

ANGUS COUNCIL

SCRUTINY & AUDIT COMMITTEE - 22 JANUARY 2019

NATIONAL AUDIT SCOTLAND REPORTS: LOCAL GOVERNMENT IN SCOTLAND – FINANCIAL OVERVIEW 2017/18, HEALTH AND SOCIAL CARE INTEGRATION – UPDATE ON PROGRESS & WITHDRAWAL FROM THE EUROPEAN UNION

REPORT BY THE HEAD OF FINANCE & LEGAL

ABSTRACT:

This report covers three national audit reports, the financial overview report 2018, the health and social care integration - update on progress and withdrawal from the European Union. The financial overview report provides a high-level, independent analysis of the financial performance of councils during, and their financial position at the end of 2017/18. It also looks ahead and comments on the financial outlook for councils. It is one of two overview reports that the Accounts Commission publishes each year. The second report covers the national performance audit of the health and social care integration following the introduction of the Act and examines the impact public bodies are having as they integrate health and social care services. The third report has been prepared by Audit Scotland which highlights the key audit issues that EU withdrawal presents for the public sector.

1 RECOMMENDATION

1.1 It is recommended that the Scrutiny & Audit Committee:-

- (i) Review the content of the Accounts Commission's 2018 financial overview report for local government and supplement 1 (**Appendices A & A1**) and provide any commentary considered appropriate at this time; and
- (ii) Note that the report is about Local Government in Scotland as a whole rather than Angus Council specifically;
- (iii) Review the content of the Accounts Commission's health and social Care integration report – update on progress (**Appendix B**) and provide any commentary considered appropriate at this time; This report was considered by the IJB meeting on the 12 December and the IJB covering report can be accessed at the following link:-

https://www.angus.gov.uk/media/agenda_item_13_report_ijb_92_audit_scotland_health_social_care_integration_update_on_progress

- (iv) Review the content of Audit Scotland's report covering the EU withdrawal (**Appendix C**) and provide any commentary considered appropriate at this time;

2. ALIGNMENT TO ANGUS COUNCIL PLAN / LOCAL OUTCOME IMPROVEMENT PLAN (LOIP)

2.1 This report contributes as a whole to the Council Plan/LOIP.

3 BACKGROUND

3.1 The Accounts Commission's overview report highlights that Scotland's councils face an increasingly complex range of challenges and continuing pressure on finances. Challenges include increasing demand across many of the wide range of services councils deliver to local communities. Demand has to be met against tightening budgets in many service areas along with uncertainty stemming from external factors such as EU withdrawal. One of the most significant issues for councils continues to be funding. In 2017/18, funding from the Scottish Government, councils' main source of funding, again reduced in real terms. The Accounts Commission's reports and associated material is viewed as a useful source of information and guidance.

3.2 Committee members as part of their Scrutiny & Audit remit now have the opportunity to review and consider the Accounts Commission reports.

4 NATIONAL AUDIT REPORTS - KEY MESSAGES

4.1 Local Government Overview Report 2018

The financial overview report attached as **Appendix A** covers three areas:-

- Councils budgets and spending in 2017/18;
- Councils' financial position;
- Integration Joint Boards' Overview 2017/18;
- Councils' financial outlook;

4.2 The primary source of information are councils' 2017/18 audited accounts and their 2017/18 external audit reports.

The Accounts Commission has also produced 1 supplement to accompany this report:- Supplement 1 – Scrutiny tool for councillors (**Appendix A1**)

4.3 The main highlights from the key messages in the report are as follows:-

- Councils depend on Scottish Government funding for a significant part of their income. Scottish Government revenue funding to councils reduced in 2017/18, in cash terms by 0.6 per cent (£0.06 billion) and in real terms, by 2.3 per cent (£0.22 billion). Council tax increases and increased fees and charges were used by councils to increase overall budgets by £0.3 billion (cash terms).
- In 2017/18, councils managed funding gaps of four per cent in their net expenditure budgets of £12 billion, mainly through savings and planned use of reserves. Councils are under pressure to find different ways to fund and deliver services. In 2017/18, 24 councils increased council tax, whereas in 2018/19, all councils increased council tax.
- Overall increases in spending in Education and Social Work were offset by reductions in other services.
- Eighteen councils ended 2017/18 with lower levels of usable reserves than they had at the start of the year. Total usable reserves fell by £18 million, a relatively small amount.
- Funding to the Integration Joint Boards (IJBs) increased in 2017/18 by three per cent in cash terms (1.4 per cent in real terms), including additional funding from the NHS. The majority of IJBs have underlying financial sustainability issues, with 20 incurring deficits or dependent on additional ('deficit') funding from their partners.
- The financial outlook is for reductions in Scottish Government revenue funding to councils. This will mean continued and increasing financial pressures on council services, especially those that are not protected.
- The impact of EU withdrawal is not yet clear, but councils need to identify the risks and develop contingency plans to manage these risks. Councils are showing signs of increasing financial stress as financial challenges continue to grow. Funding reductions are compounded by increasing costs and demands on services. In response, councils have needed to achieve ambitious savings plans.

4.5 Throughout the report there are a number of example questions identified that councillors may wish to consider to help them better understand their council's financial position and to scrutinise financial performance. The questions are also available in Appendix A1, - supplement 1 – scrutiny tool for councillors.

4.6 Health and Social Care Integration – Update on Progress

4.7 The health and social care integration report attached as **Appendix B** covers two areas:-

- The current position
- Making Integration a success

4.8 The main highlights from the key messages in the report are as follows:-

- Integration Authorities (IAs) have started to introduce more collaborative ways of delivering services and have made improvements in several areas, including reducing unplanned hospital activity and delays in discharging people from hospital. People at the end of their lives are also spending more time at home or in a homely setting, rather than in hospital. These improvements are welcome and show that integration can work within the current legislative framework, but IAs are operating in an extremely challenging environment and there is much more to be done.
- Financial planning is not integrated, long term or focused on providing the best outcomes for people who need support. This is a fundamental issue which will limit the ability of IAs to improve the health and social care system. Financial pressures across health and care services make it difficult for IAs to achieve meaningful change. IAs were designed to control some services provided by acute hospitals and their related budgets. This key part of the legislation has not been enacted in most areas.
- Strategic planning needs to improve and several significant barriers must be overcome to speed up change. These include: a lack of collaborative leadership and strategic capacity; a high turnover in IA leadership teams; disagreement over governance arrangements; and an inability or unwillingness to safely share data with staff and the public. Local areas that are effectively tackling these issues are making better progress.
- Significant changes are required in the way that health and care services are delivered. Appropriate leadership capacity must be in place and all partners need to be signed up to, and engaged with, the reforms. Partners also need to improve how they share learning from successful integration approaches across Scotland. Change cannot happen without meaningful engagement with staff, communities and politicians. At both a national and local level, all partners need to work together to be more honest and open about the changes that are needed to sustain health and care services in Scotland.

4.9 Withdrawal from the European Union

4.10 The Audit Scotland report attached at **Appendix C** covers key audit issues that EU withdrawal may present for the public sector.

5 FINANCIAL IMPLICATIONS

5.1 There are no financial implications arising for the Council from the recommendations contained within this report.

NOTE

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing this report.

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List of Appendices:

Appendix A - Accounts Commission's Report – Financial Overview 2017/18

Appendix A1 –Supplement 1 – Scrutiny tool for councillors;

Appendix B – Health & Social Care Integration – Update on Progress

Appendix C – Withdrawal from the European Union