

## **Item: 6**

**Policy and Resources Committee: 20 April 2021.**

**Local Government Benchmarking Framework.**

**Joint Report by Chief Executive and Executive Director of Education, Leisure and Housing.**

### **1. Purpose of Report**

To scrutinise service performance against relevant indicators within the Local Government Benchmarking Framework for 2019/20, which fall under the remit of the Chief Executive's Service and Corporate Services.

### **2. Recommendations**

The Committee is invited to scrutinise:

#### **2.1.**

The performance of the Chief Executive's Service and Corporate Services against the Local Government Benchmarking Framework Indicators for 2019/20, attached as Appendix 1 to this report.

### **3. Background**

#### **3.1.**

The Council has been reporting performance information in accordance with the requirements of the Local Government Benchmarking Framework (LGBF) since 2010/11. This is a statutory function of Scottish local government.

#### **3.2.**

The Improvement Service – the national improvement service for local government in Scotland – co-ordinates and facilitates the LGBF process. Some indicators are reported directly to the Improvement Service, with data for other indicators being gathered by the Improvement Service from various sources, to which all local authorities make annual returns.

#### **3.3.**

LGBF data is published annually by the Improvement Service in its National Benchmarking Overview Report, although it is almost one year out-of-date at the time of publication. The 2019/20 report was published on 26 February 2021.

## **4. Response to the Best Value Assurance Report 2017**

### **4.1.**

Although the Council has reported its performance in accordance with the LGBF requirements for several years, primarily through its Annual Performance Report, on 17 April 2018, the Policy and Resources Committee recommended that, from 2019, this information would also be reported to Service Committees for scrutiny.

### **4.2.**

This commitment is part of the Council's response to recommendations in the Best Value Assurance Report, which was published in December 2017. This has subsequently been incorporated into the Council Delivery Plan 2018 to 2023.

## **5. Performance**

### **5.1.**

Appendix 1 sets out the performance against the Local Government Benchmarking indicators in 2019/20 which fall under the remit of the Chief Executive's Service and Corporate Services. This includes comparisons with previous years' performance, the Scottish average, and other local authorities in Orkney's benchmarking 'family groups'. There is also an analysis of performance and comment on any future action for each indicator.

### **5.2.**

For Corporate Services, similar councils are grouped by their population density. For these indicators Orkney's family group includes:

- Western Isles Council.
- Argyll and Bute Council.
- Shetland Islands Council.
- Highland Council.
- Borders Council.
- Dumfries and Galloway Council.
- Aberdeenshire Council.

### **5.3.**

It should be noted that the monitoring periods for some of the indicators may differ. For example, most are for 2019/20, but some may be for 2017 to 2020 or 2016 to 2020. This is because all the indicators are calculated from national figures and are generated by different organisations for different purposes.

## **6. New LGBF indicators for 2019/20**

### **6.1.**

In 2019/20, the framework introduced new financial sustainability indicators to reflect the fact that local authorities are facing higher levels of scrutiny over their decision-making and financial management strategies as demand for services increases and cost pressures grow. These can be found at page 12 of Appendix 1, and include:

- FINSUS1 – Total useable reserves as a percentage of Council annual budgeted revenue.
- FINSUS2 – Uncommitted General Fund Balance as a percentage of Council annual budgeted net revenue.
- FINSUS3 – Ratio of financing costs to net revenue stream – General Fund.
- FINSUS4 – Ratio of financing costs to net revenue stream - Housing Revenue Account.
- FINSUS5 – Actual outturn as a percentage of budgeted expenditure.

### **6.2.**

Climate change has also been identified as a major policy agenda for local government, and work is underway to identify a suite of measures to support local government in its efforts to contribute to national carbon reduction targets. As a starting point, the following two high-level measures on total CO2 emissions have been included in the framework, however, the data for 2019/20 is not yet available.

- CLIM1 – CO2 emissions area wide per capita.
- CLIM2 – CO2 emissions area wide: emissions within scope of local authority per capita.

## **7. COVID-19**

### **7.1.**

The LGBF reporting period for the year ending 31 March 2020 largely predates the impact of the COVID-19 pandemic. However, the pandemic has had a significant impact on services provided by the Council throughout 2020/21. This meant that the Council's performance against the 2018/19 LGBF indicators was not presented to Committee, although a briefing was issued to Elected Members.

### **7.2.**

The continuity provided by the LGBF will be invaluable in understanding the long-term impact of COVID-19 on communities and on Council services in future years. It will provide vital intelligence to assist the sector in learning lessons from its response, as well as contributing to strengthening and redesigning services around future policy priorities to support recovery and renewal.

## **8. Corporate Governance**

This report relates to the Council complying with governance and procedural issues and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

## **9. Financial Implications**

All 32 Scottish Councils pay an annual rate to the Improvement Service for participation in the LGBF. For this, the Improvement Service provides Councils with data services and co-ordination of family group activity. The fee for 2019 to 2020 was £2,516.

## **10. Legal Aspects**

Further to powers contained in section 1(1)(a) of the Local Government Act 1992 as amended, the Council is directed by the Accounts Commission to report on its performance against indicators contained within the Local Government Benchmarking Framework.

## **11. Contact Officers**

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## **12. Appendix**

Appendix 1: OIC performance against the LGBF indicators in 2019/20.

# Local Government Benchmarking Framework Indicators 2019 to 2020


## Contents

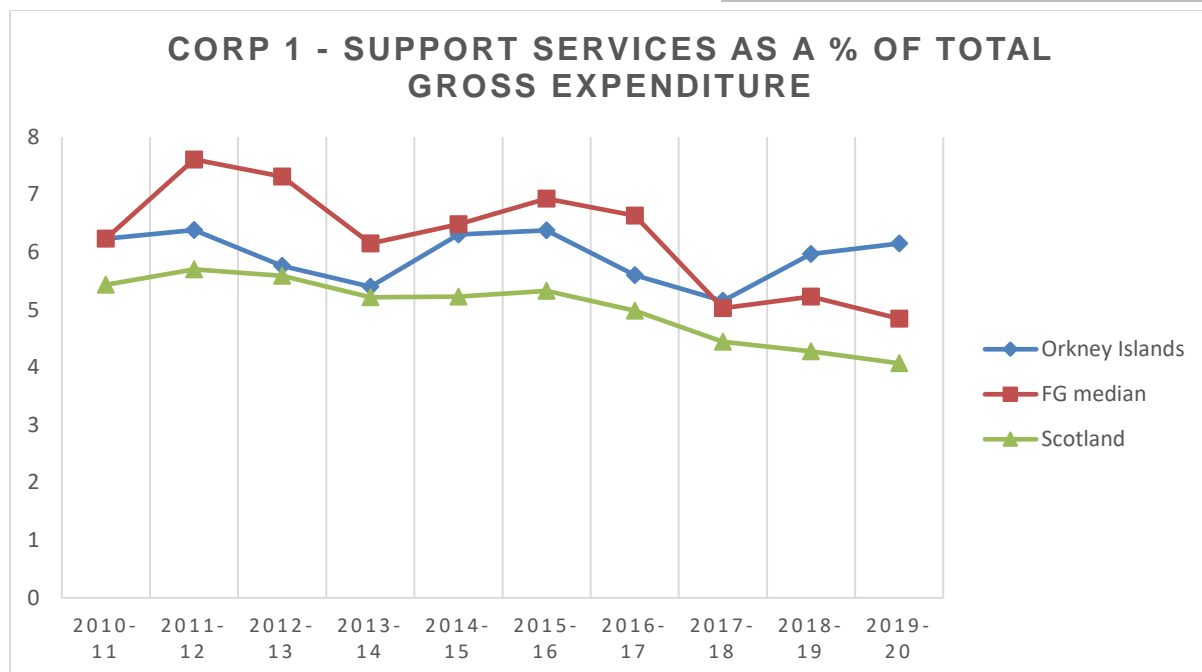
CORPORATE SERVICES .....	2
Support services as a percentage of total gross expenditure.....	2
Percentage of the highest paid 5% employees who are women.....	3
The gender pay gap .....	4
The cost per dwelling of collecting council tax .....	5
Sickness absence days per teacher.....	6
Sickness absence days per employee (non-teacher).....	7
Percentage of income due from council tax received by the end of the year .....	8
Percentage of invoices sampled that were paid within 30 days .....	9
COUNCIL BUILDINGS .....	10
Percentage of operational buildings that are suitable for their current use.....	10
Percentage of internal floor area of operational buildings in satisfactory condition .....	11
FINANCIAL SUSTAINABILITY .....	12
Total useable reserves as a percentage of Council annual budgeted revenue .	12
Uncommitted General Fund Balance as a percentage of Council annual budgeted net revenue .....	13
Ratio of financing costs to Net Revenue Stream – General Fund.....	14
Ratio of financing costs to Net Revenue Stream – Housing Revenue Account	15
Actual outturn as a percentage of budgeted expenditure.....	16

# CORPORATE SERVICES

## Support services as a percentage of total gross expenditure

In 2019/20, 6.15% of the Council's total gross expenditure was spent on support services, which is more than the 2018/19 figure of 5.97%, and the 2019/20 Scottish average of 4.07%.

Rank out of 32 Scottish Councils		
2018/19	28	
2019/20	30	



### Performance Analysis

The increase in support services costs as a percentage of total gross Council expenditure compared to other councils was largely caused by the baselining of £275,000 for the Improvement Support Team budget in 2018/19 along with the £32,000 cost of Trade Union Facility time (to bring Orkney in line with other councils); and £50,000 for licences for legal compliance with records management associated with the General Data Protection Regulation.

Capital slippage is also contributing to a higher level of central service apportioned costs being shown as revenue rather than capital costs.

The Council also suffers in the comparison on this measure by being significantly underfunded relative to the other island authorities. A higher gross expenditure for the Council at a similar level to other island authorities on a per capita basis would see the rank position improved.


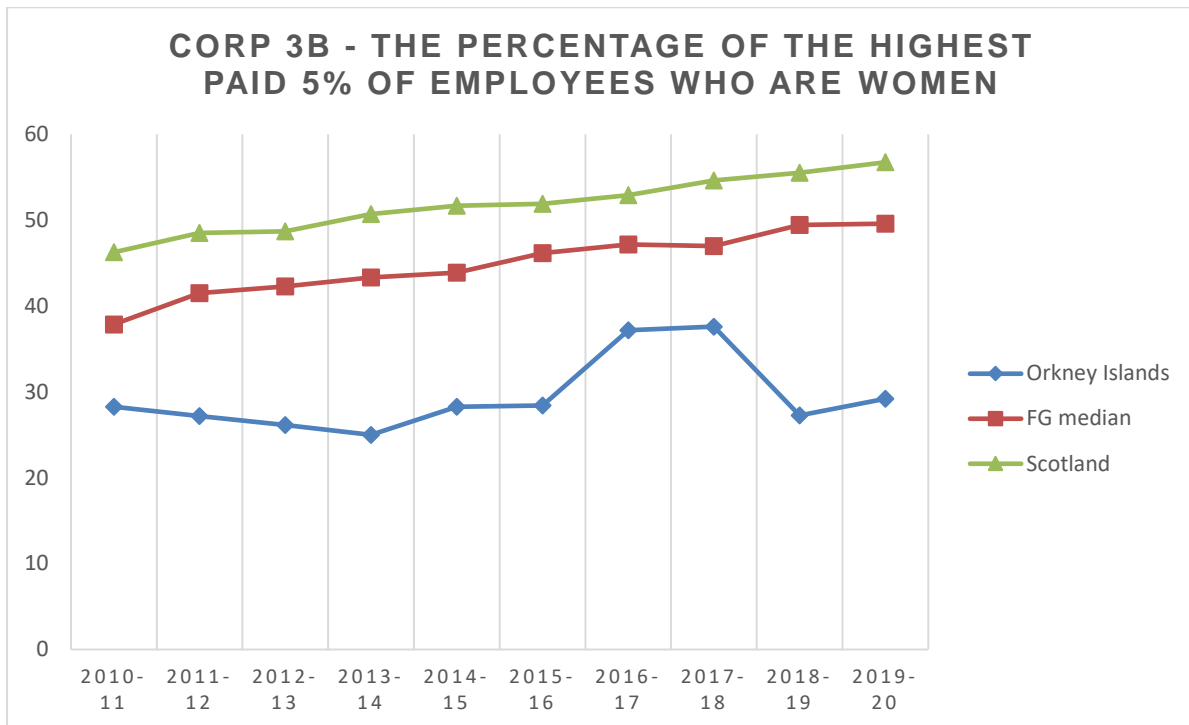
### Future Action

The Council will continue to seek a fairer financial settlement and equivalent level of financial support to the other island authorities.

## Percentage of the highest paid 5% employees who are women

In 2019/20, 29.21% of the highest paid 5% Council employees were women, which is more than the 2018/19 figure of 27.27%, but less than the 2019/20 Scottish average of 56.74%.

Rank out of 32 Scottish Councils	
2018/19	31
2019/20	32

### Performance Analysis

The percentage of women in the top 5% paid has risen from the previous year's report however it remains well behind the median. Comparing like with like across authorities is difficult as only ourselves and Shetland have Marine Services and many councils contract out services such as Care, Catering and Cleaning. The large dip in percentage from two years ago was a result of a TUPE transfer in of an additional service within Marine Services which adversely impacted the number of female staff who were in the top 5% across the Council.

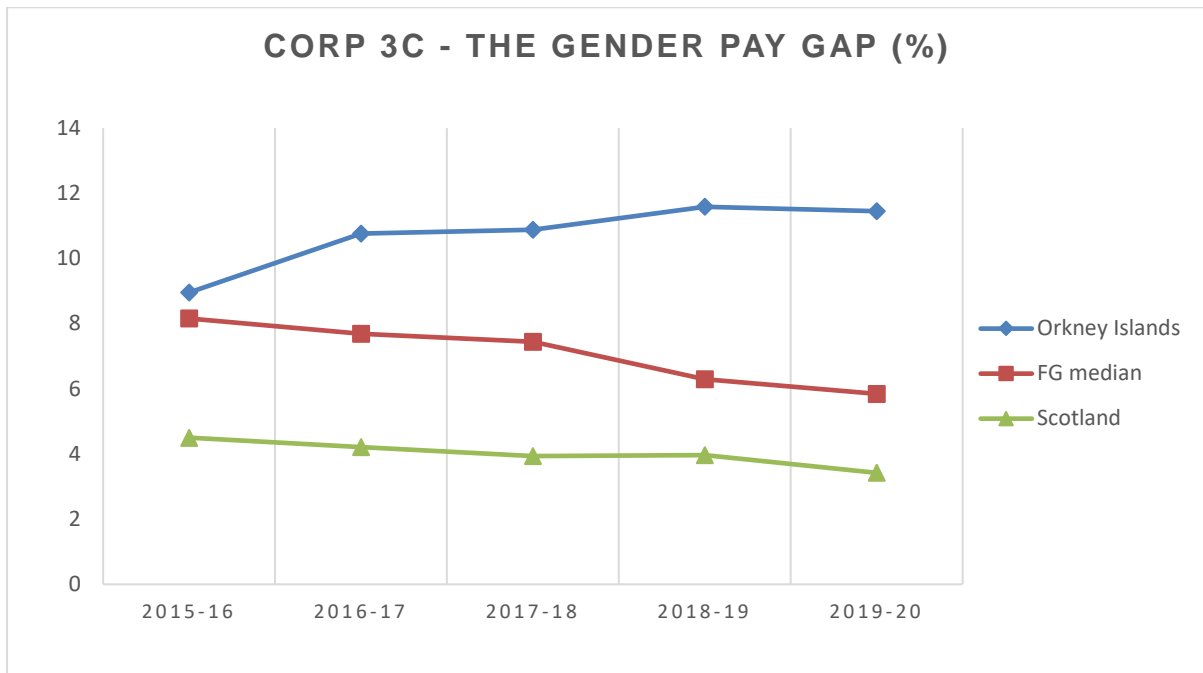
### Future Action

Consultation is currently ongoing around an action plan on the gender pay gap and addressing occupational segregation. This will be considered by the Policy and Resources Committee in June 2021 and will lay out a set of improvement actions which it is hoped will support a long-term improvement in this indicator.

## The gender pay gap

In 2019/20, the Council's gender pay gap was 11.45%, which is about the same as the 2018/19 figure of 11.59%, but more than the 2019/20 Scottish average of 3.42%.

Rank out of 32 Scottish Councils		
2018/19	31	↔
2019/20	31	



### Performance Analysis

There is no significant change in performance on this indicator from the previous year. Comparing like with like across authorities is difficult as only ourselves and Shetland have Marine Services and many councils contract out services such as Care, Catering and Cleaning. Analysis excluding some of these services show the gender pay gap to be smaller than reported here, however this remains an area for improvement.

### Future Action


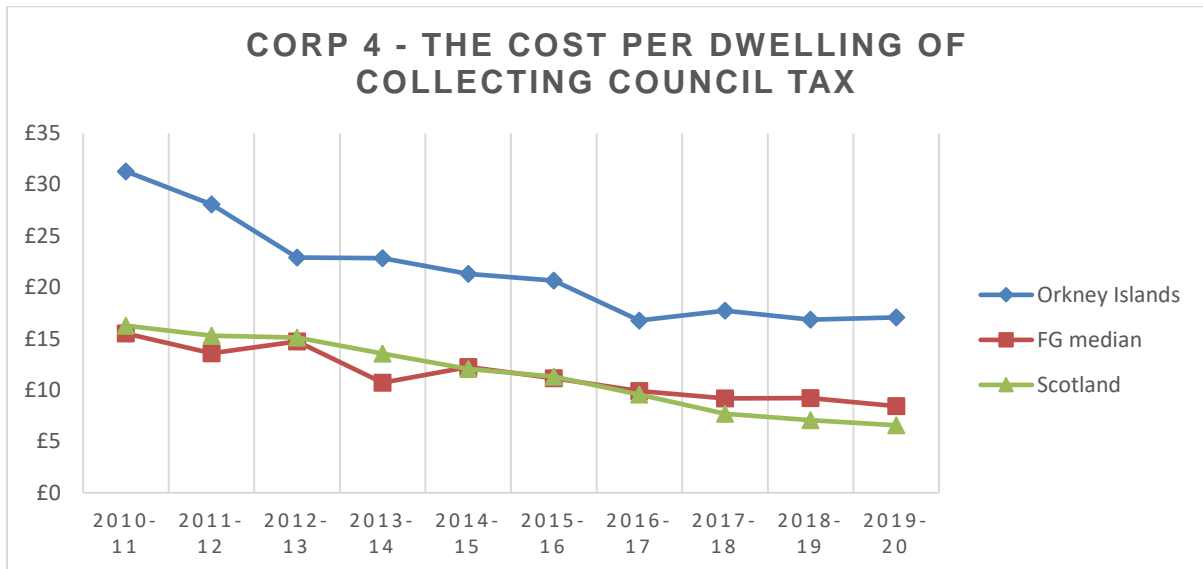
Consultation is currently ongoing around an action plan on the gender pay gap and addressing occupational segregation. This will be considered by the Policy and Resources Committee in June 2021 and will lay out a set of improvement actions which it is hoped will support a long-term improvement in this indicator.



## The cost per dwelling of collecting council tax

In 2019/20, the cost per dwelling of collecting council tax in Orkney was £17.08, which is more than the 2018/19 figure of £16.86, and the 2019/20 Scottish average of £6.58.

Rank out of 32 Scottish Councils	
2018/19	31
2019/20	31

### Performance Analysis

As the smallest local authority, inevitably, per unit costs are higher when compared on this basis. This higher cost of collection in Orkney is a reflection that a certain minimum level of staffing and resources are required to collect Council Tax regardless of the number of dwellings.

Although Orkney reported a reduction of 17% in costs between 2015/16 and 2016/17, and a 35% reduction between 2011/12 and 2016/17, this has been insufficient to change the overall position in the performance table, at 31st for 2018/19, and performance status remains in the bottom quartile of local authorities.

Cost of collection per dwelling has been decreasing over recent years, mainly as a result of collections from increasing household numbers being managed within the same staffing resource. Scottish Government household statistics indicate that Orkney has experienced the largest increase in household numbers over the past 10 years of 13.3%, compared to the national average of 6.8%.


In Orkney the percentage of debt collected during current year for debts raised within the year has, however, been consistently above the Scottish average and for three out of the last four years Orkney has had the highest collection rate in the country.

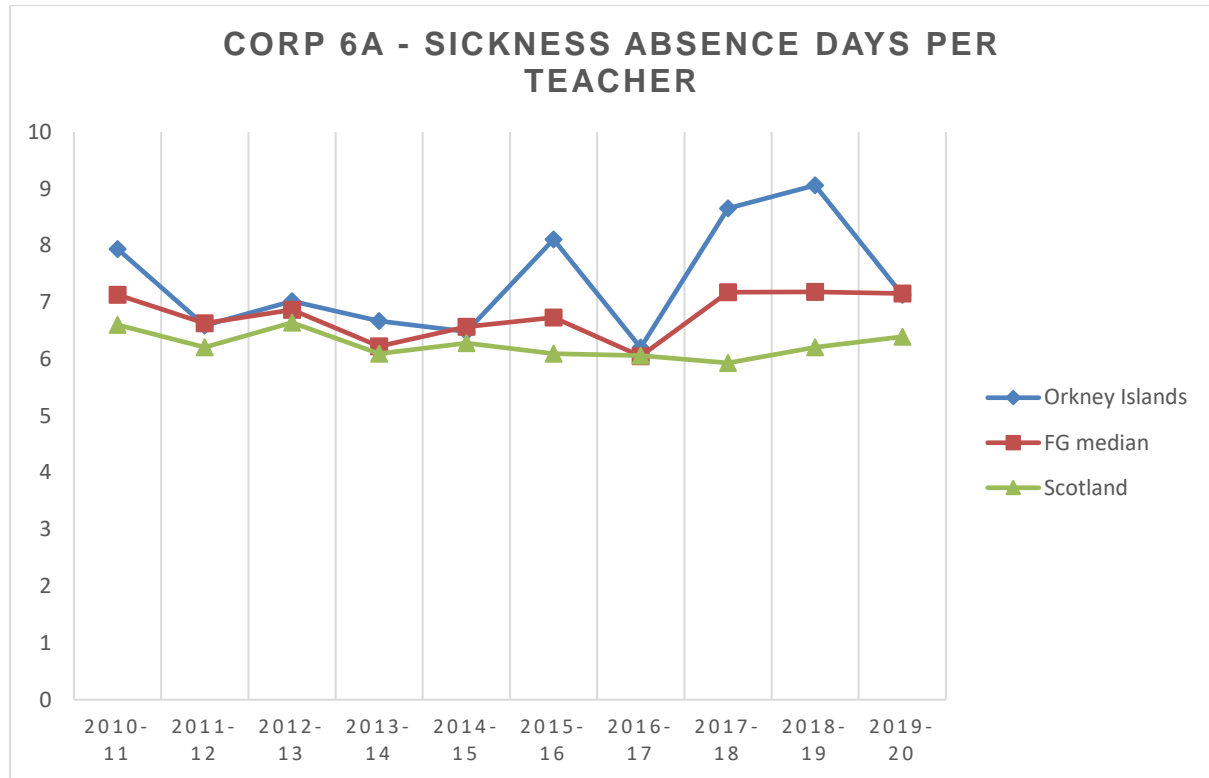
### Future Action

Officers are constantly focussed on ensuring that services are provided in an efficient and cost-effective manner, however it is important we do not compromise our very successful rate of collection.

## Sickness absence days per teacher

In 2019/20, an average of 7.14 days per teacher were lost due to sickness absence in Orkney, which is less than the 2018/19 figure of 9.06 days, but more than the 2019/20 Scottish average of 6.40 days.

Rank out of 32 Scottish Councils		
2018/19	32	
2019/20	21	



### Performance Analysis


While the reduction in absence is to be welcomed, the level of sickness absence among teaching staff continues to be a priority for the Council corporately and for the Education Service itself. Action underway needs to continue if the overall and longitudinal trend is to improve.

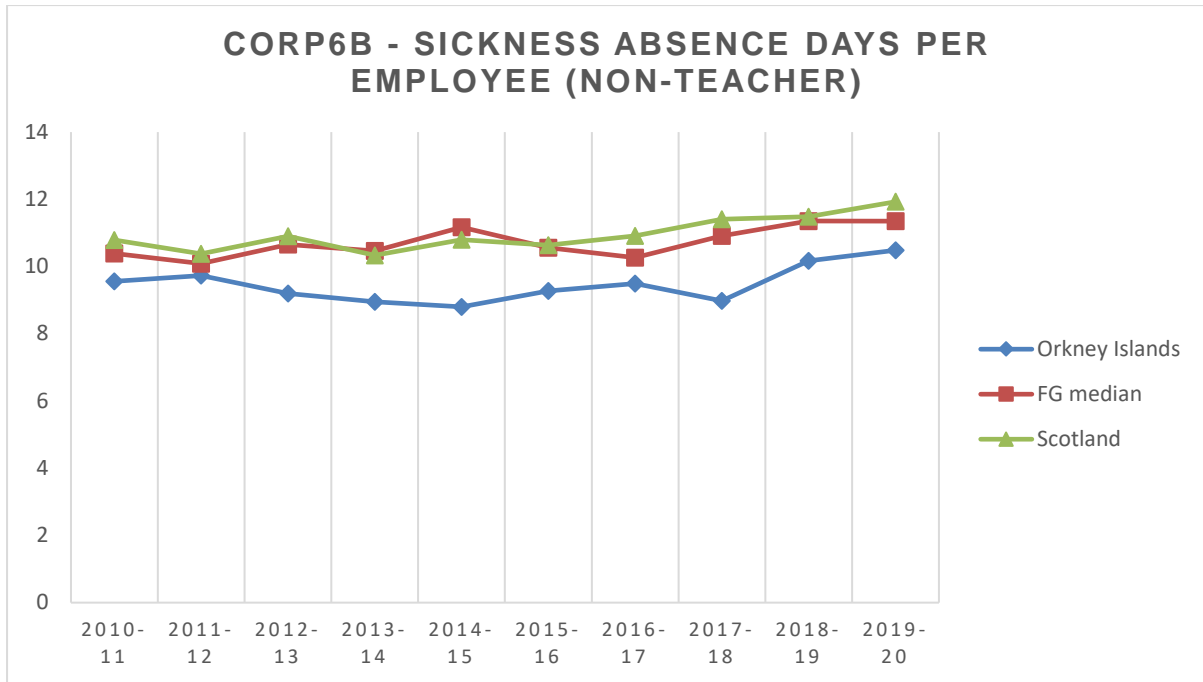
### Future Action

The Education service will continue with current systems of monitoring absence levels and taking appropriate action to support staff experiencing ill health.

## Sickness absence days per employee (non-teacher)

In 2019/20, an average of 10.48 days per Council employee were lost due to sickness absence, which is about the same as the 2018/19 figure of 10.17 days, and less than the 2019/20 Scottish average of 11.93 days.

Rank out of 32 Scottish Councils		
2018/19	6	
2019/20	7	



### Performance Analysis


Performance remains consistent in terms of benchmarking with other councils nationally. We are seeing a national trend of increasing levels of absence and Orkney is following that trend.

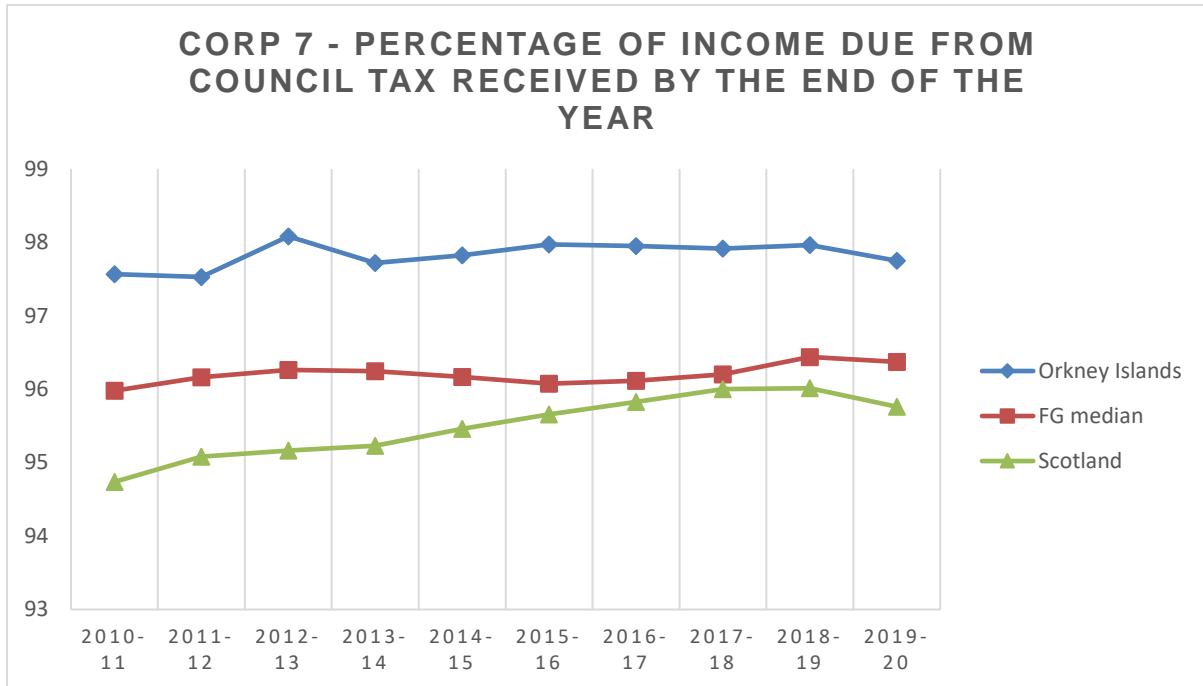
### Future Action

We will continue with current absence management approaches but are also looking to develop our corporate response to supporting employee health and wellbeing, including using surveys with staff to find out what additional support or services they would like to see available.

## Percentage of income due from council tax received by the end of the year

In 2019/20, 97.75% of income due from council tax in Orkney was successfully collected, which is about the same as the 2018/19 figure of 97.96%, and higher than the 2019/20 Scottish average of 95.76%.

Rank out of 32 Scottish Councils		
2018/19	1	
2019/20	2	



### Performance Analysis


The Council has retained a very high rate of Council Tax collection since 2010 compared to both the Scottish average and other councils in our family group. Water Charges are collected along with Council Tax and, from 2012/13, the Council has measured performance on a 'line-by-line basis' – as opposed to the Scottish Water formula, which is a straight pro-rata split. However, councils throughout Scotland do not all yet measure performance on a 'line-by-line' basis and a mixture of the two methods is used. These differing approaches has reduced the ability to accurately benchmark performance.

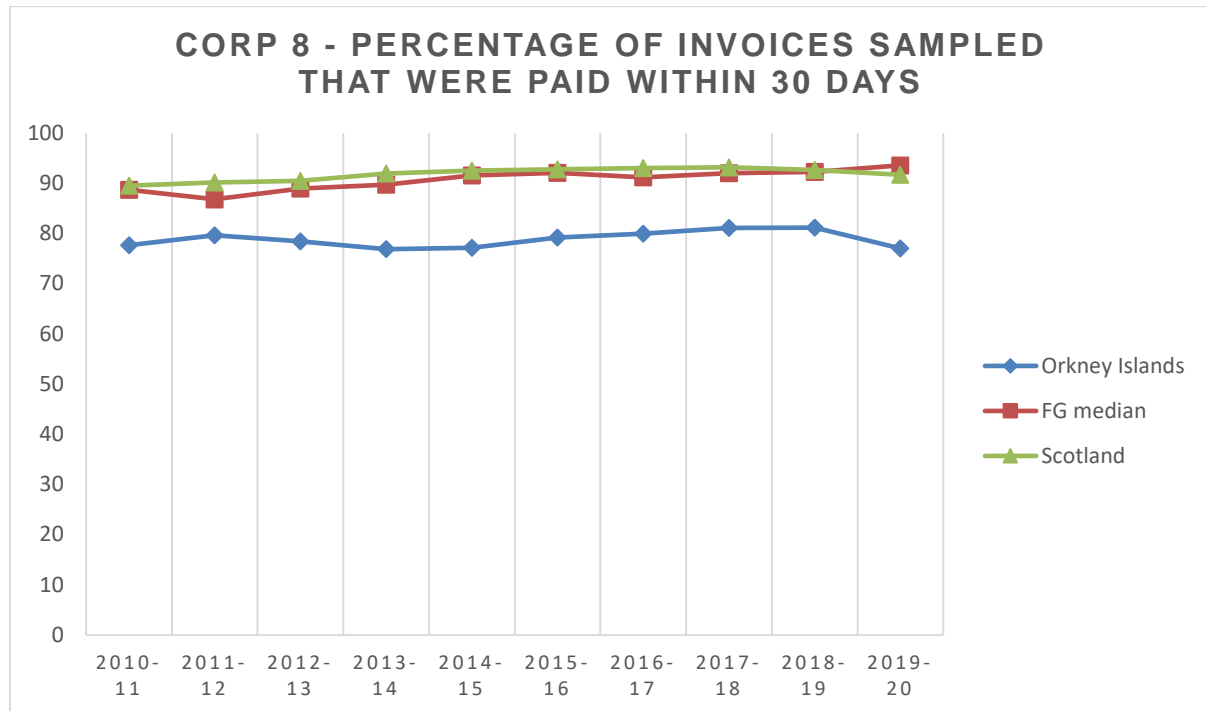
### Future Action

We will aim to maintain this performance for future years.

## Percentage of invoices sampled that were paid within 30 days

In 2019/20, 77.04% of invoices to the Council were paid within 30 days, which is less than the 2018/19 figure of 81.17%, and the 2019/20 Scottish average of 91.72%.

Rank out of 32 Scottish Councils		
2018/19	31	
2019/20	30	



### Performance Analysis

The Council's performance in paying invoices within 30 days was below the Scottish average. The Council has been operating a paper-based system for purchase ordering and payment of invoices and this, combined with the dispersed locations of Council services, means there can be a time lag between invoices being received by the Council Service, being passed to the appropriate teams for checking and authorisation and then being submitted to the Finance Service for payment.


### Future Action

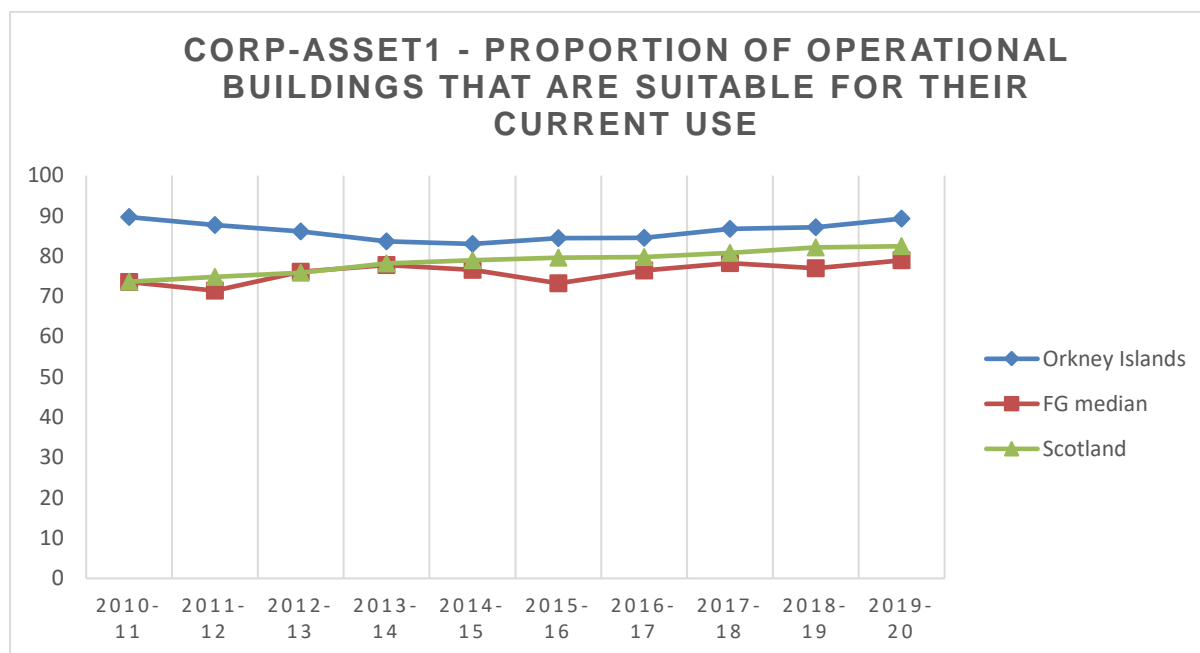
An electronic Purchase-to-Pay system is being rolled out across the Council. This will replace the paper-based system with purchase orders created and sent electronically. Suppliers are asked to submit invoices electronically to a central address in order for invoices to be registered and processed for payment as quickly as possible.

## COUNCIL BUILDINGS

### Percentage of operational buildings that are suitable for their current use

In 2019/20, 89.33% of Council buildings in Orkney were found to be suitable for their current use, which is better than the 2018/19 figure of 87.17%, and the 2019/20 Scottish average of 82.47%.

Rank out of 32 Scottish Councils		
2018/19	15	
2019/20	14	



### Performance Analysis


Improvements have been made in the data that is held, with sites with multiple properties now recorded as multiple entries rather than single entries. This has resulted in the number of properties increasing from 187 to 253. Rather than aggregating site data, this is now reported on a per property basis. The interpretation of the definition of 'operational' properties continues to be refined and will impact on future data reporting. Minor fluctuations from year to year is because of improved data, replacement of facilities, disposals and upgrading works.

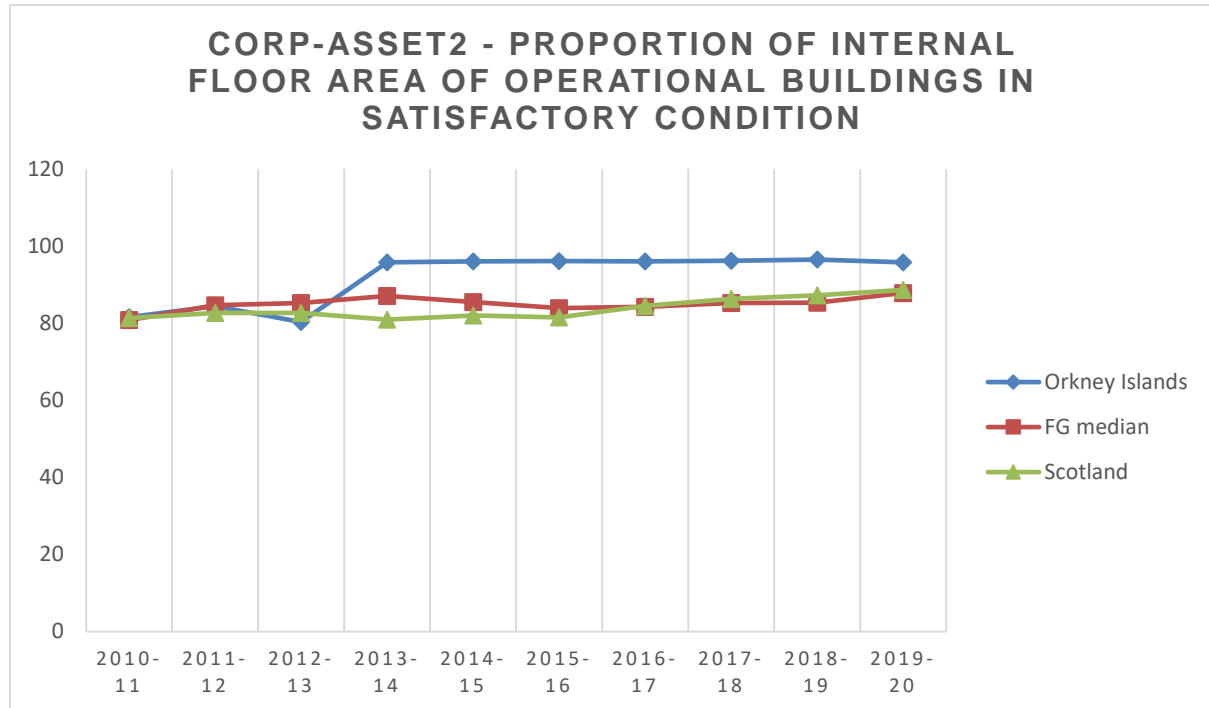
### Future Action

Assets are regularly reviewed against service delivery and future needs. This may result in properties being upgraded, disposed, demolished etc, new facilities to replace old or for the delivery of new services. As old poorly performing properties are replaced, or facilities upgraded, marginal improvements can be seen over the years. The Council continues to invest in its property stock via the capital programmes, but also by consistently investing in repairs and maintenance programmes.

## Percentage of internal floor area of operational buildings in satisfactory condition

In 2019/20, 95.73% of the internal floor area of the Council's operational buildings was in satisfactory condition, which is not as good as the 2018/19 figure of 96.48%, but better than the 2019/20 Scottish average of 88.62%.

Rank out of 32 Scottish Councils		
2018/19	5	
2019/20	9	



### Performance Analysis

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### Future Action

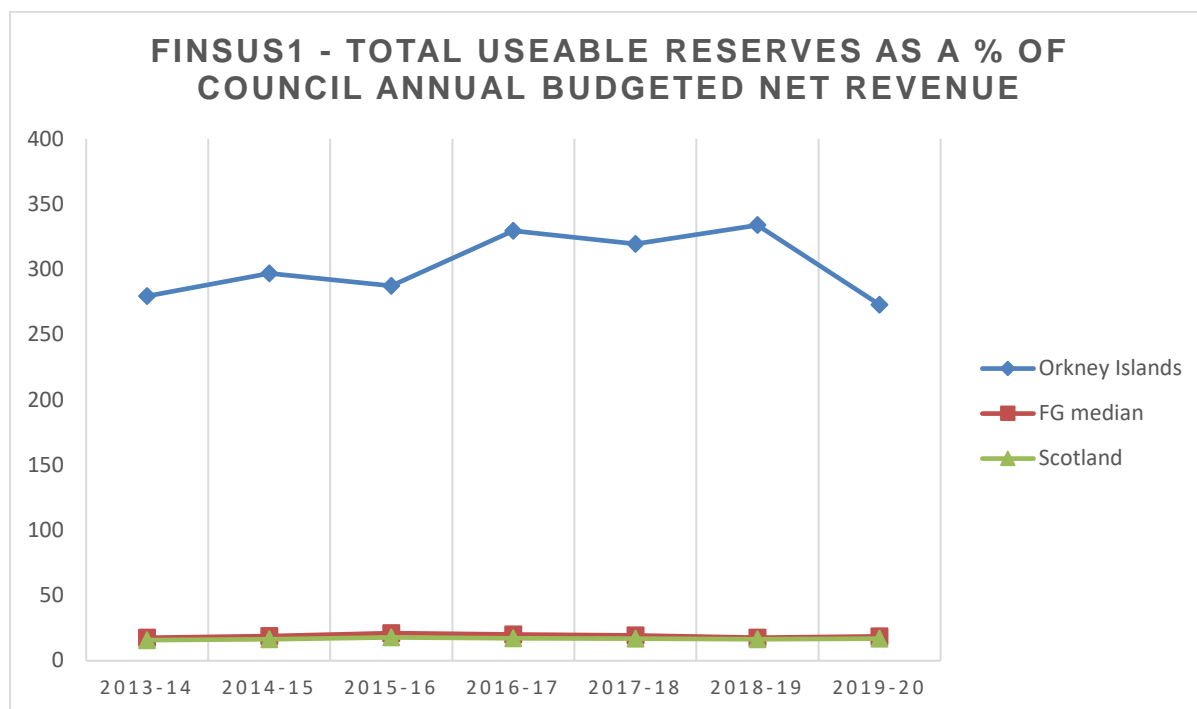
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# FINANCIAL SUSTAINABILITY

## Total useable reserves as a percentage of Council annual budgeted revenue

In 2019/20, the amount of total usable reserves as a percentage of annual budgeted revenue was 272.90%, which is less than the 2018/19 figure of 333.80%, but significantly more than the 2019/20 Scottish average of 16.87%.

Rank out of 32 Scottish Councils		
2018/19	31	↔
2019/20	31	



### Performance Analysis

The Orkney position of holding a Strategic Reserve Fund makes the Council appear to be an outlier to the Scottish average.

The sharp fall in total usable reserves between 2018/19 and 2019/20 was on account of the fall in investment values of the managed funds investments held through the Strategic Reserve Fund as World Markets reacted badly to the COVID-19 pandemic.

A low level of unallocated reserves may be a sign that a council could struggle if any unknown financial surprises were to occur.


### Future Action

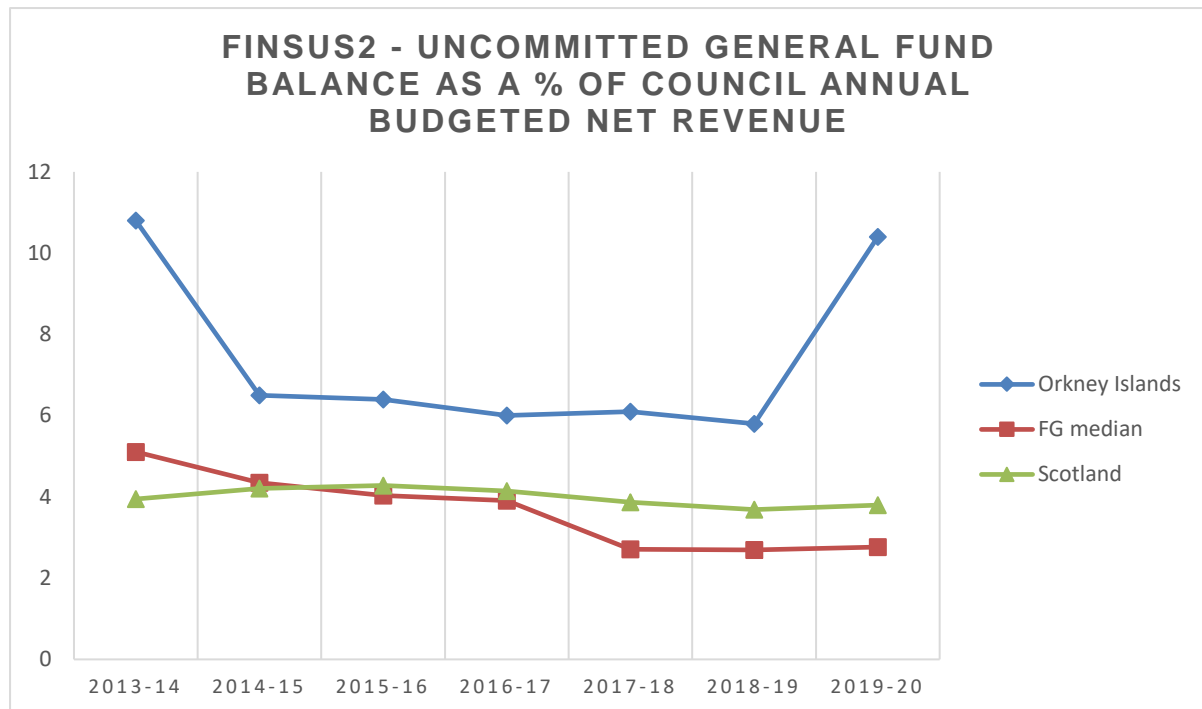
The Council strategy is to continue to maintain a floor position for the Strategic Reserve Fund so that the Fund can continue to support the delivery of Council services in a sustainable manner.



## Uncommitted General Fund Balance as a percentage of Council annual budgeted net revenue

In 2019/20, the amount of uncommitted General Fund Balance as a percentage of Council annual budgeted net revenue was 10.40%, which is more than the 2018/19 figure of 5.80%, and the 2019/20 Scottish average of 3.80%.

Rank out of 32 Scottish Councils		
2018/19	29	
2019/20	31	



### Performance Analysis

The Council saw a sharp increase in the uncommitted General Fund balance held at 31 March 2020 as a conscious decision at year end to delay any accelerated debt repayment and provide a higher level of General Fund balance to give the Council maximum flexibility for dealing with the impact of the COVID-19 pandemic.

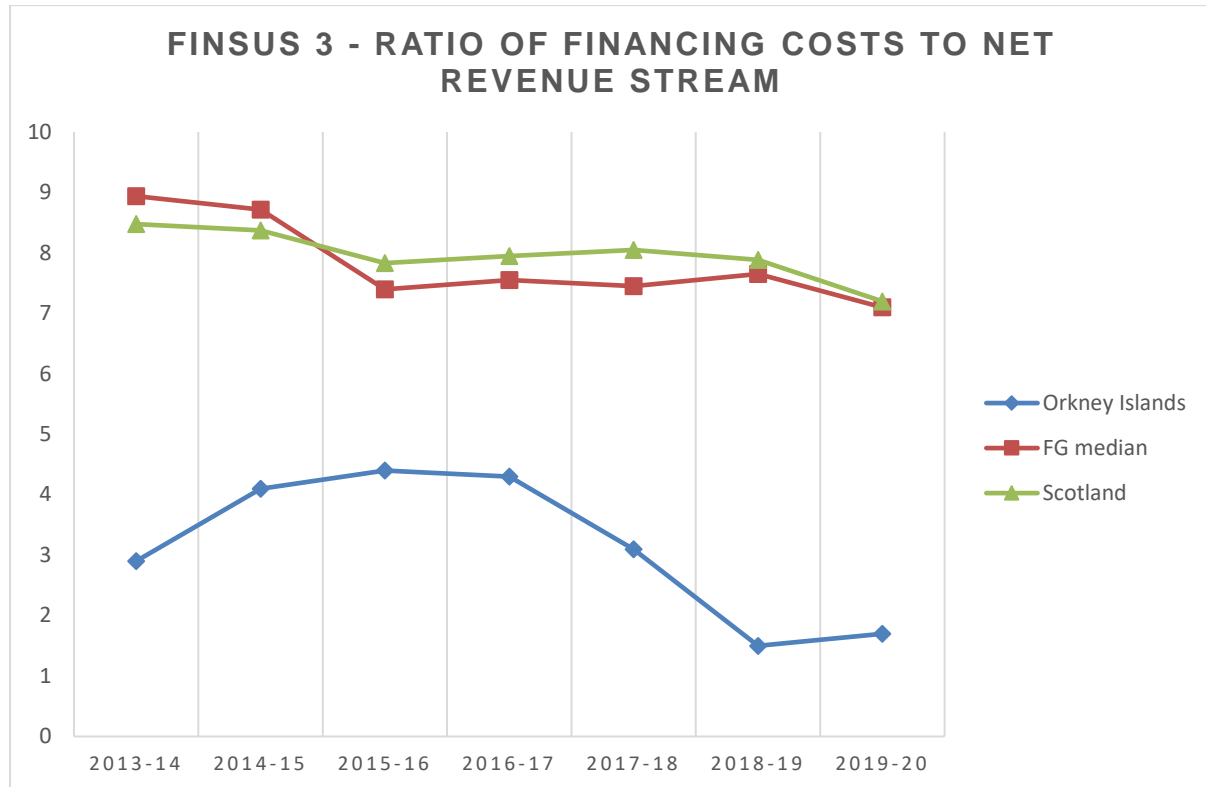
### Future Action

Should the higher General Fund balance not be required, in full, to meet additional pressures in 2020/21 any remaining balance will be applied to accelerated debt repayments, when it is deemed financially prudent to do so. The level of uncommitted General Fund Balance as a percentage of Council annual budgeted net revenue can be expected to reduce again at 31 March 2021.

## Ratio of financing costs to Net Revenue Stream – General Fund

In 2019/20, the ratio of financing costs to Net Revenue Stream for the General Fund was 1:70, which is more than the 2018/19 figure of 1:50, but less than the 2019/20 Scottish average of 7:20.

Rank out of 32 Scottish Councils		
2018/19	1	↔
2019/20	1	



### Performance Analysis


This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet the financing costs of the capital programme, net of investment income. Council policy has been to try and make accelerated debt repayments, thereby minimising the percentage of the budget that is expended in interest on capital debt.

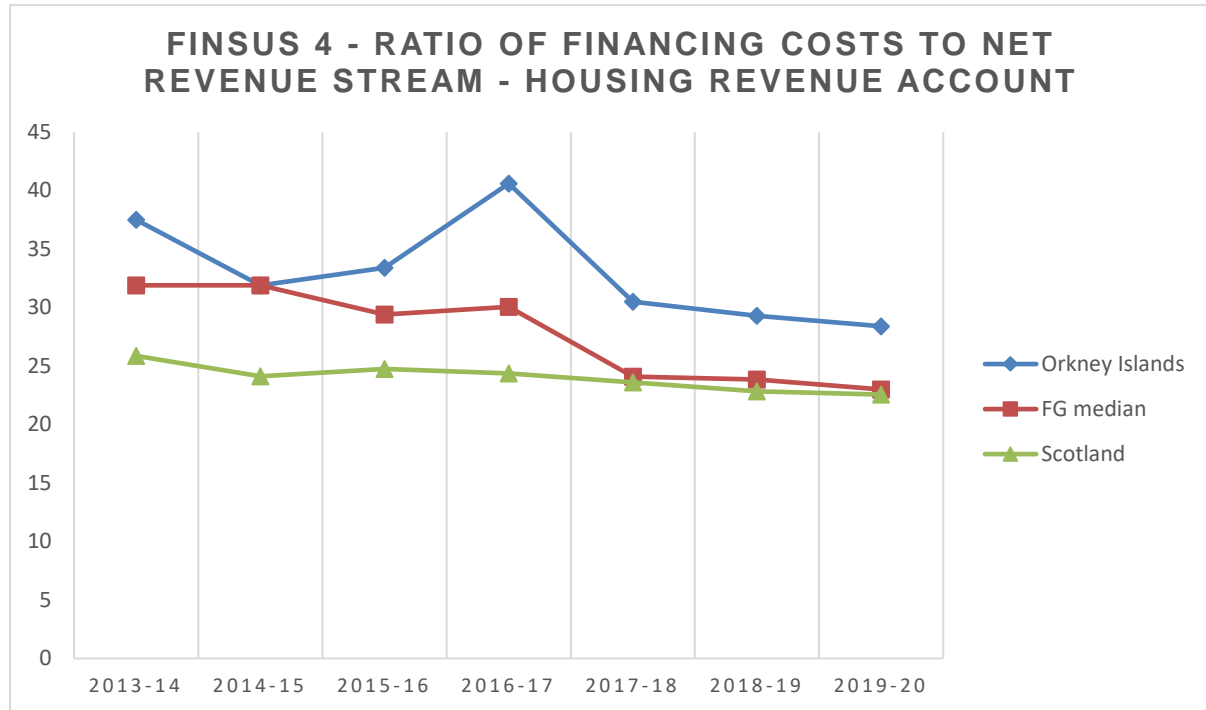
### Future Action

With severe pressure on revenue budgets it is essential that we maintain a low level of financing costs to Net Revenue Stream.

## Ratio of financing costs to Net Revenue Stream – Housing Revenue Account

In 2019/20, the ratio of financing costs to Net Revenue Stream for the Housing Revenue Account was 28:40, which is less than the 2018/19 figure of 29:30, but more than the 2019/20 Scottish average of 22:56.

Rank out of 32 Scottish Councils		
2018/19	18	
2019/20	19	



### Performance Analysis


The relatively high ratio of financing costs to Net Revenue Stream for the Housing Revenue Account (HRA) is reflective of previous Council decisions to increase the level of HRA debt as the Council embarked on a house building programme aimed at meeting some of the demand for housing in Orkney.

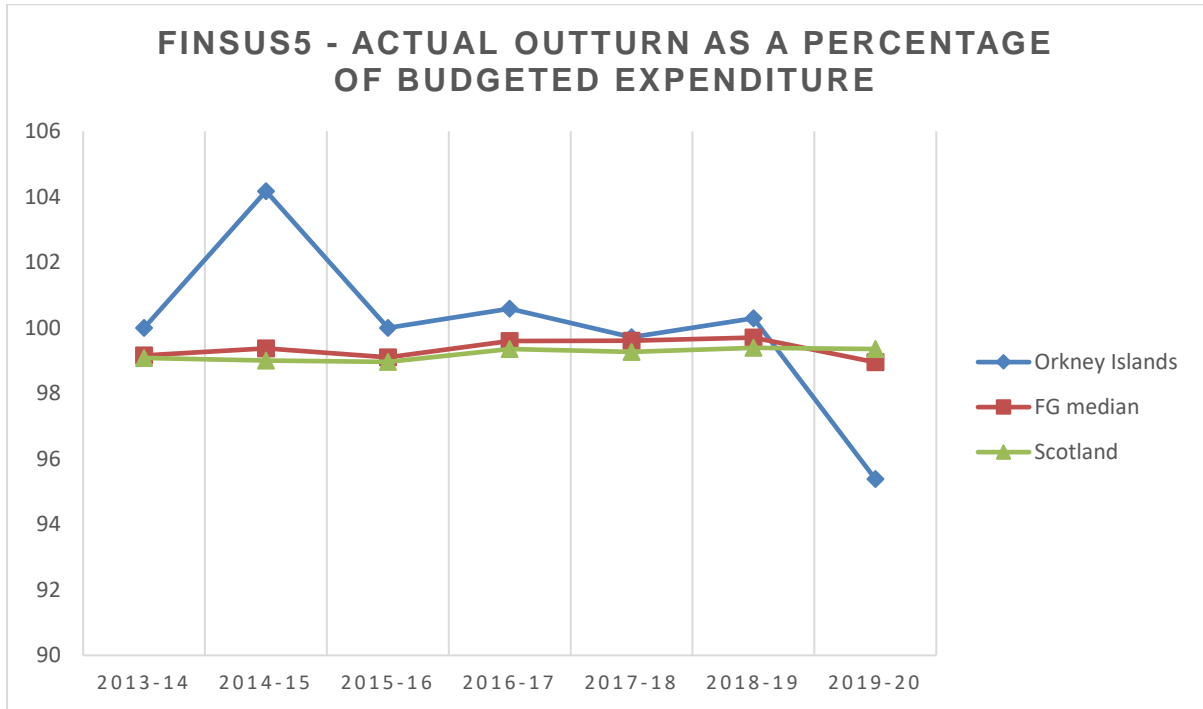
### Future Action

The affordability position of the HRA is under review to establish if it will be possible to continue a programme of building Council houses. There continues to be a shortage of accommodation in Orkney with a waiting list for permanent housing and too many people living in emergency accommodation.

## Actual outturn as a percentage of budgeted expenditure

In 2019/20, the actual outturn as a proportion of budgeted expenditure was 95.38%, which is less than the 2018/19 figure of 100.29%, and the 2019/20 Scottish average of 99.35%.

Rank out of 32 Scottish Councils		
2018/19	15	
2019/20	30	



### Performance Analysis

The Council made a conscious decision at the 31 March 2020 year end to delay any accelerated debt repayment. This effectively generated an underspend position and allowed a higher level of General Fund balance to give the Council maximum flexibility for dealing with the impact of the coronavirus pandemic.

### Future Action

Financial year 2020/21 has been particularly difficult for budget holders with hugely increased spend in many areas and additional income from Government to compensate for lost income as well as other one-off funding. The outturn in such circumstances is likely to be quite different from the original budgeted position.