

REPORT TO AUDIT COMMITTEE – 20 MARCH 2019

AUDIT SCOTLAND – ANNUAL ASSURANCE AND RISKS REPORT ON LOCAL GOVERNMENT

1 Recommendation

1.1 The Committee is recommended to discuss and note this paper.

2 Background

- 2.1 The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. An important principle underpinning the new framework is an integrated approach to auditing and reporting Best Value, in which Best Value is assessed over a five year audit appointment as part of the annual external audit. At the conclusion of each year's audit, an annual audit report summarising the significant matters arising from the year's audit is published. In addition, a Best Value Assurance Report (BVAR) is published by the Accounts Commission for each council at least once in this five year period.
- 2.2 BVARs have now been published for 12 out of 32 councils. Aberdeenshire Council's BVAR is scheduled for 2020. As part of the council's annual audit elements of Best Value are considered each year. In respect of the 2018/19 audit, the council's arrangements for monitoring performance and improving outcomes will be considered.
- 2.3 The Best Value framework allows the Controller of Audit to report his overall conclusions each year through an Annual Assurance and Risks Report (AARR) to the Accounts Commission.
- 2.4 The Controller of Audit's AARR in respect of 2017/18 audit activity is available on Audit Scotland's website. http://www.audit-scotland.gov.uk/uploads/docs/meeting/post/2019/ac_190110_papers.pdf In addition to Best Value, it provides assurances to the Accounts Commission on progress made against its strategic priorities. Section 3 below includes a number of extracts from the AARR which summarise:
- the overall key messages from BVARs published in 2018
 - for a selection of councils, conclusions on aspects of their best value arrangements
 - progress in developing two types of plans, Local Outcome Improvement Plans (LOIPs) and organisational-side workforce plans.
- 2.5 The highlighted areas have been selected for sharing with the Committee as useful examples of action taken by other councils in relation to measuring progress against their strategic plans/priorities, developing workforce planning and long term financial modelling. These areas relate to topics the local

auditor is planning to review or follow up as part of Aberdeenshire Council's 2018/19 audit. In addition, high level messages from a recent national review of Local Outcome Improvement Plans have been provided.

3 Discussion

Overall conclusions from BVARs published in 2018

3.1 Based on those published in 2017/18, the controller of audit concluded that councils:

- understand the challenges facing local communities and have a strategic focus on improving social inequality, particularly in areas of high deprivation. However, councils continue to work on their arrangements to show that outcomes are being achieved
- are in the early stages of new or refreshed transformation/improvement programmes. It is important that councils ensure these programmes link to organisational wide workforce planning and identify any gaps early on
- are beginning to implement their community empowerment arrangements at a local level. Where councils are undertaking public consultations however, there is little evidence to show that they are taking the results into account when setting the annual budget
- have effective performance management frameworks in place. However, public performance reporting ranges in quality, and there is scope for councils to learn from each other. While it is clear that councils report performance to their local communities, more could be done to link this more clearly to outcomes.

Fife Council (published May 2018)

- 3.2 The council has maintained its performance over a period of increasing financial constraints and political change. It has undertaken a range of improvement work since 2009 including transformation programmes, self-assessment methods, and service reviews.
- 3.3 The council and its partners are committed to securing increases in the investment in the Fife economy. They have set out in their 'Plan for Fife' a clear focus in tackling these challenges and articulate their aspirations for Fife. The Plan shows their continuing good record of partnership working: it now needs to be taken forward and supported by targets, actions and performance management arrangements. These improvements highlight that the council is committed to continuous improvement and delivering for the people of Fife.
- 3.4 The BVAR for Fife Council identified that its long-term financial model which covers ten years is an example of good practice amongst Scottish councils. The model estimates the cost of services using demographic data from National Records of Scotland, and regular discussions take place with services to identify pressures. It adjusts forecast expenditure on waste and roads services to reflect planned housing developments.

- 3.5 Estimates of revenue over the decade are based on forecasts provided by Fiscal Affairs Scotland and are updated following economic and fiscal events at both UK and Scotland levels.
- 3.6 The model includes both pessimistic and optimistic scenarios to ensure councillors have both best and worst-case information. Understanding the scale of future budget shortfalls has enabled the council to make progress with changes to how services are delivered.

Glasgow City Council (published August 2018)

- 3.7 Glasgow City Council's BVAR stated that, while the new strategic plan has a stronger focus on measurable outcomes and targets to show the impact of delivering services, work is still needed in this area. In its recent review of the corporate performance framework, the council recognised the need to develop other indicators and outcomes so that it can better report against the themes in the strategic plan. This work is currently under way.
- 3.8 In recent years, the council and its partners have an ambitious vision for the city. The Accounts Commission noted the continuing improvement in relation to educational attainment, wellbeing of children and young people, and wider health outcomes.

East Lothian Council (published October 2018)

- 3.9 The council shows good self-awareness in its assessment of how it can improve. However, there are substantial risks and challenges faced by the council in dealing with the demands of a rapidly growing population in East Lothian.

Dumfries and Galloway Council (published November 2018)

- 3.10 The pace of improvement has increased from 2014 and now must increase again. There has been a significant programme of improvement activities. Since 2010/11, the council has saved £86m and generally maintained or improved services. However, significant future financial savings are required: £79m by 2022/23. To close this gap, the council will need to address and take difficult decisions about how it provides its services now and in the future. Clear leadership from members and officers will be required to deliver this change.

Local Outcome Improvement Plans (LOIPs)

- 3.11 All Community Planning Partnerships (CPPs) published a Local Outcome Improvement Plan (LOIP) for the first time in October 2017 setting out their local priorities. LOIPs set out local outcomes which the CPP will prioritise for improvement. Audit Scotland, the Improvement Service and NHS Health Scotland conducted a review in 2018 of LOIPs. Key findings included:
- there is variability in the scale and scope of LOIPs across Scotland, however progress is being made against the expectations of the Act and associated guidance

- there remains a need for LOIPs to be focused on areas where the CPP can make the biggest impact
 - there are genuine attempts to enhance community engagement and participation, either demonstrated in the development of the LOIP or through further planned work across the CPP
 - a lack of clarity around how CPPs are reaching 'hard to reach' groups or most disadvantaged in the LOIP development process.
- 3.12 The importance of continuing to improve the links between outcome priorities, planning and reporting has also been highlighted in a number of Audit Scotland's national reports this year. For example, the Early learning and child care report (published February 2018, considered by the Audit Committee in May 2018) <http://www.audit-scotland.gov.uk/report/early-learning-and-childcare> noted that 'the impact of the expansion on outcomes for children is unclear as the Scottish Government did not plan how to evaluate this. There is no evidence that the additional investment has improved the quality of early learning and childcare services... There is a lack of evidence on the impact of the expansion on outcomes for parents' The Children and young people's mental health report (published September 2018, considered by the Audit Committee in December 2018) <http://www.audit-scotland.gov.uk/report/children-and-young-peoples-mental-health> also reported that data on performance and outcomes was limited.
- 3.13 In the joint report on Community planning: an update, (published August 2018, considered by the Audit Committee in December 2018) http://www.audit-scotland.gov.uk/uploads/docs/report/2018/ir_180824_community_planning.pdf it was identified that the Accounts Commission and the Auditor General for Scotland would like to see the Scottish Government make further progress in developing an approach to evaluating the impact of community planning on delivering public service reform and improving outcomes. We anticipate that these issues will be addressed in the Scottish Government's national review of the overall effectiveness of community planning following the Community Empowerment Act. This is likely to take place in late 2019/2020. This will be an important strategic test of the effectiveness of community planning as a vehicle for delivering change and improvement.

Workforce planning

- 3.14 Councils are at various stages in developing organisational-wide workforce planning. Generally further work is required to ensure plans sufficiently address future challenges. For example,
- Glasgow has a comprehensive and coordinated approach to workforce planning. Workforce plans are in place for each service. Forecasting requirements are recorded for the following year or longer where known, with quarterly updates submitted. Returns are collated centrally to identify gaps and surpluses. The council also uses the returns to develop budgeting and resourcing activity plans, including redeployment and retraining opportunities.

- West Dunbartonshire has approved a detailed organisation-wide five-year workforce plan which should be further developed to include forecasts of workforce numbers, expected shape of the workforce and costs over the planning period. Progress should also be monitored.
- Dumfries and Galloway has no organisation-wide workforce plan and it is currently not clear what the workforce will look like in terms of numbers and skills in the medium or long term.
- Fife's workforce planning has improved since 2009. The current workforce strategy covers the period 2016 to 2020 and is supported by annual corporate and service workforce plans. Since 2009, staff surveys have been run every two years and now form part of the organisational culture improvement programme.
- East Lothian approved an updated Corporate Workforce Plan 2018 to 2022 in June 2018. The plan reflects the council's strategic objectives and considers wider issues. The council also recognises that it needs to prepare individual service workforce plans. These will help it consider in more detail how it will manage changes in services and staffing levels.
- East Ayrshire plans its workforce at a service level, it does not have an overall plan setting out the people and skills it needs to deliver services in future. The council is currently developing its organisation-wide workforce planning arrangements as part of its transformation work.
- In Angus, the auditor previously recommended that the change programme projects should set out the workforce implications of service redesign along with the anticipated savings. The follow up work concluded that the council has made reasonable progress, however further work was required to link all the projects to the organisational wide workforce plan.
- Renfrewshire auditors noted good progress had been made in developing workforce planning arrangements. The council's workforce plan was approved by the Finance, Resources and Customer Service Policy Board in November 2017. In addition, service level workforce plans have been prepared by all service departments.

3.15 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

4 Scheme of Governance

4.1 The Committee is able to consider/comment on this item in terms of Section G.1.5 of the List of Committee Powers in Part 2A of the Scheme of Governance as the report relates to the Council's relationship with its external auditors.

5 Equalities, Staffing and Financial Implications

- 5.1 An equality impact assessment is not required because this report informs the Committee of the planned scrutiny activity to be carried out by audit and inspection bodies and does not have a differential impact on any of the protected groups.
- 5.2 There are no staffing and financial implications as a direct result of this report.

Ritchie Johnson
Director of Business Services

Report prepared by Anne MacDonald, Senior Audit Manager, Audit Scotland
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