



REPORT TO AUDIT COMMITTEE: 24 MAY 2018

AUDIT SCOTLAND "LOCAL GOVERNMENT IN SCOTLAND – PERFORMANCE AND CHALLENGES 2018"

1 Recommendations

The Committee is recommended to:

1.1 Consider the key messages and recommendations within Audit Scotland's report; and

1.2 Consider using the scrutiny tool supplied by Audit Scotland to enhance understanding of the council's position in response the challenges highlighted by the report.

2 Discussion

2.1 Annually Audit Scotland prepare a [Local Government overview report](#) to support councillors and senior council officers identify and manage current and future challenges. The report draws on findings from [Local Government in Scotland: Financial overview 2016/17](#), local government audit work in 2017 and published performance data.

Challenges

2.2 The 2018 report again highlights that councils across Scotland face growing challenges. These are summarised at Appendix 1 however in summary, there are pressures on services due to a decline in funding, an ageing population and a growing school population.

2.3 Further challenge exists in adapting to policy and legislative changes, which require council resources and occasionally a modified relationship with partners. Ongoing reforms which need to be considered and embedded include:

- Withdrawal from European Union
- City region deal
- Integration of Health and Social Care
- Education Reform
- Barclay review of non-domestic rates
- Enterprise and Skills review
- Early Learning and Childcare
- Community Empowerment Act
- Named Person Provision
- Local Governance Review
- Scottish Crown Estate Bill
- Welfare Reform at a UK and Scottish Government level

2.4 Audit Scotland conclude that, to varying degrees, each of these changes will have an impact on increased taxpayer expectations; changing the role of the council; lack of clarity and financial implications.

- 2.5 The relationship with communities is highlighted as a complex area and the implementation of the Community Empowerment (Scotland) Act 2015 requires councils to think carefully about what constitutes good and effective community empowerment and how to work most effectively with the range and diversity of local communities.

Responding to the Challenges

- 2.6 Councils are responding to funding challenges by exploring ways to make savings and increase income through:
- Introducing medium term financial strategies and savings
 - Reducing workforce size
 - Increase council tax
 - Significant transformation programmes
 - Introducing digital solutions
- 2.7 The council's Medium Term Financial Strategy, approved by Full Council on 8 February 2018, represents a structured approach to financial planning across Services and sets out a complete view of the Revenue Budget, Capital Plan and Reserves allowing the Council to consider and plan the full financial impact of decisions taken to agree the current budget and an indication of the impact on future years. Balancing future year's budgets, whilst ensuring that the Council Plan 2017-2022 is achieved, will be managed within the framework of the Medium Term Financial Strategy.
- 2.8 Councils are increasingly making use of reserves to mitigate the funding gap with some councils having higher forecast funding gaps than their current levels of reserves. Aberdeenshire Council operates its reserves in accordance with the agreed Reserves Policy. The current position regarding the council's reserves was reported to Full Council on 8 February 2018 and the Head of Finance was instructed to undertake a review of reserves and to submit a report to a future meeting of the Council.
- 2.9 Audit Scotland note that reducing staff numbers has been one of the main ways councils have reduced their spending and for some councils, this is set to continue. Robust workforce planning is essential to ensure councils have the right people, who have the right training and skills, to deliver their priorities. Not all councils have organisation-wide strategies in place and the quality of those that do, varies.
- 2.10 From 2009 to 2017 Aberdeenshire's workforce has increased by approximately 1,100 FTE. It is not possible to readily identify which services have experienced the largest increases. This is primarily due to the number of service restructurings that have taken place since 2009, which have resulted in specific service areas transferring from one service to another e.g. Children's Services, Property & Facilities and Housing with the resultant impact on service workforce numbers.
- 2.11 It is recognised the increase can be attributed to several factors including the increasing demands on Council services arising from demographic changes. Aberdeenshire experienced a significant growth in population which was more than twice the national average of 5.1%. This is projected to continue as

Aberdeenshire is estimated to experience the third highest population increase in Scotland between 2014 and 2039. Older age groups will see the greatest proportional increases. Aberdeenshire households are also expected to increase to 135,000 by 2039, from 108,000 in 2014 (+25%). The area is also expected to have one of the highest proportions of households with children. Therefore, there will likely be service demand challenges at both ends of the age spectrum in future years. However, it should be noted that between 2016 and 2017 Aberdeenshire's population fell by 390 people or 0.15% to 261,800. Whilst not a large drop, it is significant because this is the first time its population has fallen since 2001 and the decrease in its population is entirely due to changes in migration.

- 2.12 The majority of Scottish local authorities have outsourced major service provision or established arms-length organisations. Published national statistics exclude employees who have transferred to such entities and this partly explains why many councils have seen an overall reduction in the workforces (for example, the figures for Aberdeen City Council will exclude those staff employed by Bon Accord Care and Sport Aberdeen). Several local authorities may have also reduced numbers by offering voluntary severance to their employees, for example Aberdeen City and Highland Council have recently undertaken such exercises.
- 2.13 Within the council there is a robust programme of vacancy management across all services to suit individual service needs. Consideration and action is being taken to achieve budgetary savings through targeted voluntary severance schemes. Business Services Committee recently approved the delivery plan supporting the priority '*have the right people, in the right place, doing the right thing, at the right time*' which will support the council manage the workforce in a planned and sustained way.
- 2.14 The report suggests that achieving transformational change is increasingly vital to councils as they respond to ongoing reductions in funding. Councils need to ensure they have effectively planned and invested to deliver their transformational programmes and that staff have the necessary skills. Cohesive and decisive leadership is essential to address the significant challenges faced by councils.
- 2.15 The council has a range of significant projects ongoing to manage both financial pressures and increasing demands on services including:
- Office Space Strategy
 - Early years expansion programme (1140 Hours)
 - Passenger Transport review
 - Digital strategy

A programme management approach is being implemented at Chief Officer level to enable visibility, accountability and support deliverability.

Impact on Services

- 2.16 The report confirms that continued delivery of improvements with reduced resources will be increasingly difficult, making it vital for councils to set clear priorities and long-term plans. Nationally agreed benchmarking indicators confirm that public satisfaction with services is declining and complaints are

increasing. This is not reflected within the indicators collated by the council. The reputation tracker continues to indicate a high level of satisfaction with council services, and a perception from residents that the council does deliver value for money and listens to their views. Complaints to the council have also reduced. In 2016/17 there was an average of 6.64 complaints per 1,000 population down from a high of 7.74 complaints per 1,000 population in 2014/15. In line with Audit Scotland recommendations incorporating complaint analysis findings into day to day business activities ensures that services provided are high quality, continually improving, efficient, and responsive to residents and service users' needs. For example, the Waste service used complaints data and benchmarking information to support organisational change enhancing the performance of the service.

Performance

- 2.17 An analysis of the Local Government Benchmarking Framework (LGBF) indicators by Audit Scotland suggests that despite the challenges faced by councils, overall performance continues to improve. Appendix 2 highlights Aberdeenshire Council's position in relation to the key trends identified in the analysis.
- 2.18 Audit Scotland suggests councils are also experiencing uneven performance in education. Aberdeenshire, Aberdeen City and Moray councils are identified as "being expected to perform better than they are when their lower levels of deprivation are considered".
- 2.19 Aberdeenshire has fewer than the Scottish average number of pupils who remain in school through levels 5 and 6. This is due to the high level of positive destinations available to pupils via employment opportunities or further education. Higher than expected numbers of pupils leave school education earlier than in other areas of Scotland and it is therefore a misrepresentation of the reality of Aberdeenshire's economic environment.
- 2.20 National data published reflects Aberdeenshire's position of maintaining a high level of success in attainment across the period 2011-2017. It should be noted, Aberdeenshire does not publicly report on SIMD figures for attainment due to the low numbers of individuals included.
- 2.21 A scrutiny tool is provided by Audit Scotland that identifies several potential questions for councillors in relation to the report. It is designed to provide councillors with examples of questions they may wish to consider helping them better understand the council's position and to scrutinise performance. The tool is attached as Appendix 3 and Committee may wish to use it for self-assessment purposes.
- 2.22 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments have been incorporated in the Report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3 Scheme of Governance

- 3.1 The Committee is able to consider and take a decision on this item in terms of Section G1.1.5 of the List of Committee Powers in Part 2A of the Scheme of

Governance as it relates to managing all aspects of the Councils relationship with its external auditors.

4 Implications and Risk

- 4.1 An equality impact assessment is not required because the report is to advise Committee of performance and does not have a differential impact on any of the protected characteristics.
- 4.2 There are no staffing, financial or Town Centre First Principle implications arising from this report.
- 4.3 The following Risks have been identified as relevant to this matter on a Corporate Level:
- ACORP002 - Changes in government policy, legislation and regulation (including Education reforms and potential impact on integration of children's services)
 - ACORP003 - Workforce (attracting and retaining the right skills; performance; reward package) Managing the disruption to jobs as innovation and technology improve productivity
 - ACORP004 - Business and organisational change (including: ensuring governance structures support change; and, managing the pace of change)
 - ACORP006 - Reputation management (including social media).

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Date: 01 May 2018

Exhibit 1

Implications for councils of key UK and Scottish legislative and policy changes

Legislative and policy changes often lack clarity or detail but can require substantial change.



Increased expectation



Change the role of council



Lack of clarity



Financial implications

Implication	Changes			
<p>Withdrawal from the European Union</p> <p>Impact of UK's decision to leave the European Union (EU) is unknown but could be significant for councils in terms of funding (Scotland has been allocated € 940 million in funding from the EU for 2014 to 2020) and workforce (19,000 EU nationals are employed in education, health and public administration).^{1,2}</p>			✓	✓
<p>City region deals and growth deals</p> <p>In its 2017/18 programme, the Scottish Government committed over £1 billion over the next ten to 20 years to five city region deals (Aberdeen, Edinburgh and the South East, Inverness, Glasgow, Stirling and Tay Cities).³ The UK Government and councils are also contributing significantly to the deals.</p> <p>City deals will require strong partnership working between councils and a wide range of public and private partners. Councils will need to determine roles and responsibilities, accountability and performance reporting. We will report on city deals in 2019/20.</p>	✓	✓	✓	✓
<p>Integration of health and social care</p> <p>All integration joint boards (IJBs) were operational in 2016/17. IJBs are responsible for commissioning health and social care services, so councils are no longer wholly responsible for social care services. Arrangements for financial planning, budget monitoring, risk and performance management vary and continue to evolve. We will audit the effectiveness of health and social care integration in 2018.</p>	✓	✓	✓	
<p>Education reform</p> <p>The Scottish Government aims to create a school and teacher led education system, where decisions and funding will be at school level and Regional Improvement Collaboratives (RICs) will provide support to schools.</p> <p>Under proposals, councils would retain their duty to improve the quality of school education but would do this through the RICs rather than directly. It is not clear yet how this would affect councils' roles in education or their ability to scrutinise performance. The financial implications of these proposals for councils are also unclear. The Scottish Government has also consulted on the funding model for school education.</p>		✓	✓	✓

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Exhibit 1 (continued)



Increased expectation



Change the role of council



Lack of clarity



Financial implications

Implication	Changes			
				
<p>Barclay review of non domestic rates (NDR)</p> <p>In 2017/18, NDR made up 28 per cent of revenue funding from Scottish Government to councils. In August 2017, the Barclay review published 30 recommendations on NDR to better support business growth and long-term investment, and to better reflect changing marketplaces.</p> <p>The Scottish Government accepted most of the recommendations. There are expectations that implementing these could cost an additional £80 million a year. It is not yet clear who is responsible for these costs.⁴</p>			✓	✓
<p>Enterprise and skills review</p> <p>The Scottish Government's review of the enterprise and skills system in 2016 recommended the creation of regional economic partnerships be led by councils.</p> <p>The implementation of this is still at an early stage but changes will impact on councils' work to support local businesses and business gateways.</p>	✓	✓	✓	
<p>Early Learning and Childcare</p> <p>The Scottish Government is committed to extending free childcare for all three-and four-year-old children and some two-year-olds from 600 hours to 1,140 hours by 2020. Councils had to produce plans for the expansion by September 2017 without knowing the full details about funding or how the scheme will work.</p> <p>Our report Early learning and childcare  found that there are significant risks that councils will not be able to deliver the additional hours by 2020.⁵</p>	✓		✓	✓
<p>Community Empowerment Act</p> <p>See paragraphs 8 to 13 below</p>	✓	✓		
<p>Named Person provision</p> <p>Under current Scottish Government plans every child in Scotland would have a named person responsible for helping them get the support they need. In many cases, these will be teachers. However, there are delays to the scrutiny of the Bill introducing the named person provision after the Supreme Court ruling against the scheme in July 2016.</p>	✓	✓	✓	✓
<p>Local Governance review</p> <p>The Scottish Government aims to strengthen local decision-making and democratic governance in ways that improve outcomes for local communities and give greater control to those who live and work in the area. The Scottish Government and COSLA launched a review in December 2017 to consider how decisions are made about Scotland's public services with the aim of devolving more power to communities. The review's findings will contribute to a Local Democracy Bill which will be introduced before the end of the Parliament in 2021.</p>		✓	✓	

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LOCAL GOVERNMENT BENCHMARKING FRAMEWORK OVERVIEW REPORT FROM IMPROVEMENT SERVICE	
EXECUTIVE SUMMARY	ABERDEENSHIRE COUNCIL REVIEW
<p>The benchmarking framework reports on how much councils spend on particular services, service performance and how satisfied people are with the major services provided by councils. The framework supports evidence based comparisons between similar councils so that they can work and learn together to improve their services. The benchmarking framework now has 7 years of trend data, covering 2010/11 to 2016/17.</p> <p>Across the seven-year period for which we present data, total current spending by Scottish councils has reduced by 14.4% in real terms from £17.6 billion to £15.08 billion. Education spending has been relatively protected, and child protection and social care spending have grown substantially. As these account for over 50% of the benchmarked expenditure within the LGBF, other services have taken much more substantial reductions. Expenditure on roads has fallen by 20% in real terms, on planning by 33% and on culture and leisure services by 17%.</p> <p>During this time councils have achieved substantial improvements in efficiency, innovation and productivity while service output and outcomes have been largely maintained and improved. It should be recognised that use of reserves and a public-sector wage cap are key contributors to this trend, therefore it will be harder to reproduce the efficiency and productivity gains of the last five years again, particularly with the relaxation of the pay strategy proposed by the Scottish Government.</p>	<p>In common with other councils, financial pressures are increasing. In preparing the 2016/17 revenue budget, the council identified an indicative funding gap of £45.5m by 2020/21. To ensure a balanced budget, the council was required to meet a funding gap of £24.2m which it did through a combination of savings of £21.1m, and a decision to increase council tax by 2.5% to produce expected additional revenue of £3.1m. The Revenue Budget 2017/18 identified a 5 year cumulative deficit of £41m.</p> <p>The council is facing a number of challenges in maintaining a sustainable financial position in future years. These include rising demands for services, increasing costs of services and reductions in central government funding.</p> <p>In the 5 year period since 2012/13, total usable reserves have fallen by £27.4m or 36.0%. Whilst this reflects planned use of both revenue and capital reserves during the year, it also includes the use of uncommitted reserves to support the revenue budget overspend for the year. The level of the council's uncommitted reserves has fallen below the agreed minimum balance (of £9m) and is one of the lowest balances in Scotland. It will be increasingly difficult for the council to use reserves to help fund expenditure in the future.</p>
TRENDS	
<p>(i) The continuing downward pressure on council budgets. Across the period from 2010/11 to 2016/17, total current spending by councils has fallen by 5.8% in cash terms, and by 14.4% in real terms. This averaged total figure disguises substantial variation of trend</p>	<p>Aberdeenshire very much follows the national line of continuing budgetary pressures.</p> <p>The increase/decrease spend on service areas included within LGBF (although not exclusively) from actual outturn 2013/14 - base budget 2016/17 is evidenced as:</p>

<p>between services within councils, and substantial variation between councils.</p> <p>Education spending has been relatively protected, and child protection and social care spending have grown substantially in cash and real terms. As these account for over 50% of the benchmarked expenditure with LGBF, other services have taken much more substantial reductions. Expenditure on roads has fallen by 20% in real terms, on planning by 33% and on culture and leisure services by 17%. This reflects national priorities in education and care, and “ringfencing” and targeting of grants from Scottish Government through conditionalities. The effect has been to create a block of “protected” services (education, child protection and care) and a block of “unprotected” services (all the rest).</p>	<p>Culture & Leisure Services: -14% Roads & Transportation: -20% Planning: -3% Economic Development: -8% Children’s Services: +10% Education: +8% Adult Social Work: +6% Housing: -11% Environmental Services: +20% Business (Corporate) Services: +3%</p>
<p>(i) Continuing improvement in attainment</p> <p>The 2016/17 data shows a continuing improvement in the attainment of Scottish school leavers.</p> <p>The Scottish average tariff score has improved consistently across the period, overall by 15%, and pupils from the most deprived areas (SIMD quintile 1) have the fastest rate of improvement (30.5% across the period of 5% per annum). This has occurred despite a real reduction in spending per pupil (around 8%). The tariff score data is supported by the data on the percentage of pupils gaining 5+ qualifications at N5/standard grade, and higher. Again, the most improved group are the most deprived (SIMD quintile 1), albeit from a low base.</p> <p>The data on post school destinations also shows improvement with 41% of school leavers going directly into higher education¹. The UK Government’s “initial participation” measure, participation in higher education between the ages of 17 and 30, records the Scottish rate as 54% against an English rate of 48%. In summary, the current generation of Scottish school leavers is the best qualified in our history, with the</p>	<p>The data reported reflects Aberdeenshire’s position of maintaining a high level of success in attainment across the period 2011-2017. Aberdeenshire does not publicly report on SIMD figures for attainment due to the low numbers of individuals this includes.</p> <p>% of pupils entering positive destinations has remained consistent at 94.1% in 2011 and 94.7% in 2015/16 (2016/17 not yet available) and in each year of the LGBF has reported within the top and second quartile of Scottish performance.</p> <p>% of pupils gaining 5+ awards at Level 5 54% to 62% from 2010/11 to 2016/17. In each year, performing above, or consistently with the Scottish average.</p> <p>% of pupils gaining 5+ awards at Level 6 27% to 32% from 2010/11 to 2016/17. In each year, performance has ranked slightly below that of the Scottish average.</p> <p>Aberdeenshire has fewer than the Scottish average number of pupils who remain in school through levels 5 and 6. This is due to the high level of positive destinations available to pupils via employment opportunities or further education,</p>

<p>highest rate of participation in higher education in our history both directly from school and subsequently.</p> <p><u>(ii) Continued improvement in uptake and use of leisure and cultural services</u></p> <p>Despite a real reduction in spend of over 16%, leisure and cultural services have sharply increased their use rates and reduced their costs per use.</p> <p>The growth in (visits to sports facilities, libraries and museums) has been spectacular, particularly for libraries and museums, and the reduction in unit cost equally so. This suggests the management of retrenchment in these services, and service redesign for charged circumstances, has been very effective. The data however raises a range of issues. <u>First</u>, the data reflects “net spending”, i.e. nets off income raised from fees and charges. If the data was purely for the public budget, the spending reductions for sports facilities would be much greater. Reductions in public funding have been offset by increasing charges and increasing market share. Given the new public health agenda in Scotland, the importance of physical activity to health, and increasing rates of obesity, it is critical that growing income does not “price out” the people that most need brought into participation. Current attendance data does not allow analysis of who is using the service and better monitoring of that is necessary.</p>	<p>therefore a higher than expected number of pupils leave school education earlier than in other areas of Scotland.</p> <p>Aberdeenshire follows the national path of achieving higher levels of attendance with reduction in costs to its sports and leisure facilities.</p> <p>33% reduction in costs for attendance at Sports facilities from 2010/11 to 2016/17. The national average change is 21% reduction. Aberdeenshire has seen a rise in visitors numbers of 18% for swimming pool usage and 13% increase in usage for indoor sports facilities over the LGBF reporting period.</p> <p>£2.89 to £2.58 cost per library over the same period (11% reduction)</p> <p>£10.73 to £4.63 cost per museum visit over the same period (11% reduction).</p> <p>Aberdeenshire has implemented a programme of new Community Campuses in key areas across the area, with improved indoor facilities; an ongoing campaign to promote ‘Active Aberdeenshire’ and a digital access initiative to encourage library usage. All these of tools have resulted in substantial increases of visitor attendance.</p>
<p>THE LGBF APPROACH</p>	
<p>The core purpose of the exercise is benchmarking. That is making comparisons on spending, performance and customer satisfaction between similar councils so that all councils can identify their strengths and weaknesses and learn from those who are achieving the best performance to improve local service delivery throughout Scotland. All councils continue to participate in these collective efforts towards self-improvement.</p> <p>Our approach means that there are three core points to bear in mind:</p>	<p>The national Overview Report itself, is detailed and informative. It is useful for us to review our own local performance more broadly within the national platform. The level of information provided and tabulated benefits our own review whilst also allowing us to consider our position of rurality/population within the overall context in Scotland.</p> <p>From Aberdeenshire’s perspective, the value of a national benchmarking framework is apparent as a tool for continuous improvement utilising family group projects to share best practice, of which Aberdeenshire Council is a regular participant.</p>

<p>1. It is important when looking at councils to compare like with like.</p> <p>2. The focus presented in this report is on variations in spending and performance that councils can directly control.</p> <p>3. The aim is to help councils improve and become more cost effective in delivering local services and through that support people in improving their life outcomes.</p> <p>The benchmarking framework reported here lends itself to any type of comparison councils, or citizens, wish to make. What is does not support is a crude "league table" assessment: it would be as misleading to assess the performance of councils with high levels of deprivation without taking account of that as it would be to explore the performance of island councils without noting they are island groups with a very distinctive population distribution.</p>	<p>However, the time-lag of reporting and validation, one full year after the end of the performance and financial reporting period, devalues the current framework. Each reporting year locally, is reported and audited by September immediately following the close the reporting year.</p> <p>If the LGBF could report under the same terms and timescale, then its validity and engagement with officers across the Council would rise. This may mean that current indicators could be reviewed, particularly those cost indicators via the Local Finance Return and Children's indicators.</p>
<p>Key National Trends</p>	
<p>Education Services:</p> <p>Despite real reductions in the education budget of 3.8% since 2010/11, the number of pre-school and primary places in Scotland has increased by over 30,000, and measures of educational outcome continue to show positive progress, particularly for children from the most deprived areas.</p> <p>In the past 12 months, there have been small reductions in real costs per primary and secondary pupil (0.2% and 0.4% respectively), with expenditure trends largely reflecting pupil number changes. Since 2010/11, real costs per primary and secondary pupil have fallen by 9.6% and 2.9%.</p>	<p>Key Local Trends</p> <p>Aberdeenshire has a consistent level of attainment at levels 5 (39%) and 6 (27%) in line with the national average and despite low numbers of pupils remaining at school to level 6. SIMD results are not published for Aberdeenshire due to the small numbers involved which may lead to identification.</p>
<p>In the past 12 months, there have been small reductions in real costs per primary and secondary pupil (0.2% and 0.4% respectively), with expenditure trends largely reflecting pupil number changes. Since 2010/11, real costs per primary and secondary pupil have fallen by 9.6% and 2.9%.</p>	<p>Aberdeenshire has a relatively consistent level of expenditure and pupil numbers within primary and secondary education.</p> <p>Since 2010/11 costs per pupil have increased by:</p> <p>Primary: 6.5%</p> <p>Secondary: 5.67%</p> <p>This takes into account Aberdeenshire has the 6th largest school roll in Scotland with pupil number reported in 2010 as 34,224 and in 2016 as 35,495.</p> <p>The education authority covers the 4th largest geographic area in Scotland supporting 152 primary and 17 academies.</p> <p>Costs over the past year (2015/16 – 2016/17 have risen by 1.75% and 2.26% respectively.</p> <p>Primary costs are 0.31% below the Scottish average and Secondary 0.37% higher than Scottish average.</p>

Key National Trends	Key Local Trends
<p>Satisfaction with schools has fallen for the fourth year in a row, reducing from 74% to 73% in the last 12 months, and by 10 percentage points since 2010/11. The LGBF satisfaction data is drawn from the Scottish Household Survey and represents satisfaction levels for the public at large rather than for service users.</p>	<p>Aberdeenshire has a satisfaction rating of 75.3% which is also the Scottish average. Despite satisfaction having fallen by 3% via the Scottish Household Survey as reported through the LGBF for the past year, local satisfaction recorded with the Reputation Tracker reveals consistent levels of satisfaction rates at 90% and above for local schools.</p>
<p>Adult Social Care: Spending on care for older people has grown in real terms across the period since 2010/11 (6.3%) but not at the level necessary to keep up with demographic change (2-3% per annum). In the past 12 months, real spending on care has increased by 1.6%, a significant element of which has been focussed on meeting living wage commitments.</p> <p>The balance of care has shifted in line with policy objectives across the period with a growth in home care hours provided (9.6%) and a relative decline in residential places (-1.2%). The % of people with intensive needs who are now receiving care at home has increased from 32.2% in 2010/11 to 35.3% in 2016/17. As importantly, the number of people receiving home care has decreased over time and the hours of care they receive on average has increased, i.e. in shifting the balance of care, a greater resource has become targeted on a smaller number of people with higher needs.</p> <p>Self-directed support has grown steadily across the period from 1.6% to 6.5% of total social work spend.</p>	<p>Aberdeenshire costs for people aged over 65 is £22.74 per hour, only £0.20 above the Scottish average. 32.6% of older people with intensive needs receive care at home, Scottish average being 35.3%. There has been a percentage increase in the hours over costs of home care exponentially. Due to the expensive costs of housing and living within the Aberdeenshire area coupled with the current low levels of unemployment and additional factors of the local economy. The rurality of the area means that retention and consistent employment levels in this area is a challenge. This indicator also does not take account of the breadth of service provided across the rurality of Aberdeenshire ensuring hard to reach clients are catered for which is an additional cost burden using outcome focused working such as our Rehab and Enablement pathway (6 week intensive support) and our Rapid Response (providing a 24 hour responder service for planned and unplanned need for home care).</p> <p>SDS spend continues to rise in Aberdeenshire and we are ranked 4th in Scotland for spend.</p>
<p>Environmental Services: Real spending on Environmental Services has reduced by 8.6% since 2010/11 with reductions in Waste Management (-1.4%), Street Cleaning (-30%) and Trading Standards and Environmental Health (-16.7%). The reduction in spend has accelerated in the past 12 months, with overall spend reducing by 4%. While recycling rates continue to improve despite these spending pressures, recent years have seen reductions in street cleanliness scores and satisfaction with refuse and cleansing.</p>	<p>Spend on Environmental Health has decreased over the term by 3% and has remained consistently between approx. £16,000 and £17,500 per 1,000 population. Currently Aberdeenshire costs are only 4.3% higher than the Scottish average although ranked in 23rd place.</p> <p>Recycling rates have increased from 32.39% 2010/11 to 43.46% in 2016/17. Against the national trend, Aberdeenshire's Street Cleanliness Score remains high at 96.62%</p>

Key National Trends	Key Local Trends
<p>Across the period, real spending on roads has fallen by 20.1%, while the road conditions index indicates conditions have been maintained and improved slightly across all class of roads. In the last 12 months, roads spending has increased by 3% due to an increase in capital expenditure as councils strive to tackle the backlog of maintenance and improvements.</p> <p>Business Services: Council corporate and support costs continue to account for only 5% of total gross revenue spend for local government across Scotland. Over the period, real spend on support services has reduced by 13.9% since 2010/11, including an 8.1% reduction in the past 12 months.</p> <p>The cost per dwelling of collecting council tax also continues to reduce, falling by 40.9% over the period with the rate of reduction accelerating in recent years. Meanwhile, the collection rate continues to show steady improvement from 94.7% in the base year to 95.8 in 2016/17.</p> <p>Sickness Absence days for teaching staff have reduced by 8.2% since 2010/11 and by 0.5% in the past 12 months. However, for non-teaching staff, sickness absence has increased by 1.1% since 2010/11, and by 2.7% in the past 12 months.</p>	<p>and ranked 4th in Scotland. As with last year, satisfaction with refuse collection and street cleansing both sit above average at 84% and 74.6% via the Scottish Household Survey.</p> <p>Costs for waste collection have increased in Aberdeenshire over the past year with an increase of 9% from £51.96 to £61.92 per premises and waste disposal has decreased by 1.13% from £127.56 to £126.13. Respectively, these indicators are ranked 16th and 29th from 15th and 27th in 2015/16.</p> <p>Cost of maintenance per kilometre of road in Aberdeenshire is currently 22.5% lower than the Scottish average and is ranked 10th in Scotland firmly within the 2nd quartile. Performance has remained consistent through the life of LGBF with the lowest ranking being 14th in 2015/16.</p> <p>Roads condition rates in Aberdeenshire remain consistently positive and above, or around average in Scotland with all classifications ranked at 16, 5, 4 and 4 (A, B, C and Unclassified respectively) and all are within the top two quartiles.</p>
<p>Business Services: Council corporate and support costs continue to account for only 5% of total gross revenue spend for local government across Scotland. Over the period, real spend on support services has reduced by 13.9% since 2010/11, including an 8.1% reduction in the past 12 months.</p> <p>The cost per dwelling of collecting council tax also continues to reduce, falling by 40.9% over the period with the rate of reduction accelerating in recent years. Meanwhile, the collection rate continues to show steady improvement from 94.7% in the base year to 95.8 in 2016/17.</p> <p>Sickness Absence days for teaching staff have reduced by 8.2% since 2010/11 and by 0.5% in the past 12 months. However, for non-teaching staff, sickness absence has increased by 1.1% since 2010/11, and by 2.7% in the past 12 months.</p>	<p>Figures for Aberdeenshire support the national picture with support costs accounting for 5.66% against the Scottish average of 4.92%. However, spend has increased overall by 1.18% from 4.48% in 2010/11 and decreased by 0.28% from 2015/16.</p> <p>The cost per dwelling of collecting council tax has fallen by 14.66% from the baseline year. Aberdeenshire is currently ranked at 20th in Scotland with a cost of £9.73 per dwelling against the Scottish average of £8.98. Income received from council tax at year end is consistently high at 96.09%, above the Scottish average of 95.66% and is ranked in the 2nd quartile at 13th place.</p> <p>The small reduction (-0.21 days) in the sickness absence rate for teachers in 2016/17 continues the downward trend reported over the past two years.</p> <p>The slight increase (+0.21 days) in the sickness absence rate for non-teaching staff in 2016/17 may reflect the cessation of targeted interventions by HR&OD officers within specific service areas. However, the figure remains the second lowest recorded in the past 8 years.</p>

Key National Trends	Key Local Trends
<p>Councils continue to spend around 20% of their procurement spend on local small/medium enterprises, although there has been a very small reduction since 2010/11, from 21.2% to 20.3%. Given the pressures on Council budgets this is a positive outcome as it suggests that the drive to reduce costs has not resulted in local SMEs being displaced by larger national suppliers of goods and services.</p>	<p>Although the percentage spend figure with local SME's has decreased, the number of local SME suppliers the Council has spent with has increased from 690 (2015/16) to 729 (2016/17). Also 65.6% of local spend is spent with local SME's based on Core Trade spend. Procurement continue to work on encouraging new suppliers to participate in procurement opportunities through promotion of Procurement Supplier Development Programme – Positive Procurement Programme (PPP).</p>
<p>Economic Development: While there has been an overall increase in the % of unemployed people assisted into work from council funded/operated employability programmes (9.1% in 2012/13 to 14% in 2016/17), there has been a small reduction in the past 12 months.</p> <p>The Business Gateway start-up rate has reduced from 19% to 16.6% across the period, including a fall from 16.9% to 16.6% in the last 12 months.</p>	<p>This rate is low compared to other councils but the situation in Aberdeenshire is somewhat different. There have been a large number of job ready oil and gas workers becoming unemployed in this area. They don't need or request support from the Employability team and they don't take part in employability programmes. These individuals can benefit from the Government schemes such as PACE and the Transition training fund. The Council works a lot more with the longer term unemployed who are not job ready and who in today's job market find it more difficult to move into employment or training.</p> <p>Aberdeenshire Council remains in the first quartile for this indicator although it is acknowledged that there has been a fall from 1st place in the two previous years to 6th place this year. 2016/17 saw a fall in the number of start-ups assisted which resulted in a slip down the rankings. It is important to stress that our target was still met but we were unable to exceed this figure. A balance is always sought between the needs of start-up businesses and supporting existing businesses with high growth potential. In addition, the downturn in the oil and gas sector continued to present difficult trading conditions in the supply chain with knock on effects felt across the local economy. Aberdeenshire achieved 22 start ups per 10,000 population which is considerably above the Scottish average of 17.</p>
<p>Real spend on planning services has reduced by 33.4% since 2010/11, representing one of the sharpest reductions across all services, and continuing in the past 12 months. Across this period, there has also been a 23% reduction in the number of planning applications processed, and costs have fallen from £5,376 per application to £4,636 per application. In parallel, the time taken to process business and industry planning applications has reduced by 28.1% since 2012/13, from 13 weeks to 9.3 weeks.</p>	<p>The cost per planning application has risen significantly according to the figures stated. This would likely be due to the numbers of planning applications submitted decreasing over the period. As a result of Scottish Government changes to the planning system the Planning Service restructured. This resulted in staff changes including a new E planning team to deal with a new digital planning system. Since then planning application performance has improved significantly, however reduced application numbers with continued staff resources, including support staff has resulted in the cost per planning application to increase.</p>

Key National Trends	Key Local Trends
	<p>Continuous improvement forms a consistent part of how the development management part of planning operates. This is largely due to Scottish Government performance indicators and pressures to speed up the planning process nationally. The advent of the digital planning system has resulted in significant performance improvements in addition to various continuous improvement projects, changes to staff structures and regular monitoring of planning performance. Focus on processing business and industry applications quickly is recognised given their importance to the north-east economy and Aberdeenshire Council's open for business approach.</p>
<p>Housing: Councils continue to manage their housing stock well with rent lost to voids reducing from 1.3% in 2010/11 to 0.9% in 2016/17, and a 14.1% reduction in average repair times across this period. There have also been consistent and significant improvements in terms of housing standards and energy efficiency standards, both of which are now above 90%. However, at the same time, the growth in tenant's arrears from 5.6% to 6.5% between 2013/14 and 2016/17 reveals evidence of the increasing financial challenges facing both housing residents and councils alike.</p>	<p>Arrears levels for 2016/17 were affected by a number of factors, including the legal challenge to the new debt collection contract with Stirling Park (which delayed the passing of former tenant arrears to the debt collector), and an increase in tenants seeking sequestrations in some areas. The introduction of Universal Credit also saw an increase in arrears for affected households. While the impact of Universal Credit has been limited so far, we anticipate further increases with the more extensive roll out of full service across Aberdeenshire in 2018. Performance was also affected by the local economic conditions created by the downturn in the oil industry. However, performance has remained comparatively positive in relation to the Scottish average, which was achieved by improved monitoring and an ongoing review of procedures.</p> <p>Only 21 properties failed to meet the SHQS (Scottish Housing Quality Standard) standard at the end of 2016/17. All of the remaining properties that do not meet the SHQS are subject to exemptions or abeyances. All of these properties will be addressed as part of the ongoing EESSH (Energy Efficiency Standard for Social Housing) works, which will ensure, as far as is reasonably practical, maximum compliance with EESSH by the Scottish Government deadline of December 2020.</p> <p>Improvements in repairs performance in 2016/17 are mostly due to a re-evaluation of our response repairs priorities to bring them in line with the new external Hard Facilities Management contract with FES. These improvements have continued into 2017/18, with performance currently sitting at an average of 8.5 working days to complete non-emergency response repairs.</p>

Key National Trends	Key Local Trends
	This indicator is linked to the SHQS indicator above (focusing on one component of the SHQS). As discussed for that indicator, properties that do not meet the required standard will be addressed as part of the wider EESSH work programme.

Local government in Scotland: Challenges and performance 2018

ACCOUNTS COMMISSION 



Key messages

- 1** Local government in Scotland continues to operate in a complex and changing environment that involves increasing levels of uncertainty. While details of the terms for the UK's withdrawal from the European Union are not yet clear, there will be significant and profound implications for our 32 councils. Meanwhile, the Scottish Government remains committed to a significant pace of public sector reform, with some major changes for local government at key stages of implementation. These events are taking place in the overall context of substantial reductions in public spending alongside increasing demand for many local public services.
- 2** Developing new ways of working – or transformational change – is now an essential part of the agenda for councils as they respond to these challenges. Delivering savings is becoming increasingly critical, with forecast funding gaps higher than current levels of reserves for some councils. Where councils have properly scoped, resourced and managed their transformational work, they are more likely to successfully deliver sustainable service change. Cohesive, decisive leadership is required that brings officers, councillors and their communities together to address the major challenges councils face.
- 3** Councils are engaging with the increasingly difficult task of managing the competing priorities of reducing costs and maintaining services for an ageing population. Under current arrangements, some councils can expect to see government funding reduced further than others as their overall population falls but their older population grows and demand for key services, such as social care, increases. Councils are also implementing significant policy and legislative changes, some of which increase expectations on, or the duties of, councils and many will have additional resource implications. The detail of what these changes will mean is not yet clear in some cases.

4 Councils have done a considerable amount to manage the impact of continued budget reductions, and national indicators suggest they have maintained or improved performance in a number of areas. However, there is also evidence that budget cuts are having an impact on services, and customer satisfaction levels have fallen. Some services are not keeping up with demand and there is a risk that quality is being affected. Smaller services, which often include important regulatory functions, have borne the brunt of funding reductions although the impact of this on these services is not always made clear. In making difficult choices, councils need to continue to work with communities to understand the impact of reduced spending on services and communities and to clearly report this to the public.

Recommendations

While councils have done much to reduce spend, deliver services differently and work with their communities, financial and population pressures are likely to continue. Effective leadership and robust planning is more important than ever to ensure council services remain sustainable.

Councils should ensure they are continuously improving their work in key areas by:

- looking to the future:
 - continuing to improve understanding on how the landscape within which their council operates may change, by considering its demographics, the public spending environment and policy changes
 - using this information to inform council priorities
 - developing long-term financial and scenario planning that takes these factors into account and considers the impact on all their services and their users
 - considering how to make the most of new technology, for example streamlining processes and communicating differently with service users
- working with communities - so that they are actively involved in decision-making, know the effect decisions are expected to have on services and communities and see the impact of community empowerment

- focusing on the delivery of priority outcomes through:
 - working with communities to understand their needs
 - establishing effective cross-party relationships to work together and make the sometimes difficult decisions needed to achieve the council's priorities
 - clearly linking budgets to plans and outcomes
 - establishing robust change strategies and developing realistic plans for transforming services, which incorporate:
 - effective leadership and good governance arrangements
 - robust options appraisal
 - strong financial management
 - properly scoped and resourced plans
 - ensuring change strategies are supported by:
 - realistic savings plans with long-term implications and mitigation against unintended impact on other services and communities
 - effective workforce planning to retain and recruit people with the right skills to deliver sustainable future services
 - income generation plans
 - workforce and member support, training and development
 - evaluating and reporting:
 - the impact that significant budget reductions, savings, workforce changes and service redesign are expected to have and have had on service delivery and quality
 - use the data collected and monitored to report publicly on the quality of services, as well as user satisfaction with those services.
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Scrutiny tool checklist for councillors

This scrutiny tool captures a number of potential questions for councillors and relates to our report *Local government in Scotland: Challenges and performance 2018*. It is designed to provide councillors with examples of questions they may wish to consider to help them better understand their council's position and to scrutinise performance.

Questions for councillors to consider		How well informed am I?	Do I need to ask any further questions?
Community empowerment (paragraphs 7 to 12)			
How are you involving local communities and empowering them to design and deliver services that suit local need?			
Does your council have regular discussions with communities about service priorities and what level of service the council can afford to provide in the future? What is your role as a councillor in this?			
Training for councillors (paragraphs 13 to 16)			
Do you know what training is available to help you fulfil your duties?			
Does the training meet your needs? If not, do you know who to speak to?			
Factors affecting demand for services and council funding (Exhibit 1 and paragraphs 24 to 33)			
Have you considered how policy and legislative change will affect how your council operates?			
Have you considered the demographics of your council and how this will impact on service delivery and funding in the future?			

How well informed am I?		Do I need to ask any further questions?
Questions for councillors to consider	What do I know?	
Financial planning (paragraphs 34 to 38) ↕		
Does your council have medium and long-term financial plans in place?		
Does your council link budgets to plans and outcomes and report on these?		
Making savings and generating income (paragraphs 39 to 51) ↕		
Does your council have the right structures in place to ensure that all your efficiency, improvement and transformational approaches are working together to maximise savings?		
How is your council looking to maximise income?		
Does your council compare its policies and priorities to raise income with other councils?		
Does your council have an organisation-wide workforce plan? Does it contain information about the numbers, costs, and skills of the actual and desired workforce?		

How well informed am I?		
Questions for councillors to consider	What do I know?	Do I need to ask any further questions?
Transformation (paragraphs 52 to 65) 		
Does your transformation strategy contain plans for truly transformational change? Will it improve services and save money?		
Have you invested in the right resources for your transformation strategy to achieve its planned savings?		
Does your council have the necessary governance structures to effectively oversee and monitor its transformation activity?		
What is your council's risk appetite for transformational change? Are risks properly monitored?		
What will the financial repercussions be for your council if your transformation strategy fails to meet its savings targets?		
Does your council follow the core principals for successfully planning digital projects outlined in our Principles for a digital future  published in May 2017?		

How well informed am I?		Do I need to ask any further questions?
Questions for councillors to consider	What do I know?	
Service performance and performance reporting (paragraphs 66 to 95) 		
How well does your council report performance to local communities? Is there a link to priorities and budgets in your performance reporting?		
Have you considered what lessons you can learn from other councils who are delivering services well?		
Do you know the impact of spending reductions on the services your council provides?		
How can you better engage with local communities to understand why public satisfaction is declining?		
How are your council and IJB managing demand for social care services? What preventative measures are available in your council?		
Do you know how budget cuts have affected your smaller services?		

