

PUBLIC SECTOR REFORM UPDATE

1.0 EXECUTIVE SUMMARY

- 1.1 Despite the hectic pace of change in the public sector over previous years, this is anticipated to accelerate in the next period through comprehensive public sector reform which has the potential to significantly change the models (e.g. local government, integrated health and social care model) in which we currently operate.
- 1.2 This paper sets out the primary mechanisms through which these reforms will be applied to the Council and HSCP at a time when the implications and scale of some these reforms remain unknown. There is a limited window of opportunity to consider what models of delivery may best improve outcomes for our communities and this paper seeks an endorsement from Members to explore a Single Authority Model.
- 1.3 The recommendation is that the Committee agree that:
- There is further exploration of the option for a Single Authority Model for Argyll and Bute.
 - Exploratory discussions with the Scottish Government (SG) are commenced and that the Chief Executive seek inclusion in the SIA meetings already in train.

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2.0 INTRODUCTION

- 2.1 This paper provides an overview of the emerging public sector reform and associated legislation that is likely to result in fundamental changes to how public services are delivered and equally important, how decisions around public services are made.
- 2.2 The application of national policy resulting in structural change to public services gives rise to the risk that future models do not consider our unique local characteristics and therefore have the potential to have adverse effects on our communities.
- 2.2 The review of local governance provides an opportunity to consider alternative models that may offer more advantageous arrangements for delivering efficient and effective public services for Argyll and Bute.

3.0 RECOMMENDATIONS

- 3.1 The recommendation is that the Committee agree that:
- There is further exploration of the option for a Single Authority Model for Argyll and Bute.
 - Exploratory discussions with the Scottish Government (SG) are commenced and that the Chief Executive seek inclusion in the SIA meetings already in train.

4.0 DETAIL

- 4.1 The Scottish Government has committed to a number of strands of reform that affect local government but three have potential to result in significant

change. These are the Local Governance Review, Fiscal Framework and the National Care Service.

A. Local Governance Review

- 4.2 The Local Governance Review was launched jointly by COSLA and Scottish Government in December 2017 (Democracy Matters) to explore how power, responsibilities and resources might be shared across 'spheres' of government and with local communities with a particular objective to devolve powers as far as reasonably possible in a manner that improves outcomes for communities.
- 4.3 Activity to progress this initiative paused during the pandemic and response to Ukraine and the Scottish Government has reaffirmed their commitment to this and the pace of work has recently picked up.
- 4.4 COSLA's Plan 2022-27 confirms that the Local Governance Review remains a key priority and supports the three inter-related empowerments set out by the Scottish Government as follows:
 - a. Community empowerment through a new relationship with public services where communities have a greater control over decisions.
 - b. Functional empowerment of public sector partners to better share resources and work together.
 - c. Fiscal empowerment of democratic decision-makers to deliver locally identified priorities.
- 4.5 Democracy Matters' engagement took place in 2018 and an estimated 4,240 people participated.
- 4.6 The second phase of the Review invited public bodies to submit proposals for alternative governance arrangements at local, regional, and national level. Several councils put forward proposals for a Single Island Authority (SIA) model and Scottish Government has now invited relevant senior local authority officers in the Councils that wish to, to review the SIA model proposals and a meeting involving SG Ministers, the COSLA Presidential Team and local authority Chief Executives of the island councils took place on 9th March 2023. Further meetings with officers are now planned to explore these proposals further.
- 4.7 The Scottish Government and COSLA intend to launch 'Democracy Matters 2' consultation in April 2023 and will explore community empowerment and decision-making. This will include conversations taking place up to and

during the summer period of 2023. More detail on the next phase of the consultation is available in appendix 1.

- 4.8 The Scottish Government intend to pass a Bill before the dissolution of this Parliament (2027) to enable any agreed changes arising from the Local Governance Review which may require legislative change.
- 4.9 It remains unknown at this stage what the proposed Local Democracy Bill will contain, however it could have a long term and significant impact on how decisions are made affecting our communities in Argyll and Bute. This may include organisational or structural change or introduce the transfer of powers between or from spheres of government and communities. Examples of what we may expect to see in the bill when it comes forward could be further powers around;
- Participatory budgeting
 - Citizens assemblies
 - Smaller more local units of democracy.
- 4.10 Argyll and Bute Council will need to consider if it wishes to a) respond to the consultation and b) undertake its own engagement with our communities on the Democracy Matters 2 consultation of which more details are available in appendix 1 of this report.

B. Fiscal Framework:

- 4.11 The Programme for Government 2022 – 2023 sets out a commitment to agree a 'New Deal' between the Scottish and Local Government including a fiscal framework that will support;
1. Working together to achieve better outcomes for people and communities especially on national priorities including addressing poverty, inequality, and supporting the economy.
 2. Balancing greater flexibility over financial arrangements with improved accountability.
 3. Providing certainty over inputs, outcomes and assurance, alongside scope to innovate and improve services.
 4. Recognising the critical role played by local authorities in tackling the climate emergency, for example through delivering our heat and buildings, waste, active travel and nature restoration goals.

4.12 Scottish Government Ministers invited COSLA to join a Ministerial Working Group to look at sources of Local Government Funding and Council Tax and are progressing discussion on developing a new Fiscal Framework for Scottish Local Government as part of an emerging 'new deal'. COSLA's aim is to:

- Seek a substantial shift in the balance of funding to local government.
- Ensure local government is empowered to deploy resources locally without government restriction.
- Ensure that equalisation is fair (i.e. when block grants are reduced relative to increase in local tax raising powers).

4.13 Ultimately the aim of COSLA is to provide Local Government with more certainty about funding as well as look to increase funding available. COSLA is focused on three areas:

1. Local government funding
2. Local taxation
3. Fiscal flexibilities

4.14 Specific matters of relevance which fall under these 3 headings include:

1. Structure of Local Government Settlement
2. Population
3. Council tax
4. Other options for local taxation.
5. Local discretion – fees, charges, discounts and exemptions.
6. Non Domestic Rates

4.15 COSLA has progressed a number of workstreams to develop these matters from which 3 draft principles have emerged:

1. The fiscal framework should promote stability, certainty, transparency, affordability and sustainability.
 - More certainty on its total grant settlement over the longer term (min 3 years).
 - Settlement should be a fair reflection of costs and needs on a day to day basis and proportionate to overall SG budget.
 - National commitments to be fully funded.
2. The fiscal framework should promote effective use of fiscal flexibilities and levers to address local priorities and improve outcomes.
 - Power to raise Council Tax if it so wishes.
 - Powers to raise additional (local) taxes.

- Flexibility to decide on local variation to Council Tax, NDR and fees/charges to support local priorities and address issues.
- 3. The fiscal framework should enable discussion of fiscal empowerment of Local Government.
 - Reduce use of ring fenced grants.
 - Joint understanding of impacts of funding decisions.
- 4.16 Efforts to change how local government is funded and freedom to make decisions is maturing and the Council will be required to be prepared for changes that are agreed. Equally important is noting that once the fiscal framework is agreed, COSLA will recommence its review of the distribution formula. This has a potentially significant adverse impact on our funding like all other Council's and we may be required to lobby to protect the interests of our communities.
- 4.17 As part of taking this extensive agenda forward, the Chief Executive is currently seeking to procure the expertise of an independent third party to support the development of policy options for Members to consider and agree to support effective lobbying to promote the area's interest to national decision makers. This will be done within the Council's Procurement Framework.

C. National Care Service Bill (NCS):

- 4.18 A Bill has been produced which proposes to establish a National Care Service and allow the Scottish Ministers to transfer social care responsibility from local authorities to a NCS. This covers Adult Care Services and could be extended to cover children's services, as well as areas such as justice social work. Scottish Ministers would also be able to transfer healthcare functions from the NHS to the National Care Service. This will be the most significant change to care in Scotland since the creation of the NHS.
- 4.19 The Council's formal response to the consultation included as key points:
 - a) Argyll and Bute has a unique set of challenges currently delivered by a fully integrated workforce enabling community based, locality designed partnership approaches to delivering care.
 - b) The Council and HSCP supports the principle and ambition of the NCS and that the proposed legislation is an insufficient framework upon which to deliver such potential radical change.
 - c) The Bill should include options for local arrangements based on the principle of health and social care integration and aligned with the principles of the Christie Commission.

- d) Children's services and justice services should remain within local government (and notes these were out-with the scope of the Independent Review of Adult Social Care).
 - e) The financial implications set out in the Financial Memorandum are substantially inaccurate.
 - f) The Council is of the view that the current proposals will have an adverse impact on outcomes for patients and communities.
- 4.20 COSLA, and a wide range of other bodies, including Audit Scotland, have raised concerns about the proposals and formally opposed many aspects of the bill, seeking a reset of the work on NCS and to collaborate with the Scottish Government to develop models of care that will deliver an improved outcome for local government.
- 4.21 At the time of writing this report and in light of the SNP leadership contest, the legislation (which was due to be debated and voted on at Holyrood in March 2023) has been delayed until June 2023 and Scottish Government have now indicated that they will seek to extend Stage 1 beyond June. Other Parliamentary committees already raised concerns or concluded that the Bill should not progress in its current form.

D. Where we are now:

- 4.22 The public sector is operating in a dynamic landscape which brings with it many challenges, some of which have been described above. The operations of the Council and HSCP have done well to meet the challenges faced so far and there is a need to develop the organisations to be in a position to continue to meet the financial, policy and societal challenges ahead.
- 4.23 The operations of the Council so far have risen to the challenge of meeting substantial savings and to date has made over £70million in recurring savings since 2010-2011, including £500k reduction in senior management costs. This equates to around 26% of the total budget and with each passing year it becomes more difficult to identify savings.
- 4.24 Assuming public sector finance will continue to fall (in real terms and against a background of high inflation and demands for increased pay) and demands for services will increase, the Scottish and Local Governments are seeking to reform the public sector to improve outcomes whilst reducing costs.
- 4.25 We know from experience that policies which apply a universal 'one size fits all' approach can be practically difficult to implement and Argyll and Bute has unique challenges that require a bespoke approach for the best possible outcomes. With a decreasing and ageing population, and a decreasing percentage of economically active residents spread out across a remote rural

and islands area, there is a clear argument for a joined up public sector with decisions made at the lowest possible level. Specific challenges that need to be addressed via public sector reform include;

- Provision of health and social care against increasing demand and costs.
- Transportation is vulnerable and is impacting on sustainable economic growth, access to services and promoting our vision for a growing population and thriving economy.
- Lack of housing in both social and private markets equally impacting on the vision.
- Split between highland and central belt for national agency support e.g. enterprise agencies, NHS, transport partnerships.

4.26 Anecdotally Health and Social Care integration is acknowledged by ministers and civil servants to have progressed well in Argyll and Bute. We are also unique in having a comprehensive model including acute health, children's services and justice services, the only partnership of its type in Scotland. This provides great opportunities for further partnership working transformation through a place-based systems approach and better outcomes for local people. Taking all the above into account, it may be an opportune moment to consider a new model that may bring us closer to achieving the principles of the Christie report.

E. A Single Authority Model (SAM)

4.27 A SAM could possibly be described as whole system and an efficient public service approach to improve outcomes for our communities. A single model would mean concentrating the efforts of a range of public services on delivering integrated services that delivers improvements. Recipients of services are viewed as being agnostic of service provider and much more interested in quality of service. The focus thus far has been primarily on local authorities and health but a fully developed SAM could be much wider.

4.28 The Commission on the Future Delivery of Public Services (Christie 2011) has already established the shortcomings in the capacity of public services to improve outcomes and noted an estimate that as much of 40% of all spending on public services is accounted for by interventions that could have been avoided by prioritising a preventative approach.

4.29 A SAM model could take a number of forms including:

Community Planning Plus -

A model is based on the current Community Planning Model and maintaining separate organisations. It would assist in the integration of budgets but not employees and structures which would remain separate.

An Integrated Authority -

A model that would establish an elected single legal entity with fully integrated service budgets and empowered by its elected status to give clear and accountable leadership.

A fully empowered local board -

A model that would strengthen the current IJB structure with fully integrated services and retained local accountability linked to the Council's governance arrangements.

4.30 The above options are only indicative at this stage and further feasibility work would be needed to consider appropriate mechanisms of governance, accountability and employment. The objective would be to maintain and build upon the current level of integration together with sufficient flexibility to deliver in a way that reflects our unique circumstances.

4.31 Possible benefits that could arise from a Single Authority Model are as follows:

- Maximising scarce resources.
- Simplifying and reducing bureaucracy
- Increase financial flexibilities.
- Improved public sector collaboration on medium to long term outcomes.
- Reduced silos.
- Protection and enhancement of local democracy by keeping accountability at local level.
- Protection of front-line services.
- Opportunity to;
 - Reform public services.
 - Engage in a new approach to community engagement and building services around people and communities.
 - Increase approaches to prevention and early-intervention.
 - Reduce inequality.
- Making Argyll and Bute a place people want to live, to work and to do business in.

F. Our Communities:

- 4.32 The most important objective of creating a SAM is improved outcomes for our communities. We know from our engagement with communities in 2018 that there is a demand from our communities for;
- More creative and inclusive opportunities for communities to participate in decision making e.g. locality based planning.
 - More influence over services or decision making.
 - Less demand for direct management and control.
 - Increased local autonomy of decisions and governance.
- 4.33 The Scottish Government has indicated a desire to reduce ring fencing and move towards agreed outcomes. An integrated, place-based approach with competent governance would provide an opportunity for a new and mutually beneficial relationship between spheres of government to deliver national and local outcomes in line with the National Performance Framework.

G. How do we take this forward?

- 4.34 Even the consideration of a pursuing a Single Authority Model is hugely significant and therefore the approach requires to be in small steps at this stage although the window of opportunity to engage with Scottish Government is now. The SG have shown their willingness to consider islands pilots, we understand that a further invitation to submit pilot proposals may be forthcoming.
- 4.35 The Committee is being asked at this stage only to agree to enter exploratory discussions with the SG and to seek inclusion in the SIA meetings already in train.
- 4.36 Officers will also undertake further feasibility work to consider the implications and to develop proposals for community consultation should members decide to progress proposals further.

5.0 CONCLUSION

- 5.1 Public sector reform at national and level is progressing and whilst the mechanisms through which these may happen (i.e. Local Governance Review, a 'new deal' fiscal framework and NCS) are clear, what those reforms will look like, the practical implications and the impact on our communities is wholly unknown.
- 5.2 A limited window of opportunity is available to influence the emerging reforms for the best possible outcome for our communities.

6.0 IMPLICATIONS

- 6.1 Policy; currently none but with the potential for significant implications due to emerging national policies.
- 6.2 Financial; currently none and exploration of a Single Authority Model will explore the financial implications of any changes.
- 6.3 Legal; none at present and exploration of a Single Authority Model will require to look at the legal implications of any proposals.
- 6.4 HR; none at present and exploration of a Single Authority Model will require to look at the HR implications of any proposals.
- 6.5 Fairer Scotland Duty: none
 - 6.5.1 Equalities - protected characteristics; none
 - 6.5.2 Socio-economic Duty; none
 - 6.5.3 Islands; none
- 6.6. Climate Change; none.
- 6.7 Risk; failure to explore options to for the best model for our communities and influence the national development of reforms.
- 6.8 Customer Service; none.

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APPENDICES

Appendix 1; Democracy Matters Consultation 2

Appendix 1 – Democracy Matters Consultation 2

[Democracy Matters - local governance review: phase 2 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/consultations/2018/01/12/democracy-matters-local-governance-review-phase-2/consultation-response/consultation-response-20180112.pdf)

More than 4,000 people took part in the first phase of Democracy Matters conversations.

Responses showed a desire for much greater control over what happens in people's communities. The Scottish Government promotes this as "an exciting opportunity to promote what could be the biggest transformation to democracy since devolution".

The discussion document builds on the first Democracy Matters conversations (2018). It would have provided the basis for a second phase of deliberation on future scenarios for community decision-making in different settings if the pandemic had not prevented these from taking place as planned.

The potential legal framework consulted on included:

- A general power which allows the community to act – this is designed to support creative responses to local issues which other parts of government might find difficult to do. Funding is key and can be raised locally or secured through agreement with public sector partners.
- Specific powers to take over decision-making responsibility for a range of functions where equality duties can also be met.
- Examples of this might include, but are not restricted to, taking control over, recycling, management of green spaces, the design of employability programmes, and out of hour's health services.
- Power to direct associated budgets.
- Power to employ staff to undertake administrative and specialist roles, such as community development.
- Power to enter into collaborative arrangements with neighbouring communities to take over services where economies of scale can be achieved.

The new community decision-making bodies proposed in the consultation were half, directly elected and half, selected by different methods. Those who are directly elected include local councillors. The other selection methods used are very deliberately constructed to ensure diversity of age and gender and include voices that are seldom heard in decision-making processes or for whom public services too often fail to meet their needs.

In the first phase of Democracy Matters, people fed back that setting boundaries and setting priorities are interrelated and that communities should be helped to decide these for themselves.

The Democracy Matters democracy imagined each community identifying a "natural" and "publicly recognised" physical boundary through a highly participative process. In the example communities would receive public and third sector support to develop

a multi-year community action plan. Citizens' Assemblies and extensive community engagement would inform community action plans. The plan for each place included the suite of powers each community wanted in order to help achieve their vision. A process similar to Community Right to Buy land was then used to test whether people wanted to establish new decision-making bodies in order to implement their plans.

A Community Charter – also set out in legislation – was also proposed. To give clarity on relationships with community groups and covering the following issues:

- a) Funding arrangements which might include any money raised through taxation being matched by national or local government. Incentives might be created for the most deprived areas by offering more generous terms.
- b) A framework for calculating budgets when new decision-making bodies take on responsibility for functions.
- c) Support for new decision-making bodies to involve the community. This will involve a focus on strengthening human rights through an equal opportunity to participate, and will recognise the structural barriers to participation faced by some groups such as disabled people.
- d) An approach to community participation which also involves the use of innovative techniques such as digital platforms to extend reach, or Citizens' Juries to deliberate where there is disagreement.
- e) What specialist advice public sector partners will provide to the community bodies on matters such as HR, procurement, legal or financial matters.
- f) Light-touch regulation, including arrangements for regulatory intervention if corruption or conflict arises.

Argyll and Bute

Mull and Iona Community Trust (MICT) are one of the examples of current community decision making. MICT said - "We have good relationships with partners, but decision-making processes can be slow and hard to predict. More decisions taken by the community, including how resources are deployed, could better support and improve important services on Mull and Iona."

Feedback from the community engagement undertaken by the previous Chief Executive and reported to the Council in 2018 noted the following general observations, which informed the council's consultation response in relation to DM1:

- a) The divergence of views – there was a divergence of opinions on a wide range of points at most events. It was impossible to report consensus on all of the main themes – often there were divergent views expressed in the same group, far less across attendees at one event. As such it was not possible to draw broad conclusions that suggested any specific community held a

consistent view or that all island communities universally agreed on a specific issue.

- b) There is a sense of dissatisfaction with current arrangements leading to apathy in the traditional 'townhall' model of local democracy. Nonetheless there is a clear appetite for communities to feel better connection to decision makers and have access to decision making processes at a local level.
- c) The capacity of communities and community organisations varies across Argyll and Bute and the confidence and resilience of different communities was reflected in the feedback received.
- d) Concerns about a "one size fits all" approach to reform was a recurring theme in all events with a strong preference for permissive legislation that allows flexibility in approach reflecting local circumstances, needs and capacity. The case for additional legislation has not yet been made as the Community Empowerment Act contains provisions for most of the innovations discussed at the events. Clarity on what the purpose and scope of additional legislation will be sought through the consultation response.
- e) The sheer scale and range of public sector organisations active in Argyll and Bute is daunting to communities who may only be familiar with some of the organisations that make decisions that affect them.
- f) The Council and NHS are two of the more familiar organisations but a repeated comment was a request for a simplified public sector.
- g) Increased local autonomy will require increased governance to protect the integrity of and support appropriate local decision making.
- h) Influence, not control; there is a stronger sense of desire for more influence over services or decision making whereas there is less demand for direct management and control.
- i) Participation - there is a desire for more creative and inclusive opportunities for communities to participate in decision making with national, regional and more local public bodies. This needs to be supported by improved communications that engages a broader range of community sectors.
- j) An overriding concern about the need for properly funded public services that meets the needs of communities was expressed in every event.