



12- 22 May 2012

To all APSE main contacts in Scotland and for information to those in England, Wales and Northern Ireland

Accounts Commission overview report for local government

Key issues;

- The Accounts Commission for Scotland have issued their overview report on the strategic challenges and issues confronting the local government sector.
- The Accounts Commission report suggests all Scottish Councils have operated within their respective budgets despite the spending reductions and most Councils are in a relatively stable financial position.
- Scottish Councils have delivered significant savings often as result of reducing employee numbers together with the policy of pay restraint.
- The Accounts Commission's report indicates that further significant budget reductions will be needed year on year and this is further compounded by service demand pressures.
- The Accounts Commission's report highlights PPP/PFI as an issue in terms of significant financial commitments now being serviced and this is removing budget flexibility.
- The overview report identifies a range of demand pressures facing the local government sector and provides a useful commentary on their impact.

Background

The Accounts Commission have produced their annual overview report which is their perspective on the key strategic challenges and issues facing the local government sector in Scotland. The overview report is generated and informed by all of the audit work completed by Audit Scotland during 2011. The report identifies a number of challenges and strategic risks confronting the sector, together with potential opportunities.

The Accounts Commission rightly recognises that the financial context and the forthcoming elections present both challenges and opportunities for Scotland's 32

Councils in 2012 and beyond. The report emphasises the need to proactively manage resource and service demand pressures, as they are growing.

- **Resource and Demand Pressures**

The Accounts Commission's overview report confirms that local government's purchasing power for the period to 2011 was around £21 billion. However, the Scottish Government's public spending plans will result in significant reduction in expenditure of 12.3% by 2014/15. Local government funding will reduce by a similar amount (see APSE Briefing 11/69). The overview report addresses the local government sectors strong track record in delivering savings; however the report rightly identifies that much of the **"low hanging fruit"** has been taken and it will become increasingly difficult to identify and realise efficiencies and savings without cutting services. The report stresses that many of the savings delivered to date have been as result of pay restraint and by reducing employee numbers. The report suggests further saving opportunities do exist specifically with regard to energy efficiency, procurement and the planning of capital projects. The report suggests PFI/PPP repayments are becoming more significant and are beginning to put budgets under further strain particularly if funding capital projects was linked to realising capital receipts.

The reduction in financial support together with the need for further efficiencies and less flexibility within budgets is coming at a time of increasing pressures and demands for particular services such as housing and social work. In addition, these service areas could be under further pressure given the planned changes with regard to welfare reform.

The overview report identifies the following pressures, provides the necessary detail assesses and gauges the associated impacts, in relation to:-

- Service demands
- Financial reductions
- Future investment requirements
- Maintaining assets
- Workforce considerations
- Environmental matters

A key concern within the report is the impact of the move to Universal Benefits and the impact on local government particularly in relation to the future payment of former Housing Benefit. In future, Universal Benefit will be paid direct to tenants as opposed to local Councils. In 2009/10 approximately £615 million was paid to local Councils in Scotland for Housing Benefit, in future a similar amount to this will go direct to tenants.

The report suggests that the pressures will have an impact on structures and services within the sector.

Responding to the Pressures

The overview report suggests for Councils to respond effectively to the pressures they face, they will need to have in place:-

- Effective arrangements to underpin partnership working which in turn needs to have an outcome focus.
- Effective partnership working with the health sector will be imperative given the integration agenda with social care.
- Options appraisal for service delivery needs to be well developed with any decisions being made on robust evidence. Robust evidence needs to include both comparative information on costs and performance/quality.
- Effective arrangements in place for performance management particularly information on service performance in relation to costs and outcomes.

- Effective arrangements for undertaking robust and reliable self evaluation which enables Councils to “**know themselves**”. This being linked to a more proportionate approach to external audit and scrutiny activity. The overview report suggests it will be some time before all Councils have fully effective and dependable self evaluation arrangements in place.
- Effective arrangements in place for reporting performance information to the public including:-
The need to move away from a high dependency on statutory performance indicators and the need for a systematic approach to benchmarking with others.

Comment and Conclusion

The Accounts Commission overview report is a useful contribution in terms of identifying the critical strategic pressures and challenges the local government sector faces over the short-medium term.

Despite the significant expenditure reductions most Councils operated within budget within 2010/11 and are in a relatively stable financial position. However, within the sector there is recognition that much of the “**low hanging fruit**” in terms of opportunities to achieve savings has been fully exploited. Much of the savings which have been realised to date have been mainly achieved through pay restraint and reducing employee numbers. To manage the future demands for services and make sustainable savings, the overview report suggests Councils need to focus on finding the “**cure**” rather than treating the “**symptoms**”. As part of this approach Councils and their Directorates/Departments must fully understand their true cost drivers and consider how to fundamentally change how services operate and most importantly how customers interact with them to ensure that the quality of local services can be sustained.

The reference to well developed approaches to self evaluation and performance measurement as part of the wider approach to performance management are well made and fully supported by APSE.

APSE has considerable experience in performance measurement and benchmarking through its Performance Network service. In addition the APSE Solutions provides Councils with a model which addresses both the “inputs” and the “outcomes” as part of the wider need to secure improvement in local government service delivery. The model addresses both efficiency and effectiveness related issues.

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