

DRAFT Leadership of the development of new local strategic priorities

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Best Value thematic work in East Lothian Council 2022-23



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Key messages

- 1** The council has set clear priorities but recognises that decisions need to be made urgently to ensure a sustainable approach to delivering those priorities.
- 2** The council's leadership have been effective in setting out a clear vision and priorities in the Council Plan 2022-27.
- 3** The council faces unprecedented financial challenges which is likely to require difficult decision making around priority services. The council recognises the need to engage with members and the wider public to ensure that decisions are driven by the needs and priorities of the people of East Lothian. This is reflected through cross party budget working group and acknowledged in the latest financial strategy and plans.
- 4** Community engagement and working with local communities is a key element of the council's vision. The council drew on existing community engagement when developing its vision and priorities rather than consulting separately on its Council Plan.
- 5** The council priorities clearly reflect the need to reduce inequalities and climate change. It is too early to assess if the strategic plans will successfully deliver these objectives.
- 6** The council has set out its Top 50 performance indicators to monitor delivery of its priorities. Not all performance indicators have specific targets set. It is important the council is clear on the level of performance outcomes it aims to achieve. It is important that the indicators monitored continue to reflect strategic priority areas and risks.
- 7** The council is a complex organisation and has a range of plans and strategies which underpin the Council Plan. Its financial, workforce, asset and digital plans are aligned with the council's priorities, but the council is revisiting its delivery plans to address the increasing financial challenges it faces.
- 8** There is evidence of collaborative working between members and with members and officers. However, this is an area for improvement. It is essential for members to work together to make strategic decisions when the council faces increasingly hard choices to ensure financially sustainable service delivery.

- 9** The council has a clear commitment to leadership development to empower officers to make informed decisions.
- 10** The council's improvement actions from this review are included at [Appendix 1](#) of this report. It sets out the council's response to audit recommendations made. Progress will be reported through Annual Audit Reports.

Scope of the audit

1. When discussing the Local government in Scotland Overview 2022, William Moyes, Chair of the Accounts Commission said: “Councils are operating in a complex and increasingly volatile, unprecedented and unpredictable environment. Strong leadership from councils is needed now more than ever, with new and returning councillors being able and willing to make difficult decisions about where and how to spend highly pressurised resources.”
2. This report concludes on the effectiveness of the council’s leadership of the development of the council’s strategic priorities, following the recent local government elections.
3. [The Accounts Commission’s Strategy \(2021-26\)](#) sets out its priorities to focus on inequalities, funding, communities and recovery. The Code of Audit practice sets out the Best Value work required to report on these priorities.

Code of Audit Practice 2020 Best Value reporting requirements

Best Value reporting – extract from the Code

87. The Accounts Commission’s approach to Best Value involves reporting on individual local government bodies and thematically across the local government sector through performance reports:

- As part of their integrated wider-scope annual audit work appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value and is complying with its community planning duties, including reporting progress against previous Best Value findings and recommendations.
- The Accounts Commission also requires the Controller of Audit to report to the Accounts Commission on each council or Integration Joint Board (IJB) at least once over the five-year audit appointment on the body’s performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate. ¹
- The Accounts Commission reports nationally on thematic aspects of local government bodies’ approaches to, and performance in, meeting their Best Value and community planning duties. Local government appointed auditors report locally on any such Best Value thematic work prescribed by the Accounts Commission.

¹ The Controller of Audit will report the first tranche of council BV reports to the Commission between October 2023 and August 2024 on Moray, Falkirk, Dundee City, Orkney Islands, South Ayrshire, Dumfries and Galloway, Clackmannanshire and West Dunbartonshire.

4. This report covers the thematic aspect of the Best Value audit requirements. The Commission has directed auditors to report on the effectiveness of the leadership of the development of the council's strategic priorities.



5. In carrying out the work auditors have considered the following questions:

- How clear is the new council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the council?
- How effectively do the council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the council's priorities?
- Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

6. This report reflects upon and includes an update on the areas covered by recommendations in the [East Lothian Council Best Value Assurance Report \(BVAR\)](#) published in November 2018.

7. An improvement action plan is included at [Appendix 1](#) of this report. This sets out audit recommendations in key areas, and the council's planned response including responsible officers and dates for implementation.

8. The coverage of the work is in line with the expectations for council's arrangements for the seven Best Value themes in the [Local Government in Scotland Act 2003, Best Value Statutory Guidance 2020](#).

Council vision and priorities

The council's leadership have been effective in setting out a clear vision and priorities in the Council Plan 2022-27.

9. A council focused on achieving Best Value in how it operates will be able to demonstrate that elected members and officers have a clear vision and priorities for their area.

10. The Council Plan 2022-2027 was approved by East Lothian Council on 23 August 2022. This has clear objectives and builds on the previous council plan and the Recovery and Renewal Plan approved in 2021.

11. There are 3 overarching objectives:

- Recovery and renewal – *recovering from the COVID pandemic by investing in regeneration and a sustainable future.*
- Reduce poverty and inequality - *supporting our communities to deal with the growing levels of poverty and inequality.*
- Respond to the climate emergency - *meeting our net zero climate change targets.*

12. In response to the systemic long-term challenges it faces, the Council set out 4 thematic objectives continued from the previous council plan:

- Grow our economy – *increase sustainable and inclusive growth as the basis for a more prosperous East Lothian.*
- Grow our people - *give our children the best start in life and protect vulnerable and older people.*
- Grow our communities - *give people a real say in the decisions that matter most and provide communities with the services, infrastructure and environment that will allow them to flourish.*
- Grow our capacity - *deliver excellent services as effectively and efficiently as possible within our limited resources.*

13. The outline Council Plan was agreed in March 2022 before the local council elections. The final plan was approved in August 2022. Officers reviewed all political parties' election manifestos to incorporate key elements into the Council Plan.

The council's vision is aligned to the community plan priorities

14. The council's objectives are aligned to the priorities set out in the East Lothian Plan 2017-2027 (the Local Outcomes Improvement Plan) prepared by the East Lothian Partnership. The new Council Plan goes further than the East Lothian Plan in explicitly referencing climate change. The three key themes of the East Lothian Plan are 'Prosperous, Community-minded, and Fair,' focused on 'Reducing inequalities across our area; Tackling poverty; and Working to prevent problems - and acting quickly when problems start'. The council is a key community planning partner in the East Lothian Partnership. Each partner should have its priorities aligned to the East Lothian Plan, but each body has a different role in delivering the partnership's priorities. The council has a significant role in delivering these priorities given the range of services it provides.

15. Partners were not directly involved in the development of the Council Plan. However, the Plan's vision, objectives and key priorities were shared through the East Lothian Partnership and in discussions with the Integration Joint Board. In addition, some key plans including the Recovery and Renewal Plan and East Lothian Poverty Plan have been adopted by both the Council and East Lothian Partnership, with governance of the Recovery and Renewal Plan overseen by the East Lothian Partnership Governance Group. Key partners have been engaged through the development of these to ensure partners help shape and inform council planning.

16. The East Lothian Plan was due to be reviewed but this work was delayed by the pandemic. A review of the East Lothian Plan is now due to take place later in 2023 following an update on the Strategic Needs Assessment that is underway and will inform the review work.

Existing community consultation was used to inform the Council Plan rather than separate consultation on the plan

17. The Council did not carry out separate public consultation specifically on the Council Plan but used existing consultation for other relevant plans including the Poverty Plan to obtain public views on strategic priority areas. Ongoing council engagement with community groups and Local Area Partnerships also provided local input. The Outline Council Plan approved pre-election was communicated in press releases and on the council's website.

18. Public consultation to inform the Local Development Plan 2 and other strategies is ongoing and this should give valuable information from local citizens and community groups on priority areas.

The council communicated the publication of the new Council Plan to citizens, staff and partner agencies

19. The new Council Plan was communicated to the public through press releases and social media; the Local Area Partnerships and The Plan was communicated to staff in an article in the staff newsletter '*Inform*' and in team meetings as well as being part of new employees' induction programmes.

Partners were advised through discussion at meetings such as the East Lothian Partnership Governance Group.

Maintaining oversight of performance is challenging across the range of council services. The council needs to clearly set out the performance it wants to achieve in its priority areas.

20. The Council is a complex organisation which delivers a wide range of services. Delivery of the Council Plan and its objectives will be carried out through key strategies and plans. The council has a range of 18 plans and strategies underpinning the Council Plan's vision and objectives. These include the Recovery and Renewal Plan, Poverty Plan, Equality Plan, Climate Change Strategy, Integration Joint Board Strategic Plan and the Economic Development Strategy. The number of actions involved (290 actions in the first 4 plans alone) make it challenging for members to get oversight of performance. A Council Plan Action Plan containing 68 actions was approved in October 2022. It includes the implementation of each of the relevant strategies/plans as single actions.

21. Monitoring and reporting on the Action Plan's 68 actions will be through existing reporting mechanisms for the relevant key strategies and plans rather than create a new reporting framework. The 'State of the Council' report presented to Council at end of each year will provide a summary of progress against the Council Plan Action Plan and a review of the Plan's performance indicators.

22. A new set of Top 50 indicators has been produced to reflect the new Council Plan including Covid-19 recovery and renewal and climate change. The indicators were reported to the Policy and Performance Review Committee then approved by Council in February 2023.

23. As reported last year, the council has effective performance management arrangements. The Policy and Performance Review Committee receives quarterly performance reports. The report on key performance indicators is grouped under the council's four key objectives. The 2022/23 Quarter 4 Performance Report, the 2022/23 Top 50 Council Plan indicators Report, 2022/23 Council Plan Annual Indicators Report and the 2021/22 Local Government Benchmarking Framework performance report were submitted to the June 2023 Policy and Performance Review Committee meeting.

24. The council's 'Top 50 Indicators' are reported annually in the 'State of the Council' report. Currently 34 of these 50 measures have stated targets. The council should be clear on the level of performance outcomes it is aiming for across its priority areas. Given the financial challenges faced, this could mean the council is unable to maintaining current performance with reduced resources and therefore increasingly important that resources are allocated to priority areas. As resources are aligned to priorities, the council should be clear on the acceptable level of impact on performance in non-priority areas.

Recommendation 1

The council should be clear on the performance outcomes it is aiming for across its priority areas. It should also be clear on the acceptable level of performance in non-priority areas.

The council faces unprecedented financial challenges which is likely to require difficult decision making around priority services. The council will need to engage with members and the wider public to ensure that decisions are driven by the needs and priorities of the people of East Lothian and aligned to available resources.

25. The council faces significant financial challenges. For 2023/24, the council has recently reported unplanned overspends of £14.6 million in year and a longer term estimated budget gap in excess of £71 million between 2024/25 and 2028/29. The council has recognised that financial sustainability is a serious challenge and these pressures are reflected within the council's risk register, highlighting the significant potential impact this may have on the achievement of the council's priorities. The financial challenge facing the council emerge from a range of factors including the impact of the cost-of-living crisis, pay and non-pay inflation rates, higher interest rates and service demands alongside the level of revenue and funding available to the council. The risk to the council is made more acute due to the significant level of growth in the region and the cost implications of this growth not being fully met through available funding.

26. The council is facing difficult decisions as to how to prioritise resources. This may require consideration of the council's strategic priorities and level and type of services provided as the council look to operate in a financially sustainable manner. It becomes increasingly important that the council engage with members and wider stakeholders, including the public, to inform decision making process. It is also important that there is careful consideration and understanding of the impact and risks associated with decisions being made, particularly where there is disinvestment in services.

The council made good early progress against the BVAR recommendations but the Covid-19 pandemic stalled some work and continuing resource constraints limit further progress. The 2018 Best Value Assurance Report acknowledged the improvements made by the council since the previous best value audit in 2007 and made recommendations for improvement across 3 areas:

- Ensure that performance reporting arrangements are more coherent and better aligned to demonstrate the delivery of the council's vision, supporting objectives, service performance and savings plans
- Develop more detailed plans linked to its longer-term financial strategy and to delivering the savings required

- Continue to focus on working with communities.

27. Progress against the BVAR recommendations has been reported in Annual Audit Reports since the publication of the BVAR. The Council Improvement Plan contains seven actions based on the BVAR recommendations and was updated to add seven actions arising from the 2019 Corporate Governance Self-evaluation.

28. Last year the auditor reported that the “2021-22 Improvement Plan incorporates outstanding actions from the BVAR report. However, limited progress has been made against improvement actions, as the council has continued to operate in business continuity mode throughout 2020 and 2021. Actions not deemed critical activity have been put on hold. Revised timescales and deadlines have been given to all the actions to be completed in 2022.”

29. Some services within the council continued to operate in business continuity mode during 2022/23 which has constrained progress in implementing improvements and progress in implementing improvement actions is aligned to the risks and challenges facing the council.

Citizen and community engagement

The council used feedback from existing public engagement with citizens and communities when developing the Council Plan priorities

30. Councils, with their community planning partners, have a responsibility to ensure that people and communities are able to be fully involved in the decisions that affect their everyday lives. There must be a focus on getting the services people need in place, to have the best impact on the lives of individuals and communities.

31. Early and meaningful engagement and effective collaboration with communities to identify and understand local needs, and in decisions that affect the planning and delivery of services, should be a core part of determining a council's vision and priorities.

Community empowerment is a key principle in the Council Plan 2022-27

32. The Council Plan and its underlying plans and strategies set out community empowerment as a key principle of the council's vision.

33. The Connected Communities Service has a key role in delivering the council's community empowerment objectives, encompassing the Community Learning and Development Service, support for Local Area Partnerships, Community Councils and grant funding for community organisations. There are 6 locally based Connected Communities teams with a significant focus on taking a place-based approach.

34. There are 6 Local Area Partnerships in East Lothian. These are chaired by local residents and supported by the council via Connected Communities managers. Elected members from the relevant wards attend the partnerships but recognise the partnerships' independence. The partnerships foster good engagement and communication between local communities and the council.

35. The council has delegated a £200,000 budget to each partnership (Musselburgh £250,000) and the partnerships can also seek external funding. The Area Partnership can allocate:

- £50,000 on general projects in the area (£100,000 in Musselburgh)
- £50,000 of the Roads Service budget for the area

- £100,000 of the Amenity Services budget for the area.

36. Communities had the opportunity to put forward their views on council priorities through public consultation for the 2023/24 budget. Further community engagement will be needed so that local citizens understand the difficult decisions needed to ensure financial sustainability of public services.

The council has made good progress in implementing the BVAR recommendations to continue to focus on working with communities

37. The 2018 BVAR recommended that the council ‘coordinate consultation activity through its People’s Voice framework and tell local people how it has used their feedback’. The Consultation Hub on the council website gives online public access to consultations and includes a “we asked, you said, we did” section to give clarity on how feedback has been used. The council has also coordinated current consultation activity to obtain views covering several strategies in one exercise.

38. The BVAR also recommended that the council ‘continue to support Local Area Partnerships to focus on priority actions within their local area plans’. The six Local Area Partnerships are led by local people and supported by the council through Connected Communities Managers. Each Local Area Plan has priorities for the local area: tackling poverty is a key theme across all the plans.

39. The BVAR also recommended that the council ‘ensure community and third sector organisations, such as charities and voluntary groups, have the opportunity to shape council strategic planning at an earlier stage’. The third sector are part of the Community Planning Partnership Governance Board. However, it is not clear the extent to which this has shaped strategic planning.

Reducing inequalities and tackling climate change

The council's priorities have a focus on the need to reduce inequalities and on tackling climate change

40. Council priorities are expected to reflect the Best Value expectations that all activity should contribute to tackling poverty, reducing inequality and promoting fairness, respect and dignity for all citizens, alongside a focus on sustainable development, including climate change.

41. The Accounts Commission's [Local government in Scotland Overview 2022](#) report highlights that the impact of the pandemic and service disruption have been felt most strongly by those already experiencing inequality. Councils have worked hard and adapted to maintain service delivery but those most in need of support are still being affected. Councils must evaluate these impacts so that recovery and renewal supports those most affected and addresses inequalities to create a fairer, more socially just economy for their citizens.

42. Around two-thirds of councils have formally declared a climate emergency, and COSLA's Blueprint for Local Government states that climate change is a 'greater threat than Covid'. The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

43. The Council Plan 2022-27 and Action Plan clearly reflect sustainability of the environment and climate change as well as reducing inequalities and poverty. Both documents mention poverty, inequalities and climate change throughout.

44. The community planning partnership's East Lothian Plan 2017-27 has a clear focus on reducing inequalities and poverty but not on climate change and the environment. The East Lothian Partnership has started work on a new Strategic Needs Assessment to inform a revised East Lothian Plan in 2023. This is an opportunity to develop a more explicit focus on climate change actions at Partnership level.

The Council Plan 2022-27 includes addressing inequalities as one of its overarching objectives.

45. The Council's overarching objective to 'reduce poverty and inequality' is supported by a range of plans including the Poverty Plan 2021-23 and the Equality Plan. The need to consider the equalities impact of policies and council

decisions is embedded in the policy- and decision-making process. The council's latest Mainstreaming Equalities report is due to be published in Autumn 2023. The Covid-19 pandemic has exacerbated and deepened existing inequalities in Scotland and the Recovery and Renewal Plan 2021 recognises this. Its action plan includes: support our communities to tackle inequality and social exclusion; support business, employment and promote inclusive economic growth; help our children and young people achieve their full potential; and invest in regeneration and a sustainable future; in addition to 'develop our people and future ways of working; maintain and develop resilient and sustainable services; deliver improved connectivity & digital innovation to ensure the effective use of resources; and climate and ecological emergency.

46. The Recovery and Renewal Plan action tracker of performance indicators is reported to elected members; the latest version was provided to members in February 2023. A single set of poverty and equality performance indicators was approved in September by the Policy and Performance Review Committee.

47. The Fairer Scotland Duty requires councils to consider how they can reduce inequalities of outcome caused by socio-economic disadvantage. The Poverty Plan was drawn up by a multi-agency group and is based on a prevention and early intervention approach to tackling poverty. Local Area Partnerships also identify tackling poverty as a local priority.

48. The Poverty Plan 2021-23 is now due for review and renewal. The consultation to inform the Local Development Plan 2 will cover this and other areas. A series of joint consultation events on related subjects were held across East Lothian in June 2023 for residents and partners to find out more about preparations for the Council's Local Development Plan 2, Local Heat and Energy Efficiency Strategy, Poverty Plan, Local Economy Strategy and Forestry Woodland Draft Strategy. Online consultation and paper consultation surveys are also available.

49. We will consider over the course of the audit appointment how effective the council is in addressing inequalities and improving its equalities outcomes.

The council has a process in place to consider if its policies affect human rights

50. There is legislation which covers human rights. Taking a human rights-based approach is about making sure that people's rights are put at the centre of policies and practices and giving people opportunity to realise those rights.

51. Councils should make explicit reference to the work they do to promote this or reflect it as part of their plans to reduce inequalities.

52. As set out in paragraph 11, 'Reduce Poverty and Inequality' is one of the Council Plan's three overarching objectives and one of the four thematic objectives is 'Growing our People' and this includes supporting the most vulnerable and in need. The Council Plan explicitly refers to human rights and outlines the person-centred approaches embedded into council policies and practices including trauma-informed practice and incorporating the United Nations Convention on the Rights of the Child.

53. The Plan goes on to say that a key aspect of the approach will be engaging in meaningful dialogue with young people and children in identifying ongoing priorities and refers to a new Youth Strategy for East Lothian that was developed with and by young people, youth work organisations and strategic partners: the Children's Services Plan 2023-26 for East Lothian.

54. The Council's Integrated Impact Assessment process asks policy makers to consider the promotion of equality and human rights; reducing poverty; and protecting the environment when assessing a policy.

55. The council works with NHS Lothian and the other Lothian councils to improve the integrated impact assessment process and share good practice. The integrated impact assessment process has been standardised across the Lothian councils. The council holds quarterly quality assurance meetings with colleagues from partner agencies where a sample of completed assessments is considered, and recommendations are made. Integrated impact assessments are published on the council's website. We have not assessed the integrated impact assessment process.

The Council Plan 2022-27 includes responding to the climate emergency as one of its overarching objectives. It is too early to tell if the council's actions will deliver its strategic aim of achieving Net Zero.

56. The Council Plan overarching objective to 'Respond to the climate emergency' is underpinned by the Climate Change Strategy 2020-25. This strategy sets out the council's commitment to tackling the Climate Emergency at a local level, both internally as a 'Net Zero Council' and across the county as a 'Carbon Neutral East Lothian'. It links with other relevant strategies (e.g. local housing strategy, economic development strategy) and sets out specific outcomes, key priority areas and actions over an initial five-year period towards achieving the longer-term overall aims. There is a cross-party Climate Change and Sustainability Forum.

57. There have been 3 annual updates on progress against the Climate Change Strategy; the latest was in March 2023. This sets out some of the key annual achievements including a 15.2% year on year reduction in the Council's carbon emissions, an increase from 86% to 90% achievement of the energy efficiency standard for social housing and making certified training in Carbon Literacy available to all Council staff.

58. Not all the actions in the Climate Change Strategy include specific targets for improvement. While it may not be relevant to set a SMART target in all cases, providing targets or additional context makes it easier to assess whether the reported progress against the strategy is enough to deliver the strategic aims. It is too early to tell whether the council's actions will deliver its strategic aim to achieve Net Zero.

59. The Council's Climate Change Strategy also links to partners and the local community. The annual update highlighted that the Sustainability and Climate Change officer was working closely with community groups and was in regular contact with Local Area Partnerships and Community Councils.

60. Local Area Plans all refer to either climate related strategies such as the Council's Climate Change Strategy (Preston, Seaton, Gosford Area, Haddington and Lammermuir and Dunbar and East Linton Area Plans) or to protecting the environment for future generations and have actions that link to the climate/environmental issues (North Berwick Coastal Area Plan, Fa'side & Musselburgh Area Plans). This demonstrates an awareness of the climate emergency being considered an issue for local communities even before the current Council Plan was approved. Workshops have been held with some Local Area Partnerships to integrate climate change into the Local Area Plans and help identify the actions these communities are best equipped to take.

Alignment of delivery plans

Delivery plans are in place and aligned to the council's priorities. Implementation has been delayed by the Covid-19 pandemic and increasing financial pressures are putting delivery at risk.

61. Making the best use of public resources is at the heart of delivering Best Value. With clear plans and strategies in place, and with sound governance and strong leadership, a council will be well placed to ensure that all of its resources are deployed to achieve its strategic priorities, meet the needs of its communities and deliver continuous improvement.

62. The council has a suite of plans to support the delivery of its priorities through best use of its resources: workforce plan, asset management strategy, digital strategy, and 5-year financial plans for revenue and capital spend.

63. Service transformation is at the heart of delivering financially sustainable public services fit for the future. The Covid-19 pandemic paused some service transformation work although it enabled some very quick transformation especially in the use of technology: for example, technology enabled care and online services including education. The Council has taken opportunities to utilise remote working practices and reduce the asset base. Organisations and local communities worked together to ensure services were delivered to those most in need during lockdown; it is important that these positive aspects are retained as the council and its partners recover from and address the impact of the pandemic and other challenges like the cost-of-living crisis.

64. East Lothian Council is still to fully implement the actions set out in key delivery plans, having paused some work during the pandemic to focus on the emergency response. Some services in the council continued to operate on a business continuity basis and will need to find new ways to deliver services with the resources it has available. The financial constraints it faces mean difficult choices must be made to ensure sustainable service delivery.

The council is revisiting its options for financially sustainable service delivery given the significant financial challenges it faces.

65. The council is keeping its delivery options under review given the financial pressures on the council. In August 2023 the council considered mitigating actions to deliver further savings to address an estimated £14.6 million funding gap in the current 2023/24 financial year. The estimated recurring funding gap is now £71 million from 2024/25 to 2028/29. The council approved temporary mitigation measures including controlling recruitment, reviewing operational assets to minimise costs and pausing some capital projects. More radical

measures are needed for financial sustainability in the longer term. The council must exercise strong leadership to make strategic decisions which are difficult and politically unpopular.

The council has established financial planning arrangements but needs to secure sustainability of its services into the longer term

66. The council has well established financial management and reporting arrangements including a 5-year financial strategy for revenue and capital spend. It has a track record of delivering within its annual budget but financial pressures are increasing significantly, future funding levels are uncertain and the council needs to take more radical steps to secure sustainable service delivery. Longer term financial planning with robust scenario planning is needed to support strategic decision making.

Recommendation 2

The council should develop its longer-term financial planning including scenario planning using a range of assumptions to identify service delivery options as future funding remains uncertain.

The council needs to invest in digital technology to transform its services but financial constraints are driving very difficult choices.

67. The council has a Digital Strategy, approved in January 2023, structured around the key themes of the Council Plan (Growing our People, Growing our Communities, Growing our Economy and Growing our Capacity). The Digital Strategy outlines sixteen digital principles which form a framework for the development of Digital Services. For example, principle 4 states that "When designing a new service or transforming existing ones we will design them to be digital by default".

68. The Digital Transformation Board has been established to oversee performance against the Digital Strategy and provide the governance, prioritisation and allocation of resources. The Board is chaired by the Executive Director for Council Resources, and the Head of Finance is a member to ensure funding is an integral part of decision making. The Board reports to the Transformation Executive Team.

69. A Digital Transformation Work Plan is to be prepared annually with progress against the work plan monitored by the Digital Transformation Board and reported to the Transformation Executive Team. The first work plan is due in October 2023.

70. The council has identified the need to invest in digital technology to drive transformation. There are many council systems which are older and identified as due for replacement. New technology could increase efficiency of workflow,

increase automation of administrative processes and reporting, and free up staff resource to concentrate on more complex tasks. One example is the financial ledger, which requires extensive manual intervention to ensure data flows through correctly from feeder systems (e.g. payroll, accounts payable and accounts receivable) into the council's financial records. This intervention is time consuming and increases the risk of error or fraud.

71. The council needs to prioritise where it can invest in digital services to deliver savings in the longer term.

Recommendation 3

The council should review and prioritise the investment needed to support sustainable service delivery into the future. Investment in new technologies needs to be well managed and requires well planned investment as pressures to cut costs could lead to failure and increased costs in the longer term.

The council has a workforce plan which has been recently refreshed

72. The council has reviewed and refreshed its Workforce Plan. The 2023-27 Workforce Plan supports new ways of working such as hybrid working and improved digital skills.

73. The 2018 BVAR recommended that the council 'prepare individual service workforce plans to support the high-level Workforce Plan Implementation Plan to help the council consider in more detail how it will manage changes in services and staffing levels.' This recommendation was implemented by the council in support of the Workforce Plan 2018-2022.

74. Innovative working practices tend to be small scale and driven by resource shortages, like the shared internal audit management between East Lothian Council and Midlothian Council.

75. The council should explore more innovative practices, working with partners who face similar challenges. Our best value thematic work next year will focus on workforce innovation.

76. The Asset Strategy and Management Plan 2018–23 sets out the council's plans for how asset management contributes to the council's long-term goals and objectives. It is now due for review and refresh. During the period of this asset strategy, the Covid pandemic changed working practices and office use, with staff moving to remote working during lockdown. Following the pandemic many staff continue to work on a hybrid basis so there is a much smaller demand for office space and the council's asset review and rationalisation reflects this. Relocation of staff into fewer buildings offers an opportunity to sell or repurpose surplus properties.

77. We will continue to monitor how well the council allocates and aligns resources to its new priorities and secures sustainability of its services into the longer term.

Leadership

The council's leadership has been effective in setting clear priorities but now needs to demonstrate sustainable plans for delivering them

78. Effective leadership from councillors, chief executives and senior officers, is key to councils achieving their objectives and providing clear strategic direction. The complex local government environment means collaborative leadership, working with partners, communities and citizens to improve outcomes is more important than ever.

79. Leaders need to be skilled in effective strategic thinking, decision-making and collaborative working and able to learn lessons from new ways of working. Councillors and officers must be clear on their roles in setting the vision and planning for its delivery.

80. Leaders should demonstrate behaviours and working relationships that foster a culture of cooperation, and a commitment to continuous improvement and innovation. Good conduct and behaviours when working together are crucial. Working relationships between members and between members and officers should be constructive and productive. Councillors should show a commitment to agreed council priorities and work together to achieve them.

81. The council has a stable executive management team in place with considerable experience and few changes at the most senior level. Following the 2022 election half of councillors were newly elected members.

82. There is evidence of some effective collaborative working between members and with members and officers. There are cross-party working groups including the Budget Working Group and the Climate Change and Sustainability Forum. These foster cross-party discussion and exploration of options for priority areas in advance of formal decision making at council meetings. Officers engage with members on a one to one basis and directorates meet with relevant cabinet spokespersons on a regular basis. However, there is an opportunity to continue to develop collaborative working as not all members are engaged in these discussions and it is currently unclear how effectively the arrangements are working.

83. It is essential for elected members to work together as a collective body to make strategic decisions when facing increasingly hard choices to ensure the council's financial sustainability.

84. Training and development is available to all elected members. An induction programme was provided to newly elected members after the May 2022 elections. Appropriate arrangements for standards of conduct, including codes

of conduct, are in place. Officers are responsive to elected members' requests for information. Briefings are regularly provided to give more detailed explanations than is possible in a formal council meeting. Officers and members are mindful of the need to balance private briefings with public scrutiny and decision making.

85. Officers recently opted to take some detailed papers including a finance update and the corporate risk register to full council rather than presenting them for committee consideration. Whilst we recognise the rationale on this occasion, given the scale of the financial challenges faced by the council, there is an opportunity for the council to reflect on the effectiveness of its committees which should be considering issues in detail which can then be escalated to full council. Council meetings and agendas are already very long which can inhibit effective scrutiny and decision making.

86. The Council's continuous improvement framework 'Improvement to Excellence' is based on five-inter-related elements:

- Setting clear outcomes and objectives – what we need to do to achieve our vision and ambitions
- Service improvement planning and management – setting out how we are going to deliver and manage our services, resources and improvement
- Performance management, monitoring and reporting – monitoring how we are doing so we know what we need to improve
- Self-evaluation – measuring how we are doing and what we need to improve
- External assessment and accreditation – how others see us and gaining external validation.

87. This framework has been reviewed and revised. The council is rolling out a refreshed corporate self-evaluation process based on the Public Sector Improvement Framework (PSIF) across all services. This new PSIF self-evaluation framework was piloted with the Council Management Team in early 2023 and will be rolled out to all services over a three-year rolling programme. It is currently too early to comment on the effectiveness of these new arrangements. We will consider these arrangements as part of future audit work.

88. As reported above, the council has set clear priorities and has delivery plans aligned to those priorities but increasing financial pressures mean more radical solutions are needed to ensure financially sustainable services. Strong leadership is required to make these difficult decisions. Working with partners and the community will be important in finding innovative ways to deliver sustainable services.

89. We will review the effectiveness of strategic decision making over the course of the audit appointment and report in our annual audit reports.

The Council has a clear commitment to leadership development to empower officers to make informed decisions

90. In 2022, East Lothian Council embarked on a leadership development programme for both the Corporate and Senior Management teams. The purpose of this programme was to further develop the council as an enabling and empowering authority, where employees are able to use their initiative, take responsibility for their own learning and actions and have a say in decisions and in the future work of the Council. Given the challenges facing the Council, officers were also keen to strengthen the collective leadership's capability and capacity and to demonstrate effective leadership behaviours and continue to foster culture of continuous improvement.

91. In the first instance, the Council Management team worked together to define leadership behaviours which reflected the values of the East Lothian Way. Both the Corporate Management team and the Senior Management team (57 people) then participated in 360 feedback and had a series of 1:1 coaching sessions which explored the feedback and focused on the behaviours. The council has embraced behavioural science and changes techniques and training to improve individual and team performance, improve processes/systems and manage change. The council has reported that this has led to a number of improvements and ongoing work, for example in improving communication and engagement with elected members, looking at how they manage workloads and approaches to core learning and support for staff.

92. The next phase of the programme for 2024 – 2025 is to continue to roll out the programme to the next level of leaders at the Council below the senior leadership team.

Appendix 1

Improvement Action plan

| Issue/risk | Recommendation | Agreed management action/timing |
|---|--|---|
| <p>1. Performance monitoring targets</p> <p>The council has not set targets for all of its Top 50 performance indicators (or for all of the performance measures in its delivery plans). This makes it difficult to assess whether the council is on track to deliver its strategic priorities.</p> | <p>The council should be clear on the level of performance outcomes it aims to achieve against its priorities. It should also be clear on acceptable reductions in performance in non-priority areas as resources are aligned to priorities.</p> | <p>Agreed. A number of the indicators were new this year and take time for the council to embed and set realistic, measurable targets. The Council aim to have these in place for the Top 50 performance indicators by December 2023. The Service Management Policy, Performance and Organisational Development will work with Services to have the remainder in place by June 2024.</p> <p>Responsible Officer: Service Manager Policy, Performance and Organisational Development</p> <p>Target date: June 2024</p> |
| <p>2. Financial planning to address increasing challenges</p> <p>The council faces uncertainty over future funding and increasing financial pressures. Radical solutions are needed to deliver sustainable services and robust long term financial planning is needed to support strategic decision making</p> | <p>The council should develop its longer-term financial planning including scenario planning using a range of assumptions to identify service delivery options as future funding remains uncertain.</p> | <p>Agreed. The Council already sets out medium term scenario planning to support financial planning. This is set out annually in the Financial Strategy and updated regularly to Council. Officers will keep this 'live' during the year and give further consideration to extending this beyond the 5 year period.</p> <p>Responsible Officer: Executive Director for Council Resources (CFO) + Head of Finance</p> <p>Target date: December 2023</p> |

3. Investment needed to deliver sustainable services

The council has identified the need to invest in digital technology to drive transformation. There are many council systems which are older and identified as due for replacement but the resources to fund this are not available. Difficult decisions are needed to prioritise where investment will have the greatest benefit.

The council should review and prioritise the investment needed to support sustainable service delivery into the future. Investment in new technologies needs to be well managed and requires well planned investment as pressures to cut costs could lead to failure and increased costs in the longer term.

Agreed. A review of current Transformational Priorities is on-going and includes Digital pipeline and prioritisation work. The Council has agreed an updated Reserves strategy which includes Digital support as a key enabler to support transformational change. The Digital Strategy Board is chaired by the Exec Director for Council Resources and will consider and prioritise critical digital investment and future plans.

Responsible Officer:

Executive Director for Council Resources (CFO) + Head of Finance

Target date: April 2024

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