, procedures and processes required for the administration of the EMA.</p> <p>EMA is a financial allowance available for children, aged 16 to 19 years old, to encourage them to continue receiving education at various educational settings e.g. school, college, home schooling etc. It is targeting children who come from a low income family. The criteria for the payments of the allowance is determined by Scottish Government, and relies on the child agreeing to meet the set criteria that in turn releases the weekly payment to them. The current payment is £30 per week and is paid every 2 weeks.</p> <p>The following examples of good practice were found:</p> <ul style="list-style-type: none"> • Information regarding EMA is made available in Schools to eligible Pupils and on the Council website. • The Education Service have reacted quickly to the new circumstances with the COVID pandemic, adapting an existing application process to make it online. • One of the High Schools had created a documented procedure for maintaining and processing the EMA payments. 	0	3	0	Management have accepted the factual accuracy of the report and its findings, and agreed to implement the recommendations within acceptable timescales.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Education Maintenance Allowances Process (cont'd)	<p>Over the last 3 years, Audit Scotland have noted in their external audit reports of inconsistencies they have observed between pupils attendance records and EMA payments being made to them. Whilst the Council have made considerable progress in response to the comments and improved their internal housekeeping processes, further improvements are required to ensure a consistent and sustainable procedure being applied across the High Schools.</p> <p>Internal Audit are able to provide Limited assurance. Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or misuse. The weaknesses relate to the lack of a corporate process document for all High Schools to follow, the inconsistency of involvement from Guidance/Pastoral staff, and the disparity in which staff have the responsibility for the EMA process.</p> <p>We made the following recommendations:</p> <ul style="list-style-type: none"> • A single set of guidance rules, which meets the Scottish Government's EMA Guidance, should be written to provide the working processes for a consistent approach to the maintenance and paying of EMA by the Council. (Medium) • A structured process should be developed for greater engagement of the Guidance/Pastoral staff in Schools to contribute to the processing of the EMA payments. (Medium) • The responsibility for the maintenance and processing of payments for EMA should be consistent across the Schools. (Medium) 				

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Digital progress in local government



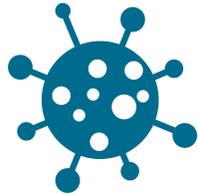
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ACCOUNTS COMMISSION 

Agenda Item 9

Prepared by Audit Scotland
January 2021

Key messages and recommendations



1. Progress and impact of Covid-19

Councils are at different stages of digital transformation. Progress is strongest where councils have focused on how digital technology can deliver better outcomes for people. The pace of change has increased as digital technologies have played a vital role in the public sector's response to the Covid-19 pandemic. It has also heightened the awareness of digital exclusion.

Recommendations:

To maintain momentum, councils should assess their progress, learn lessons, and identify and address barriers and inequalities.



2. Becoming a digital council

Clear vision and leadership, with workforce and community engagement, are essential for realising the benefits of digital transformation. Delivering change requires a culture of collaboration and innovation, as well as aligned strategies and plans, effective governance, and engaged and informed elected members.

Recommendations:

Councils should have a clear digital vision and strategy that sets out how digital transformation will deliver better outcomes for people. The strategy should be supported by plans detailing actions, timescales and the required investment in technology, people and skills.

Councils should have a structured approach to collaboration and innovation, with staff given space and time to learn, test new ideas and put them into practice. Councils should actively collaborate through the Digital Office and other regional partnerships.

Key messages and recommendations



3. Citizens at the heart

There has been a lack of citizen involvement in digital service design and not enough focus on outcomes in monitoring progress of digital programmes.

Recommendations:

To better understand the needs of citizens, councils should have a citizen and community engagement plan and ensure they have sufficient staff with the skills to carry out service design.

Councils need to improve how they monitor outcomes. This could include adopting a benefits realisation approach.



4. Workforce and skills

Insufficient staff capacity and digital skills are the most significant barriers to progress. There are digital skills initiatives in place, but there needs to be better alignment with councils' wider workforce plans.

Recommendations:

Councils should conduct a staff skills survey to better understand what digital and data skills they need. Councils should have detailed workforce and skills development plans, including for leadership teams and elected members, that align with digital transformation plans.

Key messages and recommendations



5. Data and technology

Councils are starting to develop strategies to make better use of data. Data standards, governance and ethics are important areas in which councils need to make progress. Legacy systems, however, remain a barrier.

Recommendations:

Councils should understand their technology infrastructure and have a clear plan to address legacy systems to create better coordinated solutions. This could include common platforms and shared procurement.

Councils should work with the Digital Office and Scottish Government in developing common data standards and a data ethics approach.



6. National leadership and collaboration

There needs to be greater leadership and clarity of roles at a national level, with consistent vision and direction across the sector. The Digital Office has enabled councils to collaborate, share knowledge and innovate. Opportunities exist for it to do more but this requires changes to how it works, how councils support it and how it is funded.

Recommendations:

The refresh of the digital strategy for Scotland provides an opportunity for all organisations which support the delivery of digital transformation in local government to set the vision and agree shared priorities. These organisations, including the Digital Office, the Improvement Service and councils, should:

- agree on and clearly articulate their roles and responsibilities
- identify where a shared approach would add value to developing and delivering common systems and platforms, and specialist skills
- review the funding and delivery model for the Digital Office, to ensure it has the capacity and support to deliver on the agreed priorities
- streamline a work programme for the Digital Office, with each part of the programme having senior-level sponsorship.

Context

Digital technologies are an essential part of our lives. Before the Covid-19 pandemic, the way we lived and worked, and how organisations operated, delivered public services and interacted with citizens was rapidly changing. Since March 2020, the pace of that change has accelerated. Organisations have had to innovate and collaborate on a scale never seen before. Digital technology has become a lifeline, allowing the continued delivery of public services, often to the most vulnerable in society. Its use has also exposed the risk of digital exclusion – not having the skills or resources to access vital public services, maintain learning, and stay connected with others.

Councils are at different stages in their digital progress

Transforming public services and building a digital council is difficult and takes time. Becoming a digital council involves moving away from technology-led strategies and plans to become more outward looking, focusing on how digital technology can deliver better outcomes for citizens, communities and council staff. It involves understanding the needs of staff and service users, involving them in the process and creating a culture that embraces change and collaboration.

Each council has started from a different position depending on its available resources (money and people), the state of its existing systems and its culture. These factors will determine the level of future investment required and how quickly a council can transform. The level of investment will vary greatly across councils as a result. To become a digital council, investment will be required in Information and Communication Technology (ICT) infrastructure (hardware, software and cloud services), council staff and digital leadership.

Those further ahead are beginning to exploit data and information to better understand their communities and staff, and deliver better services. This transformation is still at an early stage, but progress is being made.

Common priorities across councils include:

- increasing online service provision, with round-the-clock self-service access
- increasing flexible and mobile working, allowing staff to access real-time data for services such as social care, housing repairs and waste management
- using technology to support democratic functions such as hosting committee meetings and surgeries online.

The Covid-19 pandemic has acted as a catalyst for all of this and has accelerated the deployment of digital technology and collaboration across the sector. The pandemic has also highlighted the importance of digital access and connectivity, and we expect that these will be a key focus of councils' future digital plans and strategies.

Councils operate in a complex environment

Councils operate in a complex and challenging environment. Our [local government overview reports](#) have highlighted the importance of collaborative working in making the best use of resources. Councils work with, and are influenced by, a range of public, third sector and private sector organisations and partnerships.

In 2015, the Scottish Local Government Digital Partnership (Digital Partnership) was established by SOLACE and the Local Government Transformation Board to drive the ambition for all councils to be digital businesses by 2020. It is a collaboration between all local government organisations involved in digital transformation, including all 32 councils in Scotland.

In October 2016 the Digital Partnership established the Digital Office for Scottish Local Government (Digital Office). It supports councils to become digital businesses through delivery of a work programme focused on Digital Leadership, Digital Foundations and Digital Services. It has a small core team that provides support and digital expertise.

The Digital Partnership and Digital Office are supported by a Digital Partnership Board which oversees the overall strategy and work programme. The Digital Partnership Board's membership includes key organisations involved in digital transformation in local government.

The Scottish Government, together with COSLA, the Digital Office and the Improvement Service, is currently working on a refreshed digital strategy for Scotland. This will provide an overarching framework, priorities and principles that will shape subsequent sector-specific plans. The strategy is expected to be published in Spring 2021.

Other organisations involved in digital transformation in local government and members of the Digital Partnership Board include:



- **Scottish Government**
- **COSLA**
- **Improvement Service** – The national improvement organisation for local government in Scotland. It delivers a range of products and services to help councils with digital transformation.
- **Scotland Excel** – The centre of procurement expertise for local government. It is working with the Digital Office to develop a common approach to procurement and common digital solutions.
- **Socitm Scotland** – The leading network for ICT and digital professionals from across Scotland's public sector.
- **SEEMiS** – Scottish local government's Education Management Information System provider. It is used by all of Scotland's council-run schools for education administration and processes and manages all education-related data.

About this report

This report:

- sets out the key characteristics of a digital council
- looks at how well councils are putting in place the building blocks required for digital transformation
- examines what opportunities exist and what barriers to progress there are
- provides examples that demonstrate how some councils are transforming
- examines how councils have used digital technology to respond to the Covid-19 pandemic and what can be learned from this.

The findings in this report are based on case study work carried out at six councils. This was complemented by wider-reaching work looking at the role that key national stakeholders play in supporting councils to transform.

Links

-  [Examples](#)
-  [Info box](#)
-  [Barrier](#)
-  [Web link](#)
-  [PDF download](#)

Digital ehub



To help councils improve, we have developed a set of resources for councils and elected members on our [digital ehub](#).

These resources include:



[Good practice guide](#) that highlights things leadership teams, senior officers and elected members should consider putting in place to help them progress.



[Checklist](#) with questions for elected members, to help them scrutinise and challenge digital progress in their council.



[Examples and case studies](#) of digital transformation.

Previous reports

This report follows on from our previous reports:



[Principles for a digital future](#)
May 2017



[Enabling digital government](#)
June 2019

These highlighted the importance of strategic leadership, culture, skills, collaboration, innovation and involving users in the design of services in delivering digital transformation.

This report draws on these themes and examines what progress councils are making towards becoming digital councils. It aims to help councils improve by highlighting what becoming a digital council involves. It is aimed principally at senior management within councils and elected members.

Key characteristics of a digital council

A digital council is focused on delivering better outcomes for its citizens through the best use of people and digital technology. Having the right skills and culture in place is critical and underpins each of these characteristics:

Each characteristic can be navigated to by the tabs at the top of the pages.



Digital leadership

Communicates a clear digital vision and ambition and creates an innovative and collaborative culture that drives change. Understands the potential of people and digital technologies to transform services for citizens.



User focused

Understands the needs of citizens, communities and staff affected by services and policies, and involves them in service design. Focuses on improving outcomes for citizens and other users.



Digital workforce

Has the skills, knowledge and confidence to develop new ways of working, including using new technology.



Collaborative

Develops new ways of working together, sharing good practice and ideas across services and between councils and sectors, and involves citizens and communities.



Technology & data enabled

Makes best use of digital technology to build common solutions, that can be reused and shared to create better value for money. Uses and shares data securely to inform decision-making, enable joint services and achieve better outcomes for citizens.



Innovative

Has a culture of openness and improvement, looks outwards and explores how services can be delivered differently. Has the capacity, capability and processes in place to implement change.



Digital leadership

Communicates a clear digital vision and ambition and creates an innovative and collaborative culture that drives change. Understands the potential of people and digital technologies to transform services for citizens.

Councils that are making progress have a digital vision and strategy focused on improving outcomes for citizens

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Councils that are making progress have visions for digital transformation that go beyond technology to focus on people and outcomes. Their strategies are more outward looking and are linked to wider corporate priorities.

- Plans detailing how and when visions will be achieved are less well developed.
- Audit Scotland's *Planning for Outcomes* paper outlines how an outcomes-based approach could work in practise across the public sector in Scotland.



Planning for Outcomes
June 2019



Glasgow City Council's digital strategy has two major themes: digital economy and digital public services.

The strategy is linked to its wider ambitions for the local area and contains an extensive action plan, with detailed goals and outcomes to support the council in achieving its vision of Glasgow becoming:

'A world-class city with a thriving digital economy and community, where everyone can flourish and benefit from the best digital connectivity and skills, where technology is used to improve everyone's quality of life, drive businesses' innovation and service design and improve our city, its neighbourhoods and its success.' (**Digital Glasgow Strategy**)

North Lanarkshire council manager: 'We can't look at being a digital council without thinking about wider communities.'



Digital strategies are most effective when leaders champion change and staff are engaged

- Councils that have made progress with digital plans have a chief executive and elected members who have made digital transformation a priority and champion its benefits.
- Councils with a good level of buy-in from staff have leadership teams that have created a culture of sustained staff engagement and support. The leadership teams articulate what the vision means and how it will be achieved.
- Leadership teams can play a key role in creating a collaborative culture and mindset across an organisation.
- There are examples of good staff engagement, but many councils are at an early stage of implementing their strategies and this engagement needs to be sustained.

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North Lanarkshire Council found that having a corporate communications strategy was critical to its success in sharing digital goals. The approach focused on engaging with key groups including staff, residents, businesses and elected members through multiple channels. The chief executive and senior leadership team have taken responsibility for engaging the workforce in delivering digital change across the council. They have communicated with staff directly about digital transformation through digital roadshows, live and online Q&A sessions and a digital transformation newsletter.



Barriers

Services (and sectors) often work in silos and there is little collaboration between them. This can be a barrier to creating an organisation-wide digital culture.



Leadership teams must have the right level of digital awareness, expertise and skills

- Leadership teams with an understanding of the opportunities and risks that digital technology presents can better prioritise, develop plans and scrutinise progress.
- Councils should ensure that digital leadership skills are in place. Initiatives such as the Scottish Government's Digital Champions programme are helping councils develop these skills.

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The Scottish Government launched its Digital Champions programme in October 2013, primarily to develop the digital skills and awareness of public sector leaders. It provides the opportunity to learn about innovation, technology and how to deliver digital programmes. However, it also provides opportunities to collaborate by creating a network of leaders with a common interest in delivering better public services.



Barriers

A lack of the skills and resources required to drive the development and implementation of plans and set priorities is a key barrier. People with the necessary digital expertise need to be involved in strategic decisions.



Involvement of elected members is not well developed

- Few councils have a dedicated council committee with a remit for digital transformation or nominated elected members involved in championing digital transformation.
- A lack of digital skills and knowledge among elected members prevents more thorough scrutiny of digital programmes.
- There is some evidence of councils providing digital skills training and support for elected members but appetite and participation is varied.

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Glasgow City Council has a dedicated elected member **Digital Champion** and the digital programme board includes both council officers who have an in-depth knowledge of digital transformation and methods and elected members.



Two-thirds of elected members who responded to a Digital Office survey expressed a desire to better understand how to design services to meet citizens' needs and what types of digital skills are needed now and in the future. The Digital Office has worked with the Improvement Service to develop training for elected members on digital leadership and skills. A workshop in January 2020 was attended by 22 elected members from 14 councils.

Barriers

Low levels of digital literacy, risk aversion and concerns about digital exclusion among elected members can be barriers to progress.



Councils have adjusted governance arrangements to ensure the right level of scrutiny for digital programmes

- Councils making progress have adapted arrangements to ensure timely and effective scrutiny.
- Some councils have found it difficult to put the right governance structures in place to achieve a good balance between operational decision-making and strategic oversight.
- There is no one-size-fits-all structure or approach, but effective arrangements tend to include more centralised assurance, including:



a committee with a remit to scrutinise digital programmes



a digital delivery/programme board with overall strategic control



an operational board or corporate groups to monitor delivery of specific digital programmes, which may be at service level or have cross-council membership.

North Lanarkshire Council has a dedicated committee with a remit for digital transformation. It has 25 elected members on it, whose role it is to scrutinise the delivery of the digital programme, **Digital NL**. The council also has a digital delivery board that provides overall strategic control for the programme and a corporate working group that ensures any new products or technologies align with Digital NL aims and reuse existing solutions or integrate with the council's digital platform.



Investment to date has been largely focused on technology and infrastructure

- While most councils have some form of investment programme for digital transformation, the scale of financial investment varies. It is important that medium-term investment plans align with wider transformation aims.
- Investment to date has been focused on buying and maintaining infrastructure and systems. Councils are beginning to invest in new and different infrastructure to enable collaboration and transformation but also need to invest in people and skills to get the best use out of the technology.
- Councils need to continue to invest in addressing the risks of legacy systems.
- Councils are moving to **cloud**-based solutions recognising the potential to reduce the maintenance burden and to provide a flexible resource that responds to demand. While this reduces capital spending, it shifts spending to revenue budgets which are often already stretched.

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Cloud: delivering computing services such as software, data storage and servers over the internet.



Technical architecture: the strategic choices of hardware, software, and networks that support the operation of an organisation.

Fife Council has prioritised investment in ICT infrastructure and enabling technologies that will support service transformations. This is allowing the council to create better value for money through reuse of common systems and address the limitations of legacy systems. The council has clear investment plans for these projects and is now looking at how to invest in people and skills.



Barriers

Councils still have a large number of legacy systems and will need to continue to invest in their **technical architecture** as well as people and skills. Legacy systems create risks for councils in the need for staff resources to maintain them. They can also present security risks, can lack interoperability with the latest systems and software, and can experience hardware failures.



Councils have expressed frustration with traditional procurement processes with suppliers, suggesting that they hamper innovation and would benefit from a more collaborative approach.



Covid-19 has helped develop digital leadership and moved digital transformation up councils' agendas



Accelerated digital plans

The Covid-19 pandemic has accelerated digital plans by up to two to three years, with the rapid deployment of digital technology and new digital services.



Recognition of the potential of digital technologies

Leadership teams now show greater recognition of the potential of digital technologies to enable councils to deliver services differently and respond to the needs of citizens and communities.



Review digital plans and strategies

Councils are starting to review their digital plans and strategies. During the pandemic recovery phase, it will be important for councils to reassess plans and gain an understanding of what factors have enabled the rapid pace of change. For example, Clackmannanshire Council is appointing an additional strategic director with responsibility for transformation and recovery.



Adapting to virtual tools

Elected members have adapted well to using video-conferencing tools to hold virtual surgeries and attend virtual council meetings.



User focused

Understands the needs of citizens, communities and staff affected by services and policies, and involves them in service design. Focuses on improving outcomes for citizens and other users.

Involving users in service design is still limited in practice

- Page 48
- Digital strategies are starting to focus on how digital technology can help deliver better outcomes for citizens and communities.
 - **User research** and **service design** methods are not yet well established in councils and the Scottish Approach to Service Design is not widely understood.
 - There are good examples of front-line workers being involved in service design, but the involvement of citizens and communities is limited in practice.
 - All users are not the same, different methods should be used and considerations made when involving citizens from when involving staff.

Service design: service design approaches involve developers working with the users of services or systems to define the problems before thinking about and designing solutions.



User research: building an understanding of the needs and desires of users of a service or system through observation techniques, analysis and feedback.

Perth and Kinross Council formed a multi-disciplinary team in the transformation of its homecare and recovery service and adoption of digital technology to assist mobile working. An experienced member of the service was seconded to lead the project team, providing more effective sharing of expert knowledge. Front-line staff contributed at key stages to ensure new ways of working matched staff and citizens' needs.



The Centre for Civic Innovation in Glasgow carries out service design work as part of its innovation approach. Glasgow City Council is working with the centre to increase the skills of its digital team in service design so that this can be used more widely in transformation projects.

Barriers

Councils have neither the tools nor sufficient staff with the skills required to carry out user research and involve users in service design.



Councils need to improve how they monitor outcomes from digital change

- Digital progress and success are still mainly measured in terms of efficiencies and cost savings rather than what benefits they can bring to citizens and staff.
- Councils need to develop a benefits-realisation approach that includes financial and non-financial benefits for staff, citizens and communities.

Perth and Kinross Council has developed a benefits-realisation framework to identify and capture financial and non-financial benefits from digital transformation projects. The framework identifies examples of non-financial benefits, such as improved staff satisfaction or work/life balance, improved customer satisfaction, and improved management information and data quality to better inform decisions. The framework recognises that these things are difficult to measure but highlights the importance of considering their impacts.



Councils are adopting a 'digital first' approach but must ensure that no one is left behind

- Councils are moving services online to deliver a more responsive customer experience that offers round-the-clock access, self-service and keeps citizens up to date.
- To address digital exclusion, councils are retaining traditional contact channels, providing assisted digital services and moving services to community hubs to provide access.

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Councils need to understand the needs of those experiencing digital exclusion and put a strategy in place to ensure equity in customer experiences and access to services for all citizens and communities.

Clackmannanshire Council has developed a new citizen portal to improve customer experience and transform the way customers report, book and apply and pay for services online. This is a key project within the council's Digital Strategy and plans.



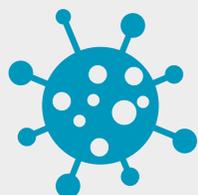
The Improvement Service has worked with councils to put in place **MyAccount**. MyAccount provides citizens with a single sign-in account to access council services. It can be integrated with multiple council systems, provides security and authentication, and is currently used by 24 councils, with more coming on board.

Barriers

Digital exclusion is a significant issue. There are still citizens and communities that do not have access to an affordable or reliable internet connection, an appropriate device, or the skills to effectively engage with digital public services. Audit Scotland has reported on connectivity in the [Superfast broadband for Scotland](#) report.



Redesigning services and moving them online requires staff resources, which are in short supply in councils.



Covid-19 has increased the focus on service users and the awareness of the risks of digital exclusion



New solutions

Councils have moved more services online and quickly developed new solutions to meet new needs. This includes equipping staff for homeworking, providing everyday essentials including food and medical supplies for those required to 'shield', and supporting school pupils with home learning.



More outcome focused

Responding to Covid-19 has also provided a clearer focus on achieving outcomes.



Digital exclusion

The shift of services online has exacerbated digital exclusion for those who use traditional channels or rely on community facilities such as libraries to access digital public services.



Devices and data roll out

Councils launched initiatives to roll out devices and data packages to both school children and vulnerable households. This has included making use of the Scottish Government's Connecting Scotland initiative. The programme has provided devices, data and skills to 9,000 people with a high clinical risk. It has been extended and aims to support 50,000 digitally excluded people by the end of 2021.

e-Sgoil is a service delivered by the education department of Comhairle nan Eilean Siar. e-Sgoil delivers real-time interactive lessons via the internet to pupils across Scotland in a range of subject areas. e-Sgoil was set up in 2017-18 with the initial aim of providing pupils in remote island communities with equal access to learning and subject choices. It is now being looked at as a national solution to ensure continued access to learning during the Covid-19 pandemic. Our audit on education outcomes will be published in spring 2021 and will look at the role of digital technology in the response of the education sector to the Covid-19 pandemic.



In November 2020, CivTech launched a sprint challenge with Connecting Scotland focused on getting citizens more meaningfully involved in designing the public services that many of them use. Initially it will focus on the Connecting Scotland user base but has potential to be used more widely across the public sector.



Digital workforce

Has the skills, knowledge and confidence to develop new ways of working, including using new technology.

Insufficient staff capacity and digital skills are the most significant barriers to progress

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- Councils do not have enough staff with the required digital skills to implement their digital plans successfully.
- ICT teams have faced resource pressures in recent years, with some downsizing their ICT teams. At the same time the skills set needed to support digital transformation is changing.
- Councils need to carry out digital skills surveys to understand what skills staff have and where the gaps are. There are gaps at different levels within councils:
 - digital leadership: awareness and understanding of digital technology and its possibilities, and collaboration and change management skills
 - digital and ICT teams: data skills and business analysis, service design and user research, cyber security, and change and project management
 - wider workforce: essential digital skills and awareness in online and remote working.
- Councils should develop a competency framework that sets out the digital skills needed across the workforce.

The Digital Office is working in partnership with the Scottish Council for Voluntary Organisations (SCVO) to put in place a Digital Champions programme for council workforces. This will start with a baseline skills survey using SCVO's Essential Digital Skills Framework.



Perth and Kinross Council has a digital skills team in place to support employees grow confidence in using new technologies. The team uses a range of media to engage staff and also provides skills support in major digital change programmes. The council has a Digital Charter that describes an informal set of digital skills against which staff can measure themselves and links to self-help resources for skills development.

Barriers

Digital skills shortages are common across the Scottish economy and a public sector wide approach is needed to ensure public bodies have the skills they need.



Councils need to improve workforce planning

- Councils have yet to prepare detailed workforce plans that are clearly aligned with digital transformation plans and risk failing to build the capacity needed to meet their digital aims.
- Councils do not fully understand the number of staff nor the types of skills and job roles needed to support digital transformation.

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Workforce planning needs to be dynamic to take account of how new technologies will affect the workforce, such as the introduction of **automation** and **artificial intelligence (AI)**, and the need for more data specialists.

Fife Council's Organisational Development Strategy and Digital Strategy are clearly linked with a **workforce plan in place**. This includes the skillsets and culture changes required to support the Digital Strategy, as well as the changes to its technical architecture and supplier and customer engagement.



Our [local government overview reports](#) have highlighted that workforce planning is still being developed by councils, but that it is essential to ensure that councils have the staff, skills and leaders they need to deliver change and achieve strategic plans.

Automation: the use of technology to carry out a process without human operation.



Artificial Intelligence (AI): developing technology, such as a computer-controlled robot, to perform tasks commonly associated with intelligent beings, for example speech recognition, translation or decision-making.



Local government in
Scotland Overview 2020
June 2020



Councils are 'growing their own' digital capacity and skills in a variety of ways

- Peer-to-peer support networks are supporting the adoption of new cloud-based tools and mobile working technology across council workforces.
- Dedicated digital skills teams are developing online resources and learning events.
- Events such as learning weeks or lunchtime drop-in training sessions are providing less formal learning opportunities for services to learn from one another.
- The representation of people from service teams on the governance boards of digital programmes is helping to transfer knowledge and share lessons between different parts of the council.
- Creating 'connector' roles within a council – that is people who can provide a bridge between digital and service teams – can help people understand what is needed from both a technical and business viewpoint during service design.

North Lanarkshire Council has put in place a network of Digital Transformers comprising 30 staff across different service areas who can assist in embedding digital skills. These Digital Transformers were early adopters of Office 365 and will be involved in the creation of learning materials and development opportunities to meet the needs identified by a skills survey.



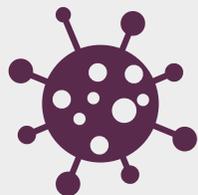
Comhairle nan Eilean Siar is working with Skills Development Scotland and has developed a charter agreement for a school ICT apprenticeship programme. The council's aim is to fill skills gaps in the ICT workforce while providing opportunities for young people in island communities.

Working with business partners can accelerate digital transformation but councils still need their own expertise

- Councils are working with business partners to provide additional capacity, knowledge and expertise, and to fill skills gaps. Councils, however, still need to have sufficient internal expertise to drive their own strategy and make the right choices.
- Business partners can help councils build future capacity through knowledge exchange. This needs a structured approach involving, for instance, a knowledge transfer plan.

Glasgow City Council established a Strategic Innovation and Technology team to get the most out of the contract with its business partner. The team helps drive the digital strategy and provides in-house capacity across the four pillars of technology, business intelligence, innovation and working together.





Covid-19 has changed how and where people work and councils have adapted well to support their workforce



Remote working

The Covid-19 pandemic has had a huge impact on council workforces, resulting in a large-scale shift to homeworking and remote working. Getting the right technology, skills and support in place to give staff the confidence to use new cloud-based tools has been key.



Digital and ICT teams response

Digital and ICT teams have responded with unprecedented speed, agility and resilience.



Workforce support

Support has been offered in different ways, such as one-to-one or via online learning resources. Through the Digital Office, the digital skills team at Perth and Kinross Council hosted webinars for other councils on supporting the remote workforce. They shared their experience of using collaboration tools such as Microsoft Teams, to continue service delivery and learning, host committee meetings and events with public participation.



Staff opinion

Councils have been surveying staff to find out what has and has not worked. This focus on skills and culture will need to remain, along with a continuing recognition that we are working in the most challenging of times.



Workforce planning and development

Councils will need to focus their efforts on building a digital culture and providing their workforces with the skills and support needed. The need for workforce planning is greater than ever as councils reshape their services and operating models.



Collaborative

Develops new ways of working together, sharing good practice and ideas across services and between councils and sectors, and involves citizens and communities

Collaboration is needed within councils to support council-wide change

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- Ensuring continuity and coordination across services for citizens, and achieving more effective and efficient transformation are possible only when services work together to share learning, ideas and digital solutions.
- It is important that there are structures and resources put in place to support collaborative working across services and with digital teams.
- A collaborative and centralised approach allows more efficient deployment of digital technology.

Fife Council has a change network in place, with service representatives working together to identify common problems and find solutions.



Barriers

Organisational and cultural silos are commonplace in councils and are a barrier to collaboration. Technology contributes to this, with councils having different systems across services that do not easily connect and work together.

A lack of capacity, particularly in digital teams, is also a barrier to collaboration within councils.



The Digital Office has helped councils collaborate, share knowledge and innovate but its overall impact is not clear

- The key achievements of the **Digital Office** have been:
 - gaining commitment from all 32 councils
 - establishing a multi-disciplinary community working on digital projects
 - creating collaborative learning and sharing good practice.

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Nineteen councils have used the Digital Maturity Assessment tool developed by the Digital Office. This could be used more widely by councils to assess their progress and inform their digital plans.

- The Digital Office and Partnership programme is large and complex. It is not clear which projects have been of greatest value, there are differing views across councils as to its overall impact, and it is not clear who is accountable for delivery.

Collaborative learning has been supported through more than 50 Digital Office events. Event topics include digital skills, innovation, service design, automation and AI, data, Agile, Office 365 and digital telecare. The Digital Office estimates that resources created to support councils implement the General Data Protection Regulation (GDPR) have saved £1 million across councils.



Digital Office: launched in 2016 to support councils in becoming digital businesses by 2020. Its work programme has three themes: digital leadership, digital foundations and digital services.



www.digitaloffice.scot

The Digital Office's current delivery model is not sufficient to deliver the pace of change required

- The Digital Office has a small core team funded through council subscriptions. The delivery model relies on different councils leading on projects, with some participating more actively than others.
- The Digital Office's delivery and funding model should be reviewed and its work programme focused on the priorities that councils have agreed for it.

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Barriers

Not all councils have been able to free up the staff needed to engage with and gain value from working with the Digital Office. The large number of projects is difficult for smaller councils to commit to.



A refreshed digital strategy for Scotland provides an opportunity to set out a shared vision and priorities, and to clarify roles and responsibilities at national level

- Greater collective leadership and direction on overall digital strategy are needed. Some themes that emerged in our audit included:
 - no one is taking an aerial view
 - councils wanting a national direction on procurement and common platforms
 - councils wanting a single national repository of case studies and digital solutions.
- The refreshed digital strategy will help provide this but the roles and responsibilities of national organisations, specifically the Improvement Service and the Digital Office, need to be made clear.
- Stronger collective national leadership is required to help prioritise and coordinate activities between councils (and other sectors) to deliver the refreshed digital strategy.

The [Local Digital Declaration](#) was launched in 2018 by the UK Ministry for Housing, Local Government and Communities, the Government Digital Service and a group of local authorities. It sets out a collective ambition based on five principles and a set of commitments that leaders and digital/IT teams have signed up to.



There are barriers to jointly procuring and sharing systems and developing common platforms

- The Digital Office and Partnership have not delivered on their original goal to deliver common platforms and joint procurement of systems, failing to meet council expectations.
- Senior-level agreement between councils is needed to identify the areas and services where common platforms would add most value.

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In October 2020, the Digital Office announced the launch of a national asset management platform which is intended to allow councils to make informed decisions about procurement of digital technology solutions. The Digital Office and Scotland Excel need to work with councils in using this platform for joint procurement and collaboration.

Examples of common platforms and systems used by councils include:



SEEMiS – the management information system used by the education departments of all Scottish councils. It is used for pupil and staff records, nursery applications, attendance, pastoral notes and communicating with external agencies.

Care case management system – Scotland Excel is currently managing procurement for common software solutions for case management in social work. Six councils are considering adopting this system as they replace legacy systems.

Barriers



Some commonly mentioned barriers across councils include:

- previous shared services initiatives that failed (prior to the establishment of the Digital Office)
- a lack of leadership direction and collective understanding of where common platforms would add most value
- an incomplete understanding of legacy systems and councils being at different stages in replacing them
- difficulties in the procurement of digital solutions, including agreeing on a shared specification and appointing providers
- risk aversion to adopting new or untried solutions.

Place-based strategies involving stakeholders from across a region are important in taking a more collaborative approach

- Regional networks and cross-sectoral partnerships are important for councils in planning coordinated services, and increasing knowledge and capacity. These include:
 - community hub developments through Community Planning Partnerships with the NHS, police and third sector
 - relationships with universities and the private sector developed through City and Region Growth Deals, providing opportunities to partner with those at the cutting edge of digital innovation in Scotland.

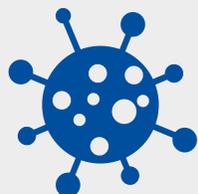
Clackmannanshire Council has identified opportunities for the digital transformation of social care services through its City Deal partnership, working with the University of Stirling and the private sector.



Barriers

A culture of collaboration is needed to get the best out of partnerships. Often, staff are not given enough time to meaningfully participate because of competing demands with their council day job.





Covid-19 has brought greater collaboration across sectors as priorities and goals have become clearer and more aligned



Greater collaboration

Responding to the pandemic and the needs of vulnerable citizens has brought greater collaboration across services, and between councils and sectors. For example:

- Within councils, shared priorities have brought a flexible and rapid ‘one council’ response.
- Place-based strategies have become more important, with local partners, including the third sector and the NHS, working together to deliver a coordinated response to the needs of vulnerable and shielding groups.
- Collaborative working and data sharing across councils and sectors allowed the development of the Helping Hands platform to coordinate support for citizens who are shielding or vulnerable.



Digital Office Covid-support strategy

Councils have been engaging more with the Digital Office since the onset of the Covid-19 pandemic. The Digital Office revised its business plan and developed a new council Covid-support strategy based on supporting the ‘response, recovery and renewal’. This has included:

- supporting the roll-out of homeworking solutions and negotiating trial licences from ICT vendors
- managing procurement for the Helping Hands platform
- setting up a cross-sector data-sharing task force.



Priorities

Key priorities for the Digital Office are becoming clearer, and this should help shape its future role and delivery model.



Technology and data enabled

Makes best use of digital technology to build common solutions that can be reused and shared to create better value for money. Uses and shares data securely to inform decision-making, enable joint services and achieve better outcomes for citizens.

Councils need to address legacy systems and put in place a more simplified technical architecture

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- Councils need to understand the ICT and digital technology they have in place. They need a clear plan for addressing legacy systems to create a more standardised and simplified technical architecture and adopt common solutions.
- Centralised governance structures, technical assurance and common standards can help councils make the right decisions when investing in new systems.

North Lanarkshire Council is seeking new products or systems to align with Digital NL's aims, to maximise the reuse of existing solutions and integrate with the council's digital platform. The Enterprise Architecture Governance Working Group has been established to make sure that the right decisions are made.



Barriers

Councils are generally 'data rich, information poor', with data trapped in many legacy systems that are difficult to access, share between services or extract meaningful insights from.

Technology solutions including mobile working and cloud-based solutions require good connectivity. This is a real challenge for some councils, particularly in rural areas.



Digitally mature councils have digital strategies with a focus on data

- Councils are at an early stage of understanding how data can be better used to inform decisions, and understand user and community needs to achieve better outcomes.
- Digitally mature councils are developing data-driven strategies, **business intelligence** hubs and data management dashboards to make data more accessible and usable.
- Some councils are establishing open data platforms as a central place for all stakeholders to access data, taking an 'open by default' approach.

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Perth and Kinross Council is developing a data strategy with support from its business partner and refreshing its overall digital strategy to focus more on data. The strategy sets out the future direction for data and analytics within the council. Understanding the value of data and ensuring that trusted data is available to drive decisions and deliver better value are key principles. Key actions to support this include increasing data literacy, building a data platform for sharing data and working collaboratively, defining standards and controls to improve data quality, and putting in place standardised analytics tools across the council.



Glasgow City Council redesigned the delivery of school clothing grants to increase uptake from families living in poverty. The project used **data-matching** technology to merge data sets held across the council, to identify those eligible for a grant and give them automatic entitlement. The numbers of people receiving the grant increased from 22,000 to 30,000 as a result. This approach is now being developed on a Scotland-wide basis to maximise the take-up of benefits and address child poverty.

Business Intelligence: using technology to analyse data and create meaningful information about business operations or services which will support decision-making.



Data matching: comparing and if necessary, standardising two or more sets of data in order to use for analysis.

Councils need to put data governance frameworks in place

- Councils recognise that maximising the potential of data needs effective governance frameworks, but the development of common data standards and data ethics approaches are at an early stage.
- Councils should work with the Digital Office and Scottish Government in developing common data standards and a data ethics approach that are transparent, protect personal privacy, give people control and build public trust in how data is used.
- Councils need to comply with the **GDPR** and any data standards and governance frameworks must work within these requirements.
- Skills are needed to manage data, not just among data analysts and scientists but at a leadership level, so that data can be used effectively across the workforce.

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GDPR (General Data Protection Regulation): is a legal framework that sets guidelines for the collection and processing of personal information. It has 7 key principles. It was introduced in May 2018.



The Scottish Government has tasked the DataLab with leading the development of Scotland's first AI strategy, which is scheduled to be published in early 2021.



The Scottish Government is also developing a framework and draft ethical digital Scotland strategy, which is scheduled to be published in July 2021. This will outline how Scotland will use digital technology, data and AI in ways that protect privacy, enhance security, and promote accessibility, inclusion and diversity.

Glasgow City Council is a member of the global network **Cities for Digital Rights**. Members commit to key principles including data protection. This means that everyone has the right to privacy and control over their personal information, and the right to know what happens to and who uses their data, and for what purposes.

Barriers

Cultural differences and a lack of trust have been barriers to increasing the degree of data sharing between services and sectors. Citizens also need to trust public sector organisations to handle their data securely.



A shortage of data skills is a barrier. Councils do not have sufficient numbers of people with the appropriate data literacy skills to make full use of and manage data.



Covid-19 has demonstrated the importance of data in understanding needs, making decisions and directing resources



Sharing data

The Covid-19 pandemic has demonstrated the benefits of sharing data to help solve a problem and inform decisions quickly. For example:

- The Helping Hands platform was developed to bring together data from councils and the NHS to coordinate support for members of the public on the shielding list.
- The Improvement Service used its Spatial Data Hub, which collates and quality assures over 50 data sets from all 32 councils, and has sourced additional data sets to support the Covid-19 response, such as dataset of distinct property types – GP surgeries, pharmacies and care homes.
- Councils reported that data-sharing agreements were reached with health boards and others, a process that would previously have taken a much longer period of time.



Improving the quality of data

A cross-sector data intelligence network has been set up in response to the pandemic and the need for more collaboration in using, sharing and improving the quality of data. It was initiated by the Digital Office but is now chaired by the Scottish Government. Members include COSLA, Public Health Scotland, Police Scotland, Scottish Enterprise, the Information Commissioners Office and representatives from academia.



Innovative

Has a culture of openness and improvement, looks outwards and explores how services can be delivered differently. Has the capacity, capability and processes in place to implement change.

Councils are at an early stage of developing the shared digital culture needed to support change and innovation

- A digital culture has:
 - an openness to doing things differently
 - permission to take risks, but understands the risk threshold
 - a ‘fail fast, fail forward’ ethos – taking an **agile** approach, doing things iteratively and in small steps, learning from mistakes and moving on
 - a willingness to explore the problem and possible solutions
 - an outward-looking approach with an understanding of the opportunities and risks that new technologies may bring.
- Some councils have dedicated initiatives to promoting innovation, such as innovation hubs.

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Agile: an iterative approach to developing, testing and refining software or solutions in stages throughout a project, rather than developing one whole solution over a longer timespan.



Clackmannanshire Council has ‘Be the innovator’ as one of its corporate values. This sets out a commitment to ‘look outwards, be proactive about improvement and strive always for innovation and inclusive growth’.



Barriers

Councils can have a culture that is cautious and risk averse. This can result in a resistance to change and a fear of trying new ways of working and new systems.



People need to be outward looking and be given the space and time to innovate

- Resource pressures can make it difficult to give staff the time and space needed to explore new ways of doing things and test things out.
- Looking outwards to learn from others and work in partnership is important in stimulating innovation.
- Collaboration across sectors and regions is offering an opportunity for councils to learn and innovate. Councils have been learning from local authorities in Scotland and in other parts of the UK and further afield, sharing learning materials and undertaking study visits.
- Councils need to understand the opportunities and risks that new technology such as AI and IoT can bring; this requires the right skills and networks.

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CivTech: Scottish Government programme launched in 2016. It aims to bring the public sector and innovative businesses together to develop solutions to public sector problems.



Case study 6
Enabling digital government
June 2019

Fife Council has established an innovation hub that has a small fund to help develop business cases and works with suppliers to test the feasibility of new approaches, using a 'prove and explore' approach.



Glasgow City Council has an Innovation Strategy that provides a framework for innovative ideas to progress. Innovation projects include work with the Centre for Civic Innovation to complete a challenge addressing how technology can support independent living and tackle common problems such as false alarm call outs and unreliable sensors. The Health and Social Care Partnership has formed partnerships with industry through this challenge, increasing its understanding of what technology is available.

A growing number of councils have set CivTech challenges to find innovative solutions to problems they have faced. The Digital Office featured examples of such challenges, including the case of Stirling Council, in a webinar it hosted.

Barriers

New smart-place technologies such as AI and IoT need good connectivity.



Councils are using different approaches to support transformation but this requires skills that are in short supply

- Council business analysts are using established methods such as **LEAN** and **business process re-engineering** to increase efficiency across services.
- Agile methods are becoming more widely used and are taking an iterative approach to developing solutions.
- Methods that are not yet widely used include:
 - open innovation methods, including **problem-based procurement**, where public bodies work with suppliers to procure solutions to challenges, for example CivTech.
 - [Service design \(page 16\)](#).

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LEAN: an approach to designing or developing solutions based on principles that maximise value and minimise waste.



Business process re-engineering: exploring an existing process or service and re-designing it from the start, to make it more efficient or add more value for the user.

Problem-based procurement: buying a solution developed by a supplier to solve a challenge or issue. In traditional procurement a product is purchased which has been developed to pre-determined specifications.

North Lanarkshire Council is taking an 'agile' approach to transforming services as part of its **Digital NL programme**. This involves an iterative process of business analysis and consultation with staff groups to develop and test solutions that meet users' needs.



Perth and Kinross Council has trained teams in Agile, with senior staff trained in Agile for leaders. It has created a 'Principles in Agile' document to support its use across the council.

Barriers

Councils do not have sufficient staff with the appropriate skills to transform and improve services.

Traditional procurement can take time, which discourages small innovative suppliers from getting involved with public-sector bodies.





Covid-19 has encouraged a culture of innovation that councils need to further develop as they move into a phase of renewal



Rapid response

Councils had to respond rapidly to Covid-19, putting new services in place and supporting staff to work from home. Examples include:

- developing apps for families to help them stay in contact with relatives in care homes
- online booking for recycling centres
- virtual tours of art galleries.



Increased openness

Covid-19 resulted in increased openness – partly through necessity – among councils trying new things and working collaboratively in responding to the shared challenges brought about by the outbreak.



Agile methods

Agile methods have been used and there is growing interest in user-focused design. Councils need to build on these innovative methods to support further change and the capacity to transform.

Digital progress in local government

This report is available in PDF and RTF formats, along with a podcast summary at:
www.audit-scotland.gov.uk

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ISBN 978 1 913287 39 9

Digital progress in local government

Checklist for elected members



Transforming public services and building a digital council is difficult and takes time. Each council has started from a different position depending on its available resources (money and people) and the state of its existing systems and culture, and the demographics of the council area. These factors will also determine how quickly a council can transform.

This checklist is intended to help elected members scrutinise and challenge digital progress. It supplements the [good practice guide](#) and sets out a number of questions to be considered and asked of officers, based on the characteristics of a digital council from our [Digital progress in local government](#) report.

The [Principles for a digital future \(2017\)](#) complements this and provides further detail.

Questions for elected members to consider

Progress

1. Do I understand what a digital council looks like?	Yes – working well	Yes – improvement required	No – action needed
2. Do we know what progress we are making in becoming a digital council?	Yes – working well	Yes – improvement required	No – action needed
3. Do we know the impact covid-19 has had on our digital transformation plans, and are we capturing lessons learned from our response to aid our recovery?	Yes – working well	Yes – improvement required	No – action needed

Cont.

Questions for elected members to consider

Digital leadership

<p>4. Do we have a digital strategy that is focused on transforming services and that is aligned to wider council priorities to improve outcomes for citizens and communities?</p>	Yes – working well	Yes – improvement required	No – action needed
<p>5. Do we have underlying plans to deliver our digital strategy with clear actions, timescales and resource requirements?</p>	Yes – working well	Yes – improvement required	No – action needed
<p>6. Are we effectively engaging with staff to develop our digital plans; communicate what this will mean for them; and to create a collaborative culture and mindset?</p>	Yes – working well	Yes – improvement required	No – action needed
<p>7. Do we (as elected members) have the skills and knowledge to champion the benefits of digital transformation and scrutinise progress? Is sufficient support and training available?</p>	Yes – working well	Yes – improvement required	No – action needed

Cont.

Questions for elected members to consider

<p>8. Do we have governance arrangements that provide central oversight of digital transformation and are these regularly reviewed to ensure the right level of scrutiny and timely decision-making?</p>	Yes – working well	Yes – improvement required	No – action needed
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<p>9. Have we considered what level of investment will be required in IT infrastructure (hardware, software and cloud services), council staff, and digital leadership to become a digital council?</p>	Yes – working well	Yes – improvement required	No – action needed
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<p>10. Are the views and needs of citizens and communities considered in our digital transformation projects and are users involved in a meaningful way?</p>	Yes – working well	Yes – improvement required	No – action needed
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<p>11. Do our digital transformation plans clearly set out how we will deliver better outcomes for users and how this will be measured?</p>	Yes – working well	Yes – improvement required	No – action needed
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Cont.

Questions for elected members to consider

12. Do we understand how digital exclusion is affecting our citizens and communities and do we have a strategy in place to address this?	Yes – working well	Yes – improvement required	No – action needed
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Digital workforce

13. Do our workforce plans align with our digital strategy and do they reflect the impact that digital transformation will have on our workforce both now and in the future?	Yes – working well	Yes – improvement required	No – action needed
---	--------------------	----------------------------	--------------------

14. Do we know what digital skills we need at a leadership level and across the wider workforce to deliver our digital plans? Do we have effective plans in place to build digital skills and capacity to fill any gaps?	Yes – working well	Yes – improvement required	No – action needed
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Collaborative

15. Are we supporting collaboration and joint working across the council? Are arrangements in place for staff to share lessons learned, ideas and digital solutions?	Yes – working well	Yes – improvement required	No – action needed
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Cont.

Questions for elected members to consider

16. Are we engaging with other councils, the Digital Office and Scotland Excel to identify the areas and services where common platforms and joint procurement would add most value?	Yes – working well	Yes – improvement required	No – action needed
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17. Are we actively participating in the Digital Office community and other regional partnerships to learn and increase capacity to deliver digital change?	Yes – working well	Yes – improvement required	No – action needed
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Technology and data enabled

18. Do we have the right technology and systems in place so that we can build and reuse common solutions and use and share data in a secure and ethical way?	Yes – working well	Yes – improvement required	No – action needed
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19. Are we developing a data strategy and do we understand what IT systems and skills are needed to make better use of data?	Yes – working well	Yes – improvement required	No – action needed
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Cont.

Questions for elected members to consider

20. Do we have a data governance framework in place that considers data standards, data ethics and cyber security?	Yes – working well	Yes – improvement required	No – action needed
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Innovative

21. Are we promoting an innovative culture that gives staff the space and time to explore new solutions, and permission to take managed risks to try working differently?	Yes – working well	Yes – improvement required	No – action needed
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Digital progress in local government

Audit Methodology



Aim of the audit

The overall aim of the audit was to answer the question: What progress are councils making in becoming digital councils that improve services and deliver better outcomes for citizens?

As part of this we set out to answer the following questions:

- How well do councils understand what it means to be a digital council?
- How effectively are councils putting in place the building blocks to become a digital council?
- How well are councils progressing towards being digital councils and what are the barriers they are facing?

Methodological approach and rationale

The methodology used by the audit team to answer these questions included detailed case studies in a sample of six councils, interviews and document review with key national stakeholders, and wider literature review on digital in local government both in and beyond Scotland and the UK.

There are currently no common indicators or consistent data set that measures digital progress councils are making.

The case study methodology in a sample of councils combined with interviews at a national level and wider literature review, allowed us to:

- identify the key principles/characteristics of a digital council
- identify common barriers and challenges
- identify common approaches that are helping councils to progress
- identify illustrative examples
- focus on improvement while still providing some assurance on progress.

Methods	Selection Rationale	Application of method
<p>Fieldwork at sample of six councils:</p> <ul style="list-style-type: none"> • Interviews • Focus groups • Document review 	<p>The six fieldwork sites were selected to provide a mix of councils based on the following criteria:</p> <ul style="list-style-type: none"> • Urban/rural – a mix of city, urban, urban-rural, rural and island authorities • Size and scale of councils • Levels of deprivation • Levels of digital maturity and digital leadership attributes • Other ongoing scrutiny work 	<p>The following six councils were selected:</p> <ul style="list-style-type: none"> • Clackmannanshire • Eilean Siar • Fife • Glasgow City • North Lanarkshire • Perth and Kinross <p>Interviews were carried out with key members of staff including:</p> <ul style="list-style-type: none"> • chief executives and leadership team • Digital and ICT leads • finance leads and HR/OD leads • elected members. • Staff representatives <p>Focus groups were also carried out with frontline staff and digital teams who had been involved in specific digital transformation programmes.</p> <p>A range of documents were reviewed including digital strategies and plans, corporate documents.</p>
<p>Interviews with key national stakeholders and document review</p>	<p>Stakeholder mapping was carried out to identify key stakeholders involved in the digital agenda in Scottish local government.</p> <p>Interviews with national stakeholders allowed us to triangulate the findings at the sample councils to identify common issues and progress across the sector, as well as identifying the role of national stakeholders.</p>	<p>The following national stakeholders were interviewed:</p> <ul style="list-style-type: none"> • Local Government Digital Partnership • The Digital Office for Scottish Local Government • Improvement Service • COSLA • Scotland Excel • SCVO • Scottish Government <p>Documents reviewed included:</p> <ul style="list-style-type: none"> • Digital Office Business Plan • Progress reports to SOLACE • Digital Office work programme documents
<p>Literature review on digital in local government both within Scotland and beyond Scotland and the UK</p>	<p>A literature review was undertaken to help identify the key principles and characteristics of a digital council.</p>	<p>Literature review:</p> <ul style="list-style-type: none"> • Research/ policy papers on digital • RUK and international case studies

Local government in Scotland

Overview 2020



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
June 2020



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.

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Audit team

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

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.

Chair's introduction



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

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

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

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

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

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

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

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



Summary



Key messages

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

- 1** Councils are working hard to deliver services to their communities. But the context they are working in is increasingly uncertain and complex. Demographic and social change is creating demand for services, while the strain on budgets continues to intensify. National policy commitments are increasing and the stresses on other public and third sector partners add to the difficulties in delivering services. The cumulative effect of these pressures on councils is beginning to show across service performance and use of financial reserves.
- 2** Scottish Government revenue funding to councils has reduced in real terms over the period 2013/14 to 2020/21 by 3.3 per cent. Since 2017/18 however, it has increased by 3.9 per cent in real terms, to £10.7 billion in 2020/21. This does not include additional funding in response to the COVID-19 pandemic. The strain on budgets is evident as councils continue to dip into their reserves to make ends meet. Medium-term funding levels are uncertain, making continued use of reserves to manage the funding gap unsustainable. Long-term financial planning is not well enough developed in many councils and in integration joint boards. Medium- and long-term financial planning are important tools for making well-informed decisions and to effectively manage continuing financial challenges.
- 3** Alongside the uncertainty of funding levels, the scale and complexity of the challenges for councils and integration joint boards will continue to grow in the coming years. Change is needed in how they serve their communities, so that they are able to respond to the needs and improve outcomes for people into the future, in the most efficient and effective ways. More radical thinking is needed for longer-term solutions. It requires investment of time and capacity by political and management leaders, to analyse the range of challenges for the

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

- 4** Councils alone cannot improve outcomes for communities and achieve local priorities. The full potential of collaborative working with partner organisations and communities is not yet being realised. More progress is needed. Councils need to demonstrate strong leadership and collaborate with partners, including integration joint boards, NHS boards, the voluntary and private sectors, and their local communities. This is essential if they are to make best use of local resources, including the workforce, and demonstrate Best Value.
- 5** Workforce planning is fundamental to ensure that councils have the staff, skills and leaders they need to deliver change. Some progress has been made to improve workforce planning, but much more needs to be done. As the workforce ages, councils need to be more flexible and agile in how they deploy staff, work with partners and attract younger people to work in local government and respond to specific skills gaps. This also requires comprehensive workforce data and planning.

Recommendations

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

Governance - councils and integration joint boards need to:

- invest leadership capacity in analysing the challenges and planning for the future, including:
 - plans for how services will be delivered that reflect the scale of the challenges ahead and will deliver demonstrable improvement in outcomes for communities
 - putting in place and continuing to develop medium- and long-term financial planning that will inform ongoing review and implementation of plans for change.
- monitor and report on delivery of local priorities and outcomes while improving public performance reporting.

Collaboration - councils and integration joint boards need to:

- maximise the potential of collaborative working by:
 - working alongside partners to improve community planning partnerships, so that they have a clearer strategic direction and take a more active role in leading local partnership working
 - engaging with other councils, partners and communities in developing plans to improve and change the way services are delivered.

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

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

- develop leadership capacity and workforce planning arrangements including:
 - effective succession planning and capacity development for leadership positions
 - approaches to increase the uptake of learning and development opportunities by councillors, to ensure that they are equipped to respond to the challenging context and their role in planning for the future
 - improving the quality and range of workforce data to give a comprehensive profile of the current organisation-wide workforce
 - using this comprehensive workforce data to:
 - identify and address skills gaps, including those related to lack of capacity or the age profile of staff
 - plan for the skills required to deliver services, both now and in the future, including using skills from the third and private sectors, with a greater focus on collaborative and flexible working
 - prioritising the development of staff across their organisations, to build more resilient teams, focused on improving the lives of local people
 - building a learning culture to learn from experience both within and outside the organisation.

Services - councils and integration joint boards need to:

- consider how the recommendations above relate to each service.
- For planning services this specifically includes:
 - ensuring the role of chief planning officer is positioned to contribute at a strategic level to corporate level discussion and planning
 - developing detailed workforce planning and strategies that will respond to the changing skills needs of the service and consider at a national level how collectively the limited availability of planning professionals can be addressed
 - providing effective leadership to staff for the cultural changes needed to respond to the shift in focus for this service
 - implementing changes to how the service works to improve the level of partnership working and community engagement.

About this report

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

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

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

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

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

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

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



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

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

These are all available on the Audit Scotland website.

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

The challenges

Councils operate in a challenging and complex landscape



7. It is well recognised that there are significant pressures on local government and its partners. Over the following pages, we illustrate the challenges and complex landscape that contribute to these pressures through a series of infographics. The illustration below gives a high-level breakdown of the main features of the overall landscape, which we explore in more detail on [pages 11 to 23](#).



Political and economic

The political and economic landscape continues to hold uncertainties including:

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



Community needs

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

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



Policy

Local government is an important contributor to national outcome priorities

- National policies and initiatives bring additional challenges and pressures eg:
- Health and Social Care Integration
 - Tackling climate change
 - Welfare reform
 - Early learning and childcare expansion
 - Additional support for learning
 - Planning (Scotland) Act 2019



Financial

Local government faces a range of financial challenges

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



Political and economic

The political and economic landscape continues to hold uncertainties

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



COVID-19 Pandemic

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



Withdrawal from the EU

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

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

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

We refer to some of the risks in greater detail in our Briefing Paper [‘Preparing for Withdrawal from the European Union’](#)  in which we also identify some of the mitigating approaches being adopted by councils.



Political landscape

The UK general election in December 2019 delayed budget setting processes

There is increased debate about a second referendum on Scottish independence

The Scottish Parliament elections are planned for spring 2021

The outcome of the local governance review remains uncertain



Economy

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

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

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



Community needs

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

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



The population continues to grow but the pace is slowing

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

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

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

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



The proportion of the population over 65 years is increasing

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



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

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

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

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

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

The proportion of children in the population is decreasing

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



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

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



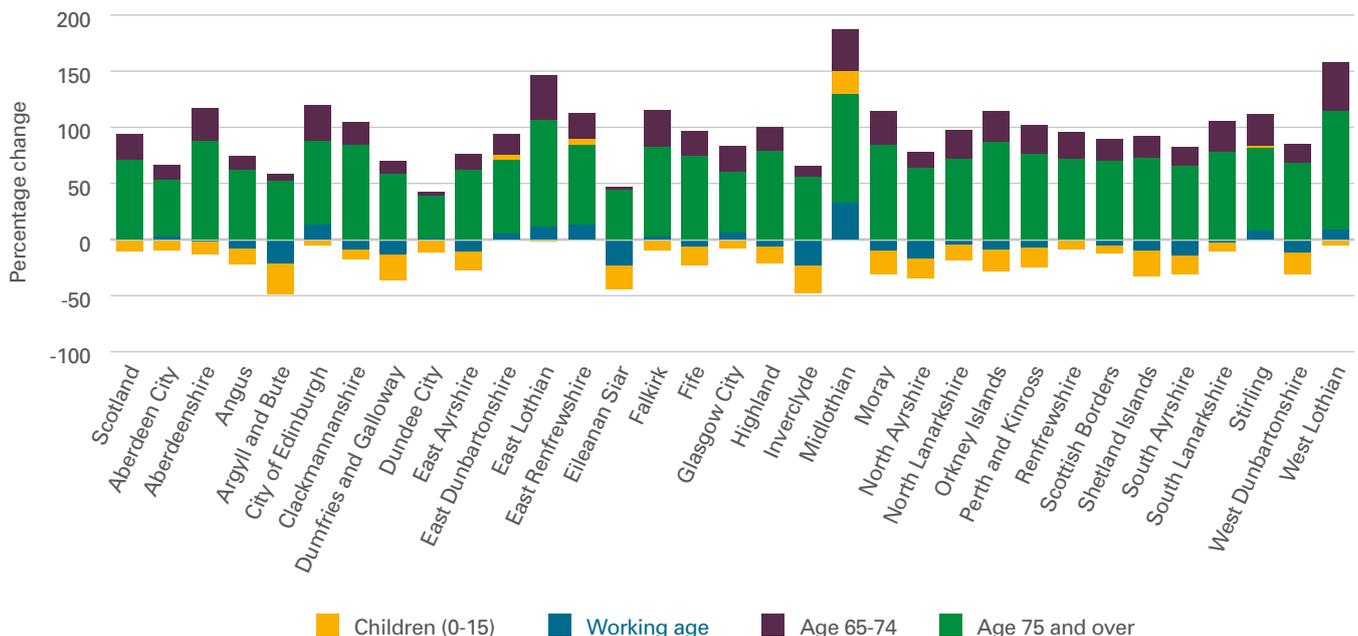
Population change at local authority level, 2018–43

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

- Midlothian, East Lothian and West Lothian are forecast to have the highest increases across both older age groups.
- The majority of councils (28) are projected to have decreasing numbers of children, with a reduction of 10.5 per cent across Scotland. Reductions are significant in some councils, with Argyll and Bute having the highest forecast reduction of 28.4 per cent by 2043.
- Aberdeenshire, Clackmannanshire, Highland, Shetland Islands, Orkney Islands, Fife, North Lanarkshire, South Lanarkshire, Moray and Perth and Kinross, all have projected above average increases (average increase is 70.6 per cent) in the older adult (75 years and over) population, in addition to reduced working age populations, and falling numbers of children.
- Inverclyde and Eileanan Siar are expected to see the largest reduction in their overall populations (-16 per cent by 2043). For Inverclyde this is most significant for its child population, while the reduction in the working-age population will be the most significant in Eileanan Siar.

Exhibit 1

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



Note. Change is based on a percentage change.





Poverty levels are rising

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

<p>Between 2011-14 and 2016-19, relative poverty in Scotland increased from 18 per cent to 19 per cent</p>	<p>Growth in life expectancy has stalled. This is more prominent in areas with greater deprivation</p>	<p>In 2018/19, there was a four per cent increase in households in temporary accommodation as well as a six per cent increase in children living in temporary accommodation</p>	<p>Between 2011-14 and 2016-19, relative poverty for children in Scotland increased from 21 per cent to 24 per cent. Analysis by the Scottish Government indicates that this could rise to just under 38 per cent by 2030</p>	<p>Between 2011-14 and 2016-19, the level of pensioners in poverty has increased from 12 per cent to 15 per cent. People in relative poverty in households with at least one adult in employment has increased from 47 per cent to 53 per cent</p>
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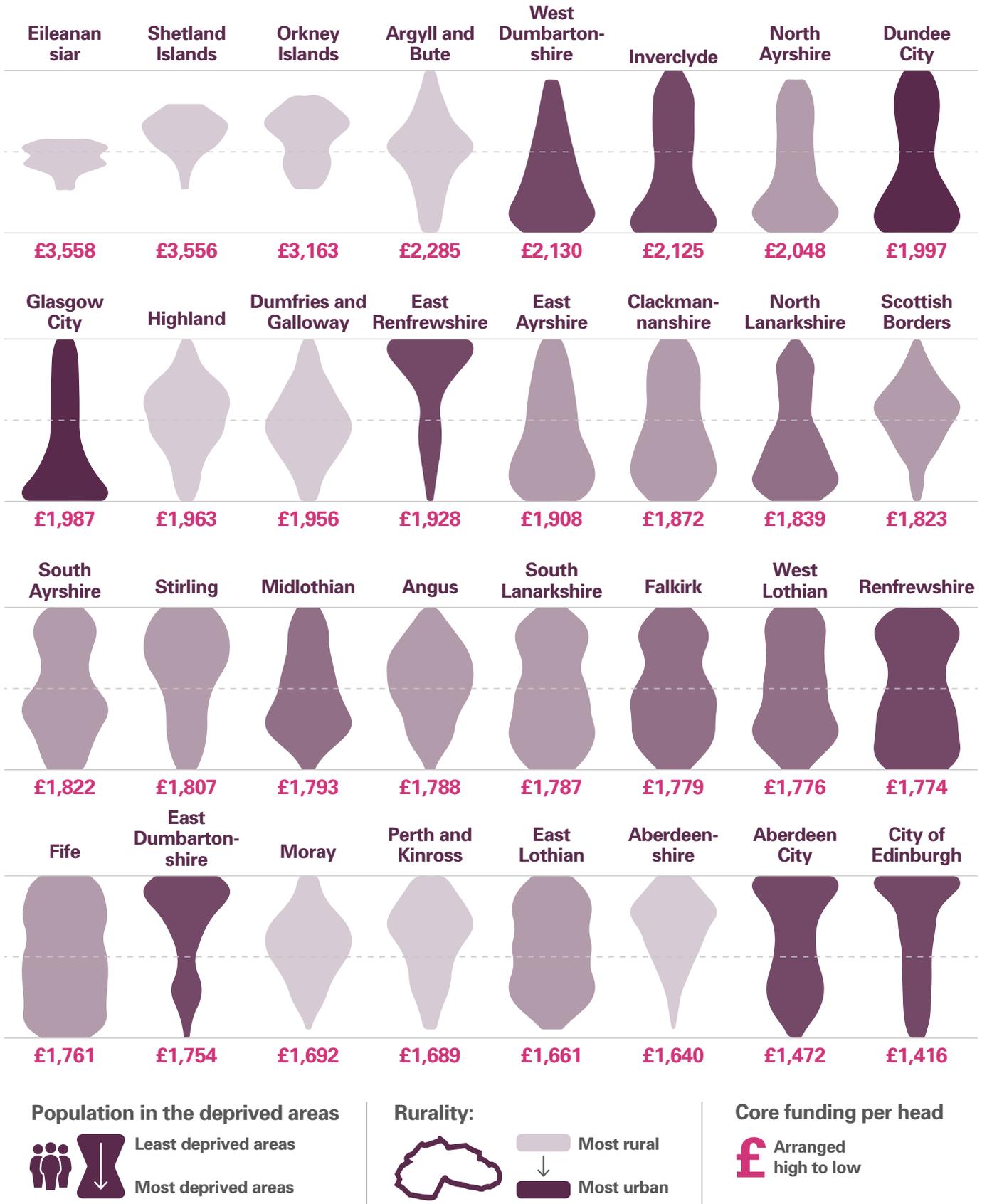
Levels of inequality and the challenges vary across council areas, for example:

<p>Glasgow is one of the 14 council areas with a growing population. It is one of the councils worst affected by high levels of deprivation, child poverty and homelessness. This puts it under significant pressure to respond to the growing need for services. Glasgow also has the lowest life expectancy in Scotland. At birth, life expectancy for men in Glasgow is 73.4 years, and is 78.7 years for women. In contrast, East Renfrewshire has the highest life expectancy of 80.7 years for men and 83.6 years for women.</p>		<p>Inverclyde and North Ayrshire, among others, are expected to have a reduction in their populations, with fewer working-age adults, but they also have high levels of deprivation, child poverty and lower life-expectancy. The distribution of Scottish Government funding is largely determined by population levels. Councils with low or declining populations and with a complex local context, including deprivation levels, need to plan to respond to increasing pressures with less funding.</p>
<p>Island authorities, namely Eilean Siar, Orkney Islands and Shetland Islands, receive the most funding per head from the Scottish Government. This is due to the cost of delivering services in island settings, which is more complex. Other issues such as providing effective infrastructure are a key challenge. Deprivation is also an issue that island and rural authorities must respond to, however because the populations are so sparse, deprivation is not as easily identified using SIMD. Rural and island council areas have significant areas where rural poverty is an issue. The communities are often affected to a greater extent by issues such as fuel poverty.</p>		

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

Exhibit 2

Deprivation levels, rurality and funding per head of population



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



Policy

Implementing national policies and initiatives brings further challenges

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

National Performance Framework

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



- Local government is a major contributor to the range of outcomes the NPF aims to improve.
- Having a positive impact on these outcomes will be challenging:
 - LGBF measures show performance has either stalled or declined in the past year - [Exhibit 3](#)
 - National Performance Framework indicators show a mixed picture of progress - [Exhibit 4](#)

Exhibit 3

Performance – Local Government Benchmarking Framework data

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



Adult social care

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



Education and children

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



Environmental

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



Economic development

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



Culture and leisure

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



Housing

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



Corporate

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

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

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

Exhibit 4

Performance - National Performance Framework measures

There is a mixed picture of progress against measures of national outcome priorities. A sample of NPF indicators are illustrated below.

		2013	Change	2018
Health				
	Health risk behaviours: Percentage of adults with two or more health risk behaviours (current smoker, harmful drinking, low physical activity, obesity)	28%	▲ +1	29%
	Journeys by active travel: The proportion of short journeys less than 2 miles that are made by walking	47.3%	▼ -4.3	43%
	Journeys by active travel: The proportion of short journeys less than 5 miles that are made by cycling	1.2%	▲ +0.6	1.8%
Education				
	Quality of child care: Percentage of settings providing funded Early Learning and Childcare achieving good or better across all themes	91.6%	▼ -1	90.6%
	Young people's participation: Percentage of young adults (16-19 year olds) participating in education, training or employment	90.4%*	▲ +1.4	91.8%
Employment				
	Living wage: Percentage of workers earning less than the living wage	18.3%	▲ +1.1	19.4%
	Gender pay gap: The difference between male and female full-time earnings, as a percentage of full-time hourly earnings	7.7%	▼ -2.1	5.6%
Environment				
	Energy from renewable sources: Percentage of energy consumption which is renewable energy	12.7%	▲ +8.2	20.9%
	Household waste: The amount of household waste generated in million tonnes	2.4	▬ 0	2.4
	Wellbeing: Proportion of adults making one or more visits to the outdoors per week	46.2%	▲ +12.7	58.9%

Exhibit 4 continued

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

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

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





Policy



Fairer Scotland Duty

The duty took effect in April 2018.

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

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

Health and social care integration

Health and social care integration began in 2016.

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



The pace of progress with integration has been too slow.

Adapting to new ways of working continues to be challenging.

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

- The 'Rate of readmission to hospital within 28 days per 1,000 discharges' has increased by 8 per cent since 2013/14, and over the past year there has not been any change
- Since 2013/14 there has been a 14 per cent reduction in the 'Number of days people spend in hospital when they are ready to be discharged, per 1,000 population (75+)', but a 4 per cent increase in the last year.

Other major policies and initiatives

Climate change -

Scottish Government has set a target of net-zero emissions by 2045

Tackling child poverty -

Scottish Government has set income targets for 2023 and 2030 but current child poverty levels are high

Early learning and child care -

ambitious targets set for increasing the funded hours provided (deferred due to the COVID-19 pandemic)

Additional support for learning -

meeting the individual support needs for children is challenging with current resources

Welfare reform -

rollout of Universal Credit brings changes to systems and increased demand on advice services

Planning (Scotland) Act 2019 -

new focus on 'place' based planning with partner and community engagement



Financial

Local Government faces a range of financial challenges

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



Scottish Government funding

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

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

These figures do not include additional funding identified since April 2020

Councils have less flexibility in how they use funding.

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

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



Increasing cost pressures

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



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

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

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



For example, North Lanarkshire Council has partly attributed its high cost of adult care to commitments in paying the national living wage
19 councils including North Lanarkshire are accredited Scottish Living Wage employers, which pay a higher rate than the national living wage
The national living wage increased by 21 per cent between 2016/17 and 2020/21



Managing the funding gap

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

Councils have been using reserves to manage funding gaps



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

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

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

20 councils are increasing council tax by this proportion

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

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



Spending

Spending on education continues to rise, while spend in most other service areas is falling

With increasing need from population changes, statutory and policy requirements, over two thirds of council spending is on education and social care.



Education, Social work and Environmental services

% change
cash

% change
real terms

Education, Social work and Environmental services increased net expenditure from 2013/14 to 2018/19.

Adjusted for inflation (in real terms), spending on Education and Social work increased and decreased by only 1.5 per cent respectively. In real terms, Environmental services spent over five per cent less in 2018/19 than in 2013/14

Education

10.4

1.5

Social work

7.1

-1.5

Environmental services

2.9

-5.4



Other services areas

% change
cash

% change
real terms

Other service areas have borne higher levels of savings in cash and real terms. For example, planning services, roads and transport, and culture and related services.

Cultural and related services

-6.2

-13.9

Roads and transport

-18.2

-24.8

Planning and development services

-27.7

-33.5

Central services

-27.4

-33.3

Non-HRA housing

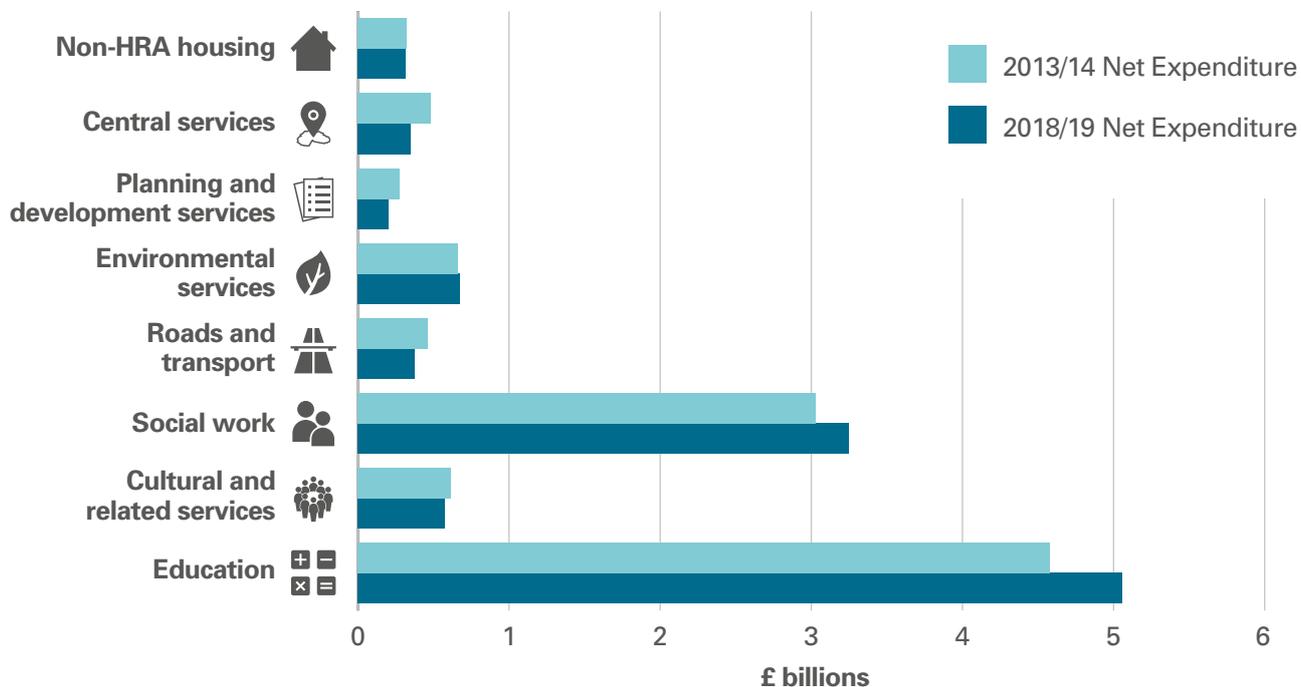
-1.9

-9.9

Exhibit 5

Local government service expenditure

A comparison of net revenue expenditure between 2013/14 and 2018/19 (cash terms)



Source: Audit Scotland using Scottish Government local financial returns 2013/14 – 2018/19



Doing things differently

To meet the needs of communities into the future



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



Leadership



Change and improvement



Workforce planning



Partnership working



Community empowerment and engagement

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

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

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

- developing leaders, staff, and skills to deliver change. This requires effective leadership and workforce planning that is clear about the workforce needs now and in the future, where the gaps are and what training or other action is needed to fill them.
- improving services' efficiency and performance through transformation and redesigning services around the needs of the people who use them.
- collaborating with partners, the third sector (such as charities) and communities to think differently about how to deliver and fund services and to continue to seek and implement innovative ways of working.
- undertaking medium- and long-term financial planning to deliver national policy commitments while continuing to sustain local services with reducing budgets and increasing demands.

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

Leadership

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

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

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

- Clackmannanshire - The council's financial position has improved but remains very challenging. The council recognises that its finances are not sustainable in the longer term without transformation. It cannot continue to avoid or defer difficult decisions about services.
- Scottish Borders - The council recognises the degree of change needed to meet its challenges. Making progress will require good leadership by councillors and the corporate management team.
- Midlothian - Councillors need to show better leadership to deliver the necessary change and to make difficult decisions about the future shape of services. Councillors need to work together urgently to agree the medium-



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

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

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

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

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

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

Changes in officer leadership need to be managed effectively

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

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

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

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

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

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

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



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



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

Am I satisfied that these are appropriate?



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



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

How do I plan to get the appropriate training?

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

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

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

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

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

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

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

- estimates of Scottish Government funding
- projections of corporate and service level income
- projections of corporate and service level expenditure
- projections of the costs of borrowing.



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

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



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

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

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



Change and improvement

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

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

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

- Midlothian Council - more than 16 organisations from the Community Planning Partnership and the third sector are working on a project to redesign mental health and wellbeing support services.
- Stirling Council worked in partnership with NHS Forth Valley and the Scottish Ambulance Service to create Stirling Health and Care Village which opened in January 2019.

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

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



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



The Local Government in Scotland: Financial overview 2018/19

sets out how councils responded to tightening budgets in 2018/19 and their plans for 2019/20.

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

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

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

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

- identifying ways to design services around the key challenges, rather than around the structure of the public sector
- increasing collaboration with local people to better understand local issues and, in doing so, identify sustainable solutions
- increasing levels of innovative thinking, combined with effective management of risk.

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

Digital approaches continue to develop

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

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

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

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

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

- **Procurement** - implementing digital projects is likely to require significant spending. North Lanarkshire's transformation programme is centred on the 'Digital NL' programme, aimed at simplifying and joining up services. This required investing in a digital partner with a maximum contract value of £6.4 million over six years.
- **Skills** - digitally-designed projects need to be led and managed by experienced staff with the appropriate skills. There is a shortage of digital



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



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

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

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

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

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

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

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

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

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

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

- Midlothian and Perth and Kinross councils demonstrate good use of service-level reviews but lack a corporate approach
- Stirling Council's approach was found to be poorly structured and inconsistent
- South Lanarkshire Council uses an ongoing risk-based approach of structured self-assessments to review and redesign services with a focus on fundamental change. This review programme has improved service delivery and made some financial savings.



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



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

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

- North Lanarkshire Council has a good approach to self-evaluation but needs to ensure that the actions arising from this are clear and measurable.
- Highland Council has developed self-evaluation arrangements but needs to ensure that these are used consistently across services.
- Midlothian Council's arrangements lack a structured corporate approach.



Workforce planning

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

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

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

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

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



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

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



Do we have detailed corporate and service level workforce planning?

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

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

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

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

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

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

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

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

- North Lanarkshire has established a health and social care academy that aims to encourage young people to take up a career in the care sector.
- South Lanarkshire uses its switch to redeployment programme to match staff whose roles are at risk with suitable alternative roles, and it has initiatives in place to recruit staff for skills needed in its roads, early years and homecare services.
- Perth and Kinross has restructured all posts into five 'job families', which increases flexibility between services and encourages employees to retrain as the demand for skills changes between services. The council also operates a grow-your-own programme to address skills needs and tackle the challenge of its ageing workforce.

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

Partnership working

The full potential of collaborative working is not being realised.

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

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

- Midlothian has developed some shared services and shared roles to help address challenges it faces as a smaller council. For example, it has shared a joint chief internal auditor with Scottish Borders since 2018. The chief auditor leads both councils' internal audit teams at a strategic level and is supported operationally by principal auditors in each council.
- South Lanarkshire is a host authority for a range of shared services, including the Clyde Valley Learning and Development Partnership comprising eight local authorities in the west of Scotland and set up to establish and deliver shared approaches to training, learning and development. This includes, for example, shared tools for e-learning development, accredited front-line management training, and learning and training for social care. These approaches enable the sharing of best practice across councils and making financial savings by providing joint training events and accreditation.
- Highland shares its procurement service with Aberdeen City and Aberdeenshire councils. The most recent annual procurement report shows that in total £1.39 million of savings was achieved during the period 1 April 2017 to 31 March 2018. As part of Highland Council's financial plans, it is looking at further ways of delivering savings through procurement.
- Stirling shares a trading standards service with Clackmannanshire. It also delivers animal health and welfare services on behalf of Clackmannanshire, Falkirk and East Dunbartonshire councils, and has a partnership arrangement in place with Clackmannanshire and Falkirk councils for a stray dog shelter.

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

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

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

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



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

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

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

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

- Scottish Borders – Ambitions set out in locality plans had not been costed and so were not reflected in the council's or its CPP partners' budgets.
- Perth and Kinross – There is evidence of effective working in some parts of the CPP, for example the work of the Children, Young People and Families Partnership was commended by the Care Inspectorate in 2018. Some councillors and partners, however, raised concerns about community planning and other partnership working functioning as separate processes.

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

Progress in integrating Health and Social Care has been too slow

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

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

- IJBs being empowered to use all the resources at their disposal to better meet the needs of their local populations
- delegated hospital budgets and set aside requirements being fully implemented
- having effective, coherent and joined-up clinical and care governance arrangements in place.

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

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

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



What obstacles are facing our area's IJB?

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

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

Regional economic development is stimulating improvements in collaborative leadership

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

Exhibit 6

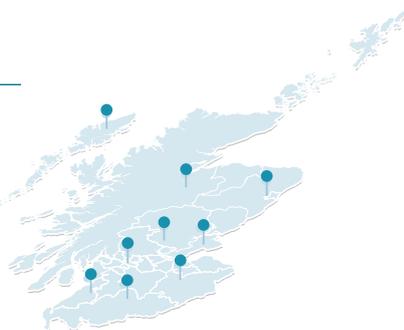
Progress in City Region and Growth Deals

4 deals have been signed to date

Totalling £3.7 billion

Involving 17 councils:

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



8 further deals are in development

Receiving a further £1.5 billion of committed funding

Involving 15 further councils

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

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

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

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

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

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

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

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



Community empowerment and engagement

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

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

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

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

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



Community Empowerment

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

- Community asset transfers – where communities can take responsibility for land and buildings.
- Participation requests – where people can ask to take part in decisions about council services.
- Participatory budgeting – where communities can have a say in how the council should spend public money locally.
- Community planning – where community bodies can participate in community planning, in particular those that represent the interests of people who experience inequalities.

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

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

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

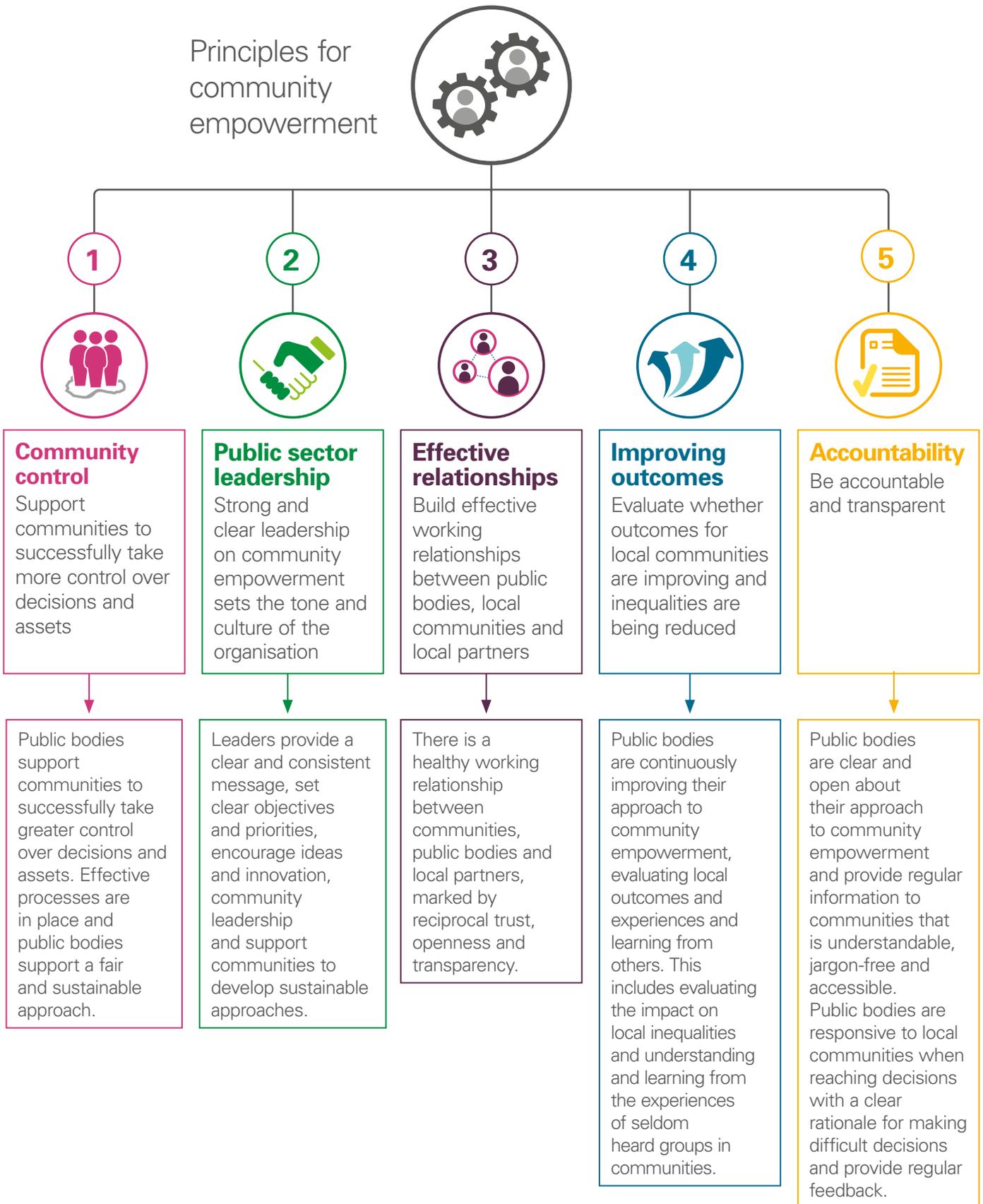
71. Community empowerment is relevant to all departments, roles and levels. It should not be seen as only relevant to staff who work directly with communities. All services should be involving communities more in decisions about public services. There needs to be clear leadership to embed this approach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



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

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

Exhibit 7
Principles for community empowerment



Source: Strategic Scrutiny Group, July 2019

The local governance review is still ongoing

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

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

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

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

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

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

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

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

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



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

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

Service case study

Planning Services



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

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

- Development plans set out how places should change, and the policies councils use to make decisions on planning applications.
- Development management is the process for making decisions about planning applications.
- Enforcement is about making sure that development is carried out correctly and acting where this is not the case.



Challenges

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

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

- Growing populations in areas such as Aberdeenshire, East Renfrewshire and the Lothians mean increased demand for housing, local services and amenities. Councils need to plan for these changes.
- Areas with shrinking populations, such as Argyll and Bute, Ayrshire, Dumfries and Galloway, Inverclyde and Eilean Siar may see reduced demand for some services and different challenges for planners.

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



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



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

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

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



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

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

- a legal requirement to take Local Place Plans into account when preparing development plans – these cover issues such as housing, open space and community facilities as well as business and employment opportunities
- a duty to work with other councils to produce Regional Spatial Strategies
- the appointment of statutory chief planning officers
- new powers to introduce control areas where planning permission will always be required if owners want to change the use of their property to short-term lets.

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

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



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

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



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

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



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

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

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



Uncertainty remains about the detail of the Act's requirements

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

Doing things differently

Planning services need to do things differently to be able to meet national policy priorities while maintaining and improving services

How the core aspects for change ([page 24](#)) are reflected in planning services.



Leadership: Strong leadership of planning services is needed to meet the challenge of performing new duties with reducing resources

91. Meeting the challenges of the Act and putting the Place Principle into practice requires strong leadership from council officers and councillors. Collaborative leadership is critical to success.

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



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

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

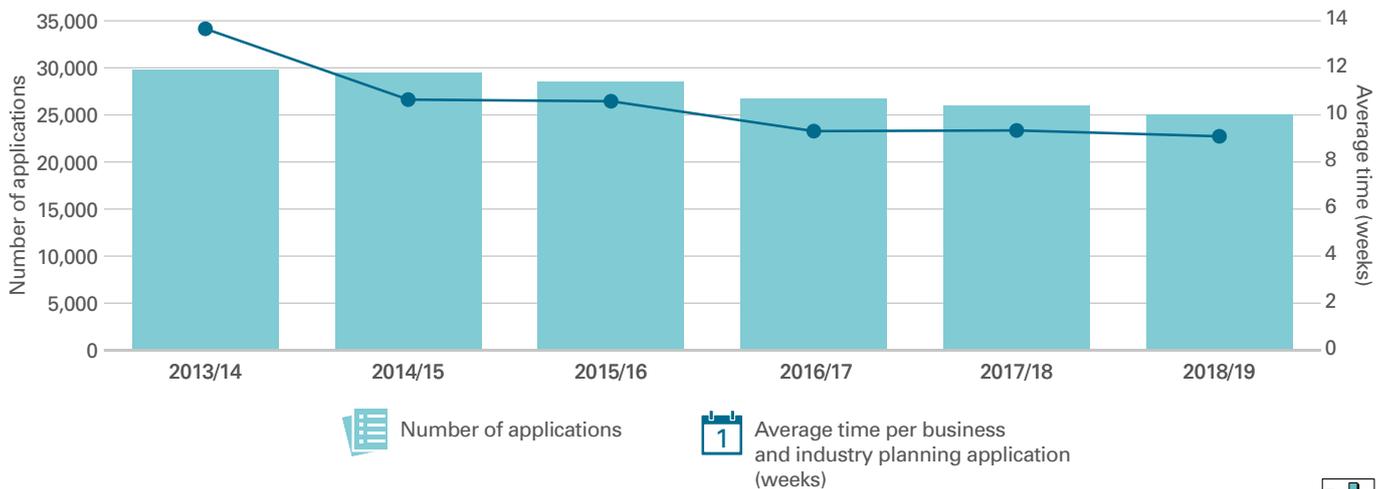
93. The cultural shift from a mainly regulatory to strategic role will need effective leadership and engagement with staff. Given skills gaps in change management in many councils, they need to consider how they will ensure the change management capacity required is put in place to support councillors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

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

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

95. Possibly as a result of that narrowed focus, performance in processing planning applications has improved. For example, the average time taken per business and industry planning application has fallen by 34 per cent since 2013/14.⁶ However, this improved performance has been achieved with reducing numbers of planning decisions made each year since 2013/14: from 29,779 applications to 25,027 in 2018/19 ([Exhibit 8](#)).

Exhibit 8
Planning decision times and number of applications since 2013/14



Source: Audit Scotland, Improvement Service, Local Government Benchmarking Framework data 2013/14 to 2018/19

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

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

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

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

- **Sustainable place transformation** to focus on the overall infrastructure and environment of the area which in turn will increase its attractiveness as a place to live and work.
- **Increased economic activity** to attract major employers into the area and work with existing businesses to maximise growth, which in turn will generate employment opportunities for local people.
- **Building community capacity**, to ensure that there are increased levels of community participation in activities that promote a better, healthier lifestyle and/or improve employment prospects.

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

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

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



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



Fees and costs of planning services vary across councils:

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

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



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

102. There are significant workforce challenges for planning services. Local government planning services have seen a 25.7 per cent cut in staff numbers since 2009⁷ ([Exhibit 9](#)).

Exhibit 9

Challenges for planning services workforce



Evolving role

The new duties under the Act place new demands on the workforce outside the traditional 'planner' role.

Building community engagement and collaborative relationships will be important.



Workforce reductions

In March 2019, there were 1,332 planners in Scotland.

Across local government planning staff numbers have reduced by almost 26 per cent since 2009.



Workforce profile

Around 9 per cent of planning staff are aged under 30 and 35 per cent are over 50.

Only around 100 new planners graduate each year, many taking up private sector employment.



Skills gaps challenge

A HOPS survey found that 30 councils confirmed that they had to fund additional technical planning expertise in the last three years.

Only 18 councils had in-house training provisions.

28 councils shared a service with another council.

Training and sharing services is more challenging for island authorities, due to the associated distance and cost.

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

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

- Eilean Siar, which had to re-advertise for a planning officer, looked at unqualified applicants interested in learning additional skills to become a planning officer. The council operates a career-grade structure, which supports officers to qualify through work.
- North Ayrshire, recognising a nationwide deficit in qualified and experienced planners, has re-designated planning officer posts to planning assistants and recruited new graduates. Staff development is supported with a planning skills programme including training and site visits.



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

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

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

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

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

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

- the importance of ongoing dialogue
- clear and considered engagement, including improved publicity for consultations and engagement methods so that all parties get the most out of them
- culture change, collaborating more effectively with partners in developing policies, engaging meaningfully with partners and using shared information to improve outcomes
- clearly communicating roles and remits.

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

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

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

Case study



West Dunbartonshire

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

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

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

Source: Audit Scotland

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

Planning services are key drivers in delivering the Place Principle

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

- encouraging online applications
- increasing use of pre-application advice services
- developing new software techniques for various aspects of planning, for example mapping exercises
- re-aligning planning teams, changing how teams are structured and the scope of work for team members

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

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

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

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

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

- North Lanarkshire Council plans to demolish all its tower blocks and replace them with new modern homes to help reduce inequalities. This is part of its regeneration of place 'plan for growth', which also includes transforming town centres. The council's 'tower re-provisioning programme' will see tower blocks and low-rise properties demolished across North Lanarkshire over the next 25 years, and the council's 'NL Homes' new build programme aims to deliver 5,000 affordable new homes by 2035.
- Perth and Kinross Council adopts a place-based approach for each of its seven localities, aimed at tackling inequalities. Localities are each supported by 'stories of place', created by the council to summarise statistical and background information on each locality to support its work.
- Clyde Gateway is a partnership between Glasgow City Council, South Lanarkshire Council and Scottish Enterprise, with funding and support from the Scottish Government. Beginning in 2008, the 20-year initiative aims to lead social, economic and physical change across communities in the east end of Glasgow and Rutherglen.

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

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Local government in Scotland

Overview 2020

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ISBN 978 1 13287 28 3

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FOLLOWING THE PUBLIC POUND CODE OF PRACTICE UPDATE

Report by Executive Director, Finance & Regulatory AUDIT & SCRUTINY COMMITTEE

15 FEBRUARY 2021

1 PURPOSE AND SUMMARY

- 1.1 This report presents the Audit & Scrutiny Committee with the Council's updated Following the Public Pound code of practice for review ahead of the 16 March 2021 Executive Committee meeting.**
- 1.2 As noted by Audit Scotland as part of the 2019/20 statutory audit, the Council's Following the Public Pound guidance has not been refreshed since 2006 resulting in a risk that the existing guidance is no longer relevant and the Council is not ensuring it is delivering value for money.
- 1.3 The guidance has now been updated as attached in Appendix 1 as per the Audit Scotland national guidance on Following the Public Pound. Adherence to the guidance will ensure the Council adheres to the principles of good governance in expending public money. It should be noted that in refreshing the guidance it was confirmed that current practices are in line with guidance and no operational changes are required as a result of this update. On approval the guidance will be made available on the Council's intranet to ensure all staff have access to it.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit & Scrutiny Committee review the updated Code of Practice on Following the Public Pound and provide any comments ahead of presentation to the Executive Committee on 16 March 2021.**

3 BACKGROUND AND CONTENT

- 3.1 As noted by Audit Scotland as part of their 2019/20 statutory audit, the Council's Following the Public Pound guidance has not been refreshed since 2006 resulting in a risk that the existing guidance is no longer relevant and the Council is not ensuring it is delivering value for money. Audit Scotland made the following recommendation:

Issue / risk	Recommendation
<p>Following the Public Pound</p> <p>The council's Following the Public Pound guidance has not been refreshed since 2006.</p> <p>There is a risk that the existing guidance is no longer relevant and the council is not ensuring it is delivering value for money.</p>	<p>The council should review the guidance to ensure that it is still appropriate and available to relevant staff.</p>

- 3.2 Under section 51 of the Local Government in Scotland Act 2003 every Scottish Local Authority is required in implementing any arrangement or agreement with another body to follow the principles of Following the Public Pound. The principle of the policy is that the principles of good governance apply in decisions concerning public money irrespective of whether those funds are spent directly or are transferred to trusts or voluntary organisations.
- 3.3 The Scottish Borders Council guidance has now been updated as attached in Appendix 1 as per the Audit Scotland national guidance on Following the Public Pound. Adherence to the guidance will ensure the Council adheres to the principles of good governance in expending public money. It should be noted that in refreshing the guidance it was confirmed that current practices are in line with guidance and no operational changes are required as a result of this update. On approval the guidance will be made available on the Council's intranet to ensure all staff have access to it.

4 IMPLICATIONS

4.1 Financial

There are no direct financial implications resulting from this report.

4.2 Risk and Mitigations

There is a risk that staff are unaware of the guidance and the approaches they must take to ensure the Council is delivering value for money. This is being mitigated through the guidance being readily available for all staff on the Council's intranet.

4.3 Equalities

There are no equalities issues resulting from this report.

4.4 Acting Sustainably

There are no economic, social or environmental effects from this report.

4.5 Carbon Management

There are no effects on carbon emissions resulting from this report.

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CODE OF PRACTICE

FUNDING EXTERNAL BODIES AND 'FOLLOWING THE PUBLIC POUND'

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CODE OF PRACTICE FOR FUNDING EXTERNAL BODIES AND 'FOLLOWING THE PUBLIC POUND'

1.0 Scope and Background

- 1.1 This Code of Practice follows the 'Code of Guidance on Funding External Bodies and Following the Public Pound' issued by Audit Scotland with the support of the Convention of Scottish Local Authorities. The guidance sets out a framework for Councils' relationships with bodies through which they seek to carry out some of their functions and the principles that should be applied when considering any **substantial** funding to arm's length and external organisations (ALEOs). The guidance is not intended to apply to the many small revenue grants which councils make to community groups.
- 1.2 'Following the Public Pound' means ensuring that there is proper accountability for public funds used in delivering services, irrespective of the means of service delivery.
- 1.3 When agreeing to transfer funds to an external body, the Council must be clear about its reasons for doing so and proper consideration should always apply. The prime purpose of involvement with an external body should be the achievement of the Council's objectives in the most effective, efficient and economic manner, not the avoidance of controls or legal restrictions, which are designed to secure probity and regularity in the use of public funds.
- 1.4 It is the responsibility of each Service Director to ensure there is clear public accountability for public funds that are provided from their Service's budgets to external bodies. An individual officer may be identified as Lead Officer for each body in receipt of funding from the Council.
- 1.5 The concept of 'Following the Public Pound' applies when the Council decides to fund external organisations which deliver services that might otherwise be delivered by the Council itself. In these arrangements, the Council agrees to provide funds and other resources to companies and organisations for the delivery of specified services. The Council has a number of such arrangements, and these companies / charities are collectively defined as being Arm's Length External Organisations (ALEO's).
- 1.6 This Code covers all external bodies who receive **substantial** funding, including loans or loan guarantees, from the Council e.g. Live Borders, Citizen's Advice Bureaux. It does not include payments made under a straightforward contract for goods and services.
- 1.7 Potential conflicts of interest that arise when Members or officers sit on the boards or committees of external bodies funded by the Council will be removed through the use of funding agreements. These written agreements will define roles, responsibilities and liabilities and will be used to define clear and unambiguous relationships.
- 1.8 The Council will only seek representation on the board or committee of an external body where i) the body clearly contributes to the achievement of the Council's

CODE OF PRACTICE FOR FUNDING EXTERNAL BODIES AND 'FOLLOWING THE PUBLIC POUND'

strategic aims and objectives; ii) the body is considered to be a strategic partner; or iii) it is important for the Council's commitment to be visible.

- 1.9 The Code does not apply to external bodies who receive small revenue grants from the Council e.g. Community Councils, village halls, local festival grants and projects supported under the Community Fund. These funds are administered under separate guidance.
- 1.10 The Code does not apply to instances where the Council are distributing funds from a third parties.
- 1.11 In setting out the checks required, the following funding bands will be used. The Code should be applied where it is known or anticipated that payments will reach these thresholds cumulatively over the financial year :
- Cumulative annual funding or one-off funding greater than £500,000 (Category 1)
 - Cumulative annual funding or one off funding greater than £50,000 but less than £500,000 (Category 2)
- 1.12 The Council may provide assistance in kind to external bodies e.g. providing premises rent free, provision of equipment and staff time. The true cost of any assistance in kind will be taken into account in the allocation of funding.

2.0 Accounting Requirements Applicable to All

- 2.1 When agreeing to transfer funds to an external body, the Council must be clear about its reasons for doing so. The prime purpose of involvement with an external body should be the achievement of the Council's objectives.
- 2.2 The Budget Manager and budget for the payment will have been identified and agreed by the Service Director.
- 2.3 The Budget Manager will be responsible for ensuring that the Code is followed.
- 2.4 All payments to external organisations, including those made under third-party payments for services, must follow the Council's Financial Regulations.

3.0 Category 1 (Cumulative annual funding or one-off funding greater than £500,000)

- 3.1 An option appraisal must be carried out to identify the optimum means of delivery prior to entering into any funding agreement.
- 3.2 The following list determines the minimum information requirements of the Council for the whole organisation and timescales in which these are required:
- A detailed one year business plan or project plan
 - Detailed monthly cash flow estimates
 - A summary 3 –year business plan

CODE OF PRACTICE FOR FUNDING EXTERNAL BODIES AND 'FOLLOWING THE PUBLIC POUND'

(The above must be provided prior to entering into any agreements and annually before the last day of February).

- Management Accounts covering the previous 6-month period; to be provided no later than 6 weeks after the period they relate to.
- Annual Accounts, audited by a Reporting Accountant and signed by that person; to be lodged no later than 4 months after the organisation's financial year end.
- Monitoring reports, as determined by the Budget Manager, containing information on project status, performance against pre-defined targets and any other details considered applicable.
- Minutes of Board or other governing body, meetings. Budget Manager should attend Board or Management Committee meetings in a non-participatory monitoring capacity.
- Clear evidence of an effective equalities policy covering sex discrimination, race relations, and disabilities.
- Clear evidence that the organisation is aware of its environmental responsibilities and acts accordingly.
- Confirmation that the organisation is registered with Disclosure Scotland or, if a voluntary organisation, has conducted checks for all relevant persons through a Registered Umbrella Body.

3.3 Checks to be carried out by the Council

The following list details the financial checks that must be carried out by the Budget Manager, in conjunction with their Finance Team, and timescales for completing these checks.

Annually, check that:

- The required Business Plan and Annual Accounts have been lodged
- The Business Plans have been risk assessed
- The funding is being used solely for the purposes intended
- Any conditions applied are being met, including targets and quality standards
- All milestones in the business plans that should have been met, are being met
- Any projections in the business plans are SMART (specific, measurable, achievable, realistic, and timely) based on past performance and trends
- The cash flow meets projected levels, to ensure viability
- Any necessary income from other sources has been secured
- Insurance is adequate to meet all perceived risks
- Recognised accounting procedures have been followed and standards met, e.g. in relation to depreciation of fixed assets.
- Disclosure checks have been carried out for all new employees/volunteers.

At least every 6 months, check that:

- The Management Accounts covering the previous 6-month period have been received.
- The cash flow indicates that there is enough to meet the organisation's needs for the remainder of the year.

CODE OF PRACTICE FOR FUNDING EXTERNAL BODIES AND 'FOLLOWING THE PUBLIC POUND'

3.4 If annual or 6-monthly checks give rise to any concerns, the Budget Manager should immediately advise the Service Director and Executive Director, Finance & Regulatory, to agree actions to address these concerns. If considered necessary, the Budget Manager will prepare a report for consideration by the Audit & Scrutiny Committee.

4.0 Category 2 (Cumulative annual funding or one-off funding greater than £50,000 but less than £500,000)

4.1 The following list determines the minimum information requirements of the Council and the timescales in which these are required:

- A detailed one year business plan or project plan.
- Annual Accounts, audited by a Reporting Accountant and signed by that person; to be lodged no later than 4 months after the organisation's financial year end.
- Monitoring reports, as determined by the Budget Manager, containing information on project status, performance against pre-defined targets and any other details considered applicable.
- Clear evidence of an effective equalities policy covering sex discrimination, race relations, and disabilities.
- Clear evidence that the organisation is aware of its environmental responsibilities and acts accordingly.
- Confirmation that the organisation is registered with Disclosure Scotland or, if a voluntary organisation, has conducted checks for all relevant persons through a Registered Umbrella Body.

The above must be provided prior to entering into any agreements and annually before the last day of February.

4.2 Checks to be carried out by the Council

The following list details the financial checks that must be carried out by the Budget Manager, in conjunction with their Finance Team, and timescales for completing these checks.

Annually, check that:

- The required Business Plan and Annual Accounts have been lodged.
- The Business Plans have been risk assessed.
- The funding is being used solely for the purposes intended.
- Any conditions applied are being met, including targets and quality standards.
- All milestones in the business plans that should have been met, are being met
- The cash flow meets projected levels, to ensure viability.
- Recognised accounting procedures have been followed and standards met, e.g. in relation to depreciation of fixed assets.
- Disclosure checks have been carried out for all new employees/volunteers.

4.3 If annual or 6-monthly checks give rise to any concerns, the Budget Manager should immediately advise the Service Director and Executive Director, Finance & Regulatory, to agree actions to address these concerns. If considered necessary, the

Budget Manager will prepare a report for consideration by the Audit & Scrutiny Committee.

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5.0 Payments

- 5.1 Payments will **not** be made to the organisation until all the required information is submitted and checked and all financial checks have been satisfactorily completed by the Budget Manager and authorised by the Service Director.
- 5.2 A schedule of payments will be agreed between the Budget Manager and the receiving organisation each financial year and tailored to meet the cash flow requirements of the receiving organisation. Payments will be made on an agreed periodic basis of at least quarterly, to minimise the Council's exposure in the event of the organisation encountering financial difficulties.
- 5.3 Prior to any payment being made to an organisation, checks must be made to ensure no sundry debts, council tax or non-domestic rates are owed by the organisation to the Council. If any such debts are due and past the first stage in the recovery process, then this debt must be deducted from the next payment to the organisation.

6.0 Funding Agreement

- 6.1 All organisations covered within the scope of this procedure must have a Funding Agreement approved by the Service Director, Executive Director, Finance & Regulatory and Chief Legal Officer.
- 6.2 Where an organisation enters into a funding agreement with Finance & Regulatory Services, the Chief Executive must approve the Funding Agreement.
- 6.3 The Funding Agreement can take different forms, e.g. Service Level Agreement (SLA) or application form and letter of approval with associated conditions. The length and detail of a Funding Agreement will vary depending upon the nature and size of the funding given. The Funding Agreement should be in place within three months of the date of the decision being taken to provide funding.
- 6.4 The agreement will include non-financial targets and information, but as a minimum the following must be included i) the purpose of the funding and the expectation of use; ii) the Council policy/strategy the funding is linked to; iii) the value of funding approved by the Council, including payment date information; iv) the period over which the funding applies; v) financial reporting requirements; vi) monitoring and reporting requirements; vii) a statement on the consequences of failure to provide reporting information to the Council, i.e. the discontinuation of further funding; viii) a statement on the ability of the Council to deduct any debts due to the Council prior to making any further awards; ix) a statement on access to the accounting records of the organisation that requires to be given to Council staff, including internal and external audit staff; x) details of Council representation of Councillors and Officers; xi) the need for the Council to be acknowledged for its support on all publicity material relating to the project/service; and xii) clarification of procedures for cancelling the Funding Agreement.
- 6.5 Monitoring officers should periodically review the SLA or other contract between the Council and the organisation. Where it is considered that a change to a provision

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within the original agreement is necessary, this should be agreed between the Service, Legal Services and the organisation.

7.0 The Role of the Budget Manager

- 7.1 The role of the Budget Manager for each funding arrangement is to ensure that the Council's interests are being maintained and objectives are being achieved, by a) providing advice; and b) monitoring.
- 7.2 Advisory role in general terms means to advise the funded organisation on what they must do to meet the terms of the funding. They will not provide professional advice but may draw attention to the need for such advice and where it might be obtained. The Budget Manager will i) inform the organisation of Council processes, procedures and requirements; ii) on an ongoing basis, remind the organisation of the need to meet any set criteria; iii) advise the appropriate Council officer of any issues of concern.
- 7.3 Monitoring role broadly means to monitor the terms of the Funding Agreement and to ensure that the guidelines and principles of 'Following the Public Pound' are adhered to. This will include i) checking that agreed criteria are being met; ii) monitoring Business Plans; iii) monitoring financial arrangements; iv) monitoring agreed performance measures; v) monitoring risks; vi) monitoring the outcomes of the funding; vii) produce monitoring reports.

8.0 Representation and Participation in External Bodies

- 8.1 It is important that the Council is clear about why it wants representation and is transparent in its decision making about which Members or Officers will be involved and why.
- 8.2 Members appointed to partner organisations are bound by the Code of Conduct for Councillors - Appointments to Partner Organisations – Sections 3.19 and 3.20 (<https://www.gov.scot/publications/code-conduct-councillors-9781787810778/>) and Registration of Interests - Sections 4 and 5. Any Elected Member who has an interest in any organisation being funded by the Council must ensure that this interest is included in the register of Members' interests as a (normally non-financial) interest and declared at any meetings where matters concerning the organisation are being discussed.
- 8.3 Council Officers are, at all times, bound by the Code of Conduct for Employees. Any Council Officer who has an interest in any organisation being funded by the Council, must ensure that this interest is included the register of employee interests.
- 8.4 The Council will retain a register of representation on external bodies in a format deemed suitable for the purpose.

9.0 Termination

- 9.1 Should any disagreement arise that cannot be resolved by the Budget Manager, then it should be referred to the Service Director and Portfolio Holder who will

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consult with the Executive Director, Finance & Regulatory and Chief Legal Officer and resolve the situation.

- 9.2 Where no resolution can be found, the agreement to provide financial support may be terminated on **written notice** if any of the following arise i) the organisation fails to perform any **substantial** obligation on its part; or ii) the conditions of the investment, including the provision of information requested are not met; or iii) the monitoring/evaluation of the organisation and/or its performance are deemed unsatisfactory by the Lead Officer. The termination shall become effective within 30 days after the receipt of the notice unless the organisation has remedied the identified default within this period or is able to demonstrate, to the satisfaction of the Council, that any issues can be remedied within an agreed timescale. Under these circumstances, the Council will require the return of all unused monies and retains the right to recover any debts due to the Council incurred prior to the termination date.
- 9.3 The agreement to provide financial support may be terminated with **immediate effect** where the organisation i) is unable, at any time, to satisfy the Council that sufficient cash exists to ensure its cash flow projections can be financed; or ii) passes a resolution for winding up other than for the purposes of solvent amalgamation or reconstruction where the resulting entity assumes all of the obligations of the defaulting organisation; or iii) is deemed insolvent; or iv) makes or proposes to make any arrangement with its creditors; or v) appoints a liquidator, receiver or administrator over any of the assets of the organisation. Any termination of the agreement shall not affect any rights or liabilities placed upon either party which have accrued prior to the date of termination.

10.0 Audit and Inspection

- 10.1 This Code is an important internal control to ensure compliance with the guidelines and principles of "Following the Public Pound". Periodically, Internal Audit will carry out a compliance and assurance review across the Council with its findings and recommendations being reported to the Audit & Scrutiny Committee. In addition, the Council's External Auditors will review, as part of their annual audit, any **substantial** funding arrangements with any concerns over issues of probity and regularity made known to the Council and Audit Scotland.



LOANS CHARGES AND PRIVATE FINANCE ACCOUNTING TREATMENT

Briefing Note by Executive Director Finance & Regulatory

AUDIT & SCRUTINY COMMITTEE

15 February 2021

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this paper is to provide the Committee with the requested background and information on loans charges and the accounting treatment of the capital element of the Private Partnership (PPP)/Private Finance Initiative (PFI) funded schools.**
- 1.2 The debt reflected in the Councils balance sheet is made up of two main separate elements. These are the external loans held directly by the Council and the outstanding debt element of the PPP/PFI contracts. The external loans costs held directly are charged against the loans charges budget in year. The budget to fund PPP/PFI debt costs is included in the unitary charge budget within the Education revenue budget.
- 1.3 The loans charges purpose is to recognise the cost of capital financed by external borrowing undertaken by the Council. The loans charges budget consists of two main elements, these are payment of actual interest and notional charges representing the principle repayment calculated on a prudent basis. Scottish Borders Council calculates notional charges on an annuity basis over the asset life.
- 1.4 The Council currently has 3 PPP/PFI contracts for 5 secondary schools. The funding for these are provided by third parties and recharged over the life of the contracts as part of the unitary charge held within the Education service.
- 1.5 The asset value of the schools are included on the Council's balance sheet with a corresponding long term debt. The current guidance requires Local Authorities to write the payment of this debt to be written down over the life of the PPP contract. This is undertaken as a technical adjustment as part of the year end accounting process.
- 1.6 Discussion is currently underway with Scottish Government Officials to allow LA to write down the value of the debt over the asset life instead of the contract period. This would bring the debt element of these schools into line with approach taken to writing off the Council's other loan charges over the lives of assets.

2 LOANS CHARGES BACKGROUND

- 2.1 At the meeting on 23rd November, the Audit and Scrutiny Committee requested a briefing paper detailing the charges to the Loans Charges Budget and how the capital and interest element of Public Private Partnerships (PPP) and Private Finance Initiatives (PFI) are accounted for.
- 2.2 The Council has the power to borrow to fund its capital expenditure. Capital expenditure is also part funded from a number of other sources including Scottish Government Grant, specific grants, developer contributions and capital receipts. The borrowing undertaken is charged to the Councils Loan Fund revenue budget in a cost effective manner.
- 2.3 Loans Fund has the following purpose
- To recognise, by making advances from the loans fund, the expenditure incurred, or loans made to third parties, which the authority has financed from borrowing.
 - To record transactions – opening balance each financial year, new advances, repayments charged to revenue (statutory repayment of debt), and a closing balance at each financial year end, being the value of the loans fund advances still to be repaid/charged to revenue
- 2.4 The loans charges reported within the revenue monitoring reports are made up to two main elements. These are
- **Payment of actual interest** on the external loans per the loan agreements.
 - **Notional loan charge** charged on a prudent basis.
- 2.5 Notional loans charge represents the repayment of the debit to ensure prudent financial management. The guidance which is required to be adhered to does not define prudent. The broad aim of prudent repayment is to ensure repayments of a loans fund advance, in relation to repayment period and each year's repayment amount, are reasonably commensurate with the period and pattern of the benefits provided to the community from the capital expenditure. It is anticipated that local authorities' own capital expenditure projects will determine the prudent repayment of loans fund advances, reflecting the same principles as those for depreciation accounting.
- 2.6 The guidance allows for 4 options to be utilised for the calculation of prudent repayment. These are
1. Statutory method
 2. Depreciation method
 3. Asset life method (equal instalment or annuity method)
 4. Funding/Income profile method
- 2.7 More than one method can be utilised by a local authority. Local authorities should however be consistent in applying options. Scottish Borders Council uses option 3 on an annuity basis to calculate the notional loans charges.

3 PRIVATE PARTNERSHIP (PPP)/PRIVATE FINANCE INITIATIVES (PFI) ACCOUNTING

- 3.1 Scottish Borders Council now has three PPP/PFI type contracts in place. These are the 3 Berwickshire High Schools, Kelso High School and Jedburgh School Campus. These contracts see the Special Purpose Vehicle (SPV) who constructs the schools put in place the funding for the constructions. The costs of the funding and the repayment of the funding are then paid to the contractor as part of the unitary charge over the life of the contract. The unitary charge also includes life cycle maintenance and can also include cleaning, janitorial and other running costs. The unitary charge budget is held within the revenue budget of the Education service.
- 3.2 The asset value of the schools are included in the value of the assets on the Councils balance sheet with a corresponding liability for the debt. The debt is included for accounting purposes as part of the Council Gross External Debt and the assets form part of the Capital Financing Requirement within the prudential indicators.
- 3.3 As part of the Year End technical accounting process the element of the unitary charge which relates to the interest element and the repayment of debt is removed from the unitary charged. The interest element for year end accounts is shown against "interest payable and similar charges" on the Comprehensive Income and Expenditure Statement. The repayment of debt reduces the "other long term liabilities" on the balance sheet. These charges do not form part of the Loans Charges budget reported during the year.
- 3.4 Current guidance specifies the debt must be written down over the life of the contract. This however is not in line with the Councils other debt, which is written down over the assets useful life. There is currently work ongoing with COSLA and Scottish Government to allow this guidance to be amended to bring PPP/PFI in line with the methodology used for the Councils loans charges. If the change to guidance is agreed the repayment element of the unitary will be charged over the life of the asset rather than the contract which result in the period of charges moving from 25 years to 50 years. This would have significant benefits for LA at time when budgets are under extreme pressure for costs of COVID19 without directly service provision. DOF are of the opinion that this change is within the powers of Scottish Ministers as it relates to guidance issued by them in 2010. However to date a satisfactory solution to this issue has not been achieved.
- 3.5 Each contract between the Council and SPV will include a section on "refinancing gain". This allows the SPV to investigate possible refinancing opportunities as they arise. If refinancing takes place there is a gain share agreed. Each contract have different terms attached to the gain share part of the agreement. These are regularly reviewed but the final decision on refinancing is the responsibility of SPV.

Approved by

Name **David Robertson** **Signature**

Title **Executive Director Finance & Regulatory**

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Background Papers:

Previous Minute Reference: Audit and Scrutiny Committee,

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