

Local Government and Regeneration Committee
Scrutiny of Scottish Government's Draft Budget 2014/15

SUBMISSION FROM IMPROVEMENT SERVICE

Introduction

The committee has previously received evidence on the local government benchmarking framework developed by SOLACE and the IS. The framework was published this year and covered data for 2010/11 and 2011/12. In an effort to better understand trends in that data, the IS has explored aggregate data by service category going back to 2007/08. This has established trends in average expenditure and performance across the period. The data will subsequently be explored at individual council level for benchmarking purposes. The paper presents the aggregate trends.

The financial data is presented in cash terms and in constant 2011/12 (real) prices to take account of inflation across the period. Support service overheads are fully attributed to service categories in this analysis. Subsequent analysis will separate out corporate overheads from service expenditure for benchmarking purposes.

Overall Trends

In reviewing the five period (2007/08 – 2011/12) expenditure rose from 2007/08 to 2009/10 and then fell sharply thereafter. Over the three year period (2007/08 – 2009/10) the IS worked with COSLA, SOLACE and Scottish Government through the Strategic Finance Review Group to model likely changes in both spending and demand trends that would impact on Scottish public service expenditure, including that of local government. Consequently, councils were preparing plans to manage the likely spending reductions against a series of shared financial planning assumptions. These plans resulted in substantial efficiency programmes, reduction in posts and productivity improvements, and a series of wage strategies agreed with unions.

At individual service level in many councils, new structures and management arrangements were applied to help services manage cost reduction pressures. For example, in Education/ Children Services many councils formally incorporated pre-school nurseries into their associated primary school with the primary head teacher assuming management responsibility for the nursery to reduce costs. In culture and leisure services many councils opted to establish leisure trusts to deliver services in part to generate a VAT saving to help with cost measures as well as to drive hard on service delivery and improved performance. The combination of changes such as these with greater cost awareness has helped councils plan for and manage spending pressures while seeking to protect service delivery to customers and citizens more generally.

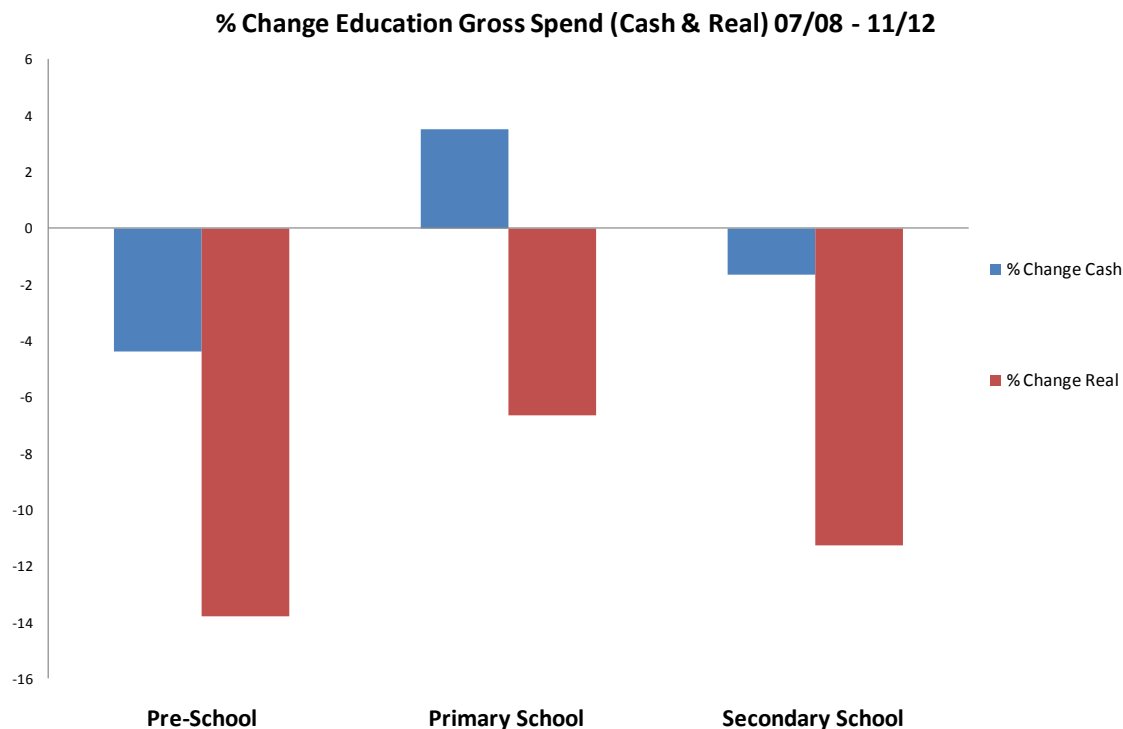
Children's Services

From 2007/08 aggregate spending on pre-school provision across Scotland fell by -4.4% in cash terms, adjusting for inflation over the period this represented a -14% reduction in constant terms. Across the same period spending on primary education rose by 3.5% in cash terms which is a constant terms reduction of 7%; spending on secondary education fell by -1.64% in cash terms or by -11% in constant terms. In all cases the trend in expenditure splits: growth occurred up to 2009/10 and then a sharp fall in the two

Local Government and Regeneration Committee
Scrutiny of Scottish Government's Draft Budget 2014/15

subsequent years followed as the consequences of UK spending plans impacted on Scottish Government and local government spending.

Chart1:

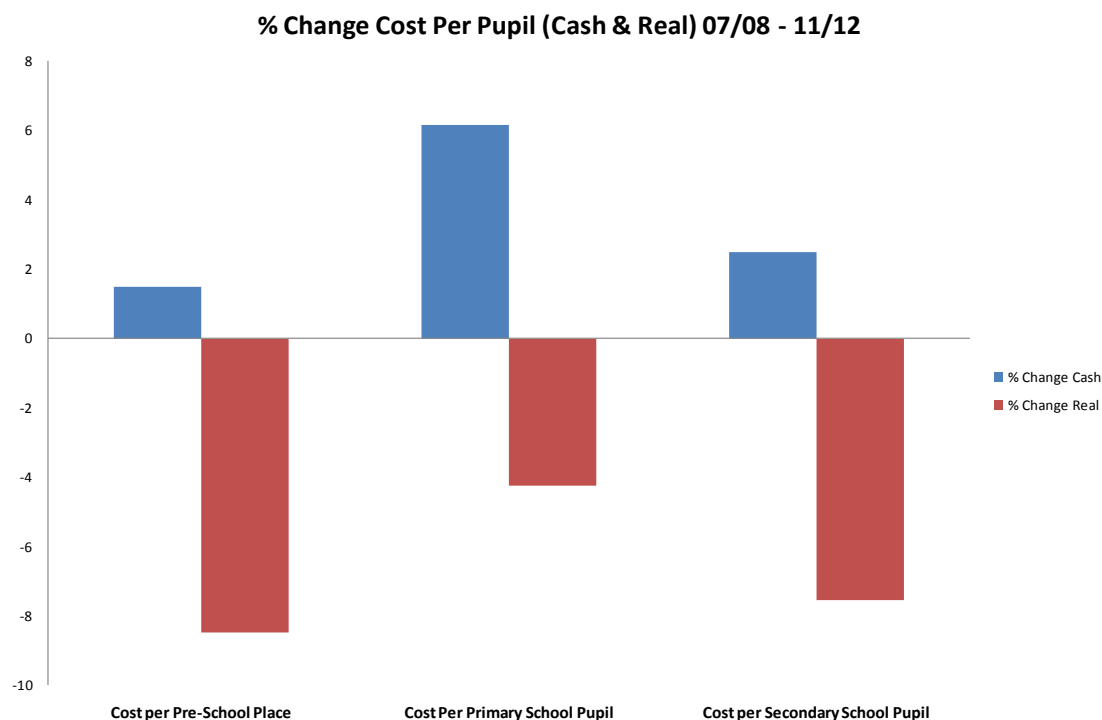


However, while over the period aggregate spending on education in constant terms fell, the money spent per child rose in cash terms. This was due to a fall in pupil numbers across the whole of Scotland in each sector. Overall from 2007 to 2012 pupil numbers in Scottish Primary and Secondary schools fell by 5%.

As a consequence of the fall in pupil numbers and the spending changes outlined above, the pre-school cost per place expenditure in cash terms grew by 1% over the five year period or in constant terms fell by -8%. For primary cost per pupil the cash spend grew by 6% or in constant terms fell by -4% and the cost per pupil figures for secondary education were a 2% cash growth or an -8% constant terms reduction. As with the aggregate spending figures, the most significant reductions came in the post 2010 period.

Local Government and Regeneration Committee
Scrutiny of Scottish Government's Draft Budget 2014/15

Chart2:

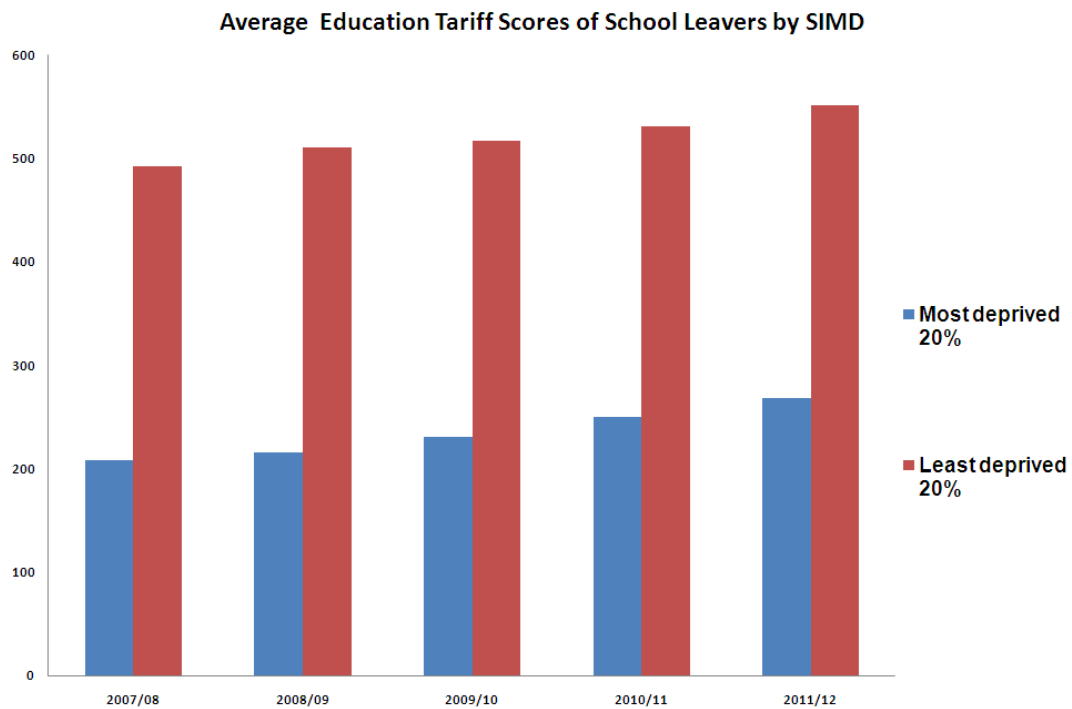


The cost dimension of Education and children's services is only part of the equation. For example, the available data on educational performance over the five year period reveals continued improvements in key exam results areas, in particular for children from more deprived backgrounds and also in post school destinations for young people.

For children in S4 taking standard grade exams there was a 17% improvement in performance overall when performance is measured using Educational Tariff Scores. When these aggregated figures are disaggregated by the Scottish Index of Multiple Deprivation (SIMD) there is a major performance improvement by children from more deprived communities. Over the five year period children from the 20% most deprived communities, as defined by SIMD 2012, saw Tariff Scores improve by 29%. For children from the 20% least deprived communities the improvement over the period was 12%. While children from more deprived communities still do less well in exam terms the gap between them and other children has narrowed in recent years.

Local Government and Regeneration Committee
Scrutiny of Scottish Government's Draft Budget 2014/15

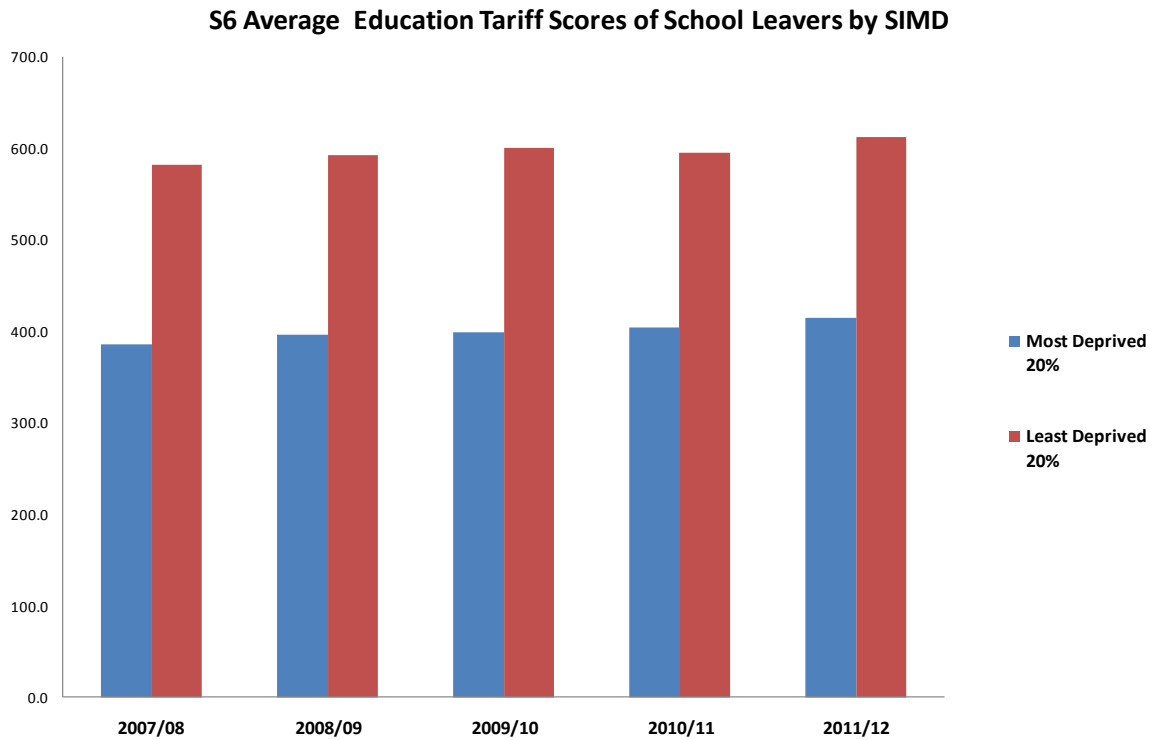
Chart3:



Equally when Tariff Scores at S6 level (Highers) are examined a similar pattern is evident. Children from the 20% most deprived communities saw an improvement of 8% over the period while children from the 20% least deprived communities recorded an improvement of 5%.

Local Government and Regeneration Committee
Scrutiny of Scottish Government's Draft Budget 2014/15

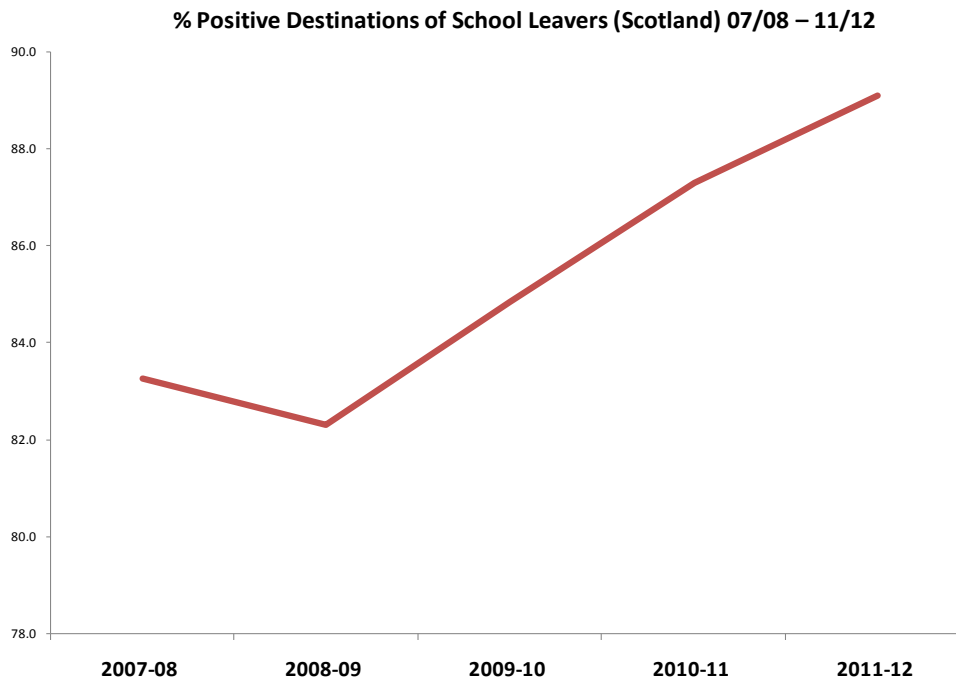
Chart4:



In looking at the success of young people once they leave school, the data over the five year period, despite the impact of the worst recession in 60 years, shows strong improvement with 90% of young people entering a positive destination upon leaving school.

Local Government and Regeneration Committee
Scrutiny of Scottish Government's Draft Budget 2014/15

Chart5:

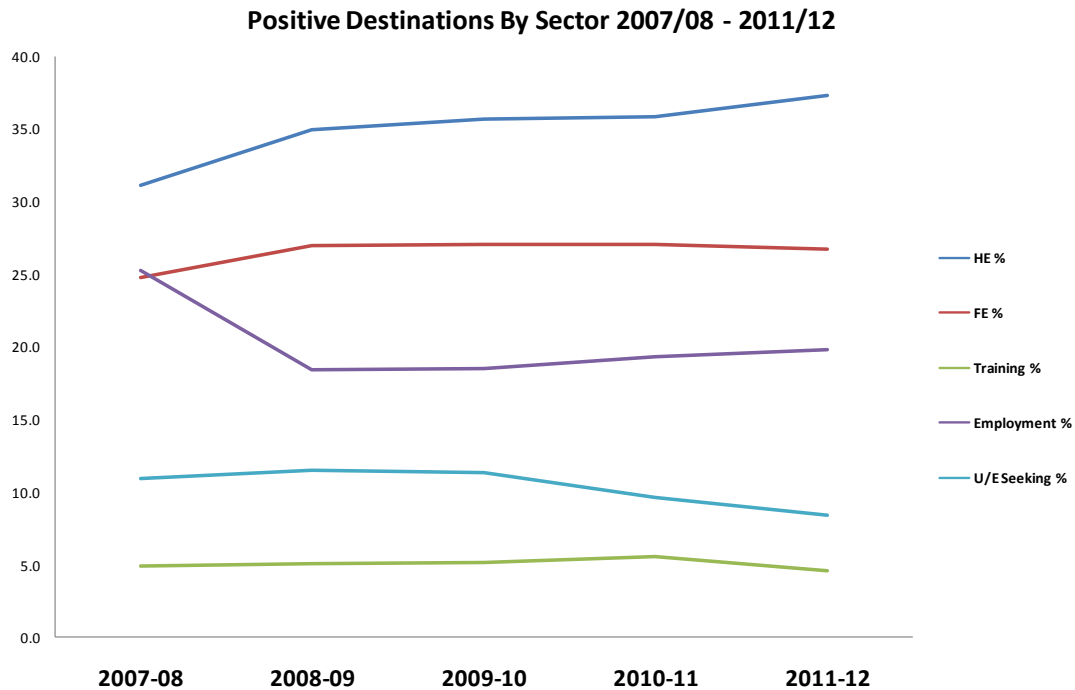


When this aggregate destinations data is further broken down by key sectors, again a positive pattern emerges. Over the five year period there was a 20% growth in the percentage of young people leaving schools and entering university and an 8% growth in the percentage attending further education.

The affect of the recession however can be seen post 2008 in the percentages of young people entering employment or training. From 2007/08 to 2009/10 there was a 4% growth in the number of young people leaving school and entering unemployment while over the same period there was a -27% reduction in those entering employment. The priority in recent years attached to youth unemployment has turned this situation around in the last 2 years with a -26% reduction in the number of young people leaving school and being unemployed and a 7% growth in those entering straight into employment.

Local Government and Regeneration Committee
Scrutiny of Scottish Government's Draft Budget 2014/15

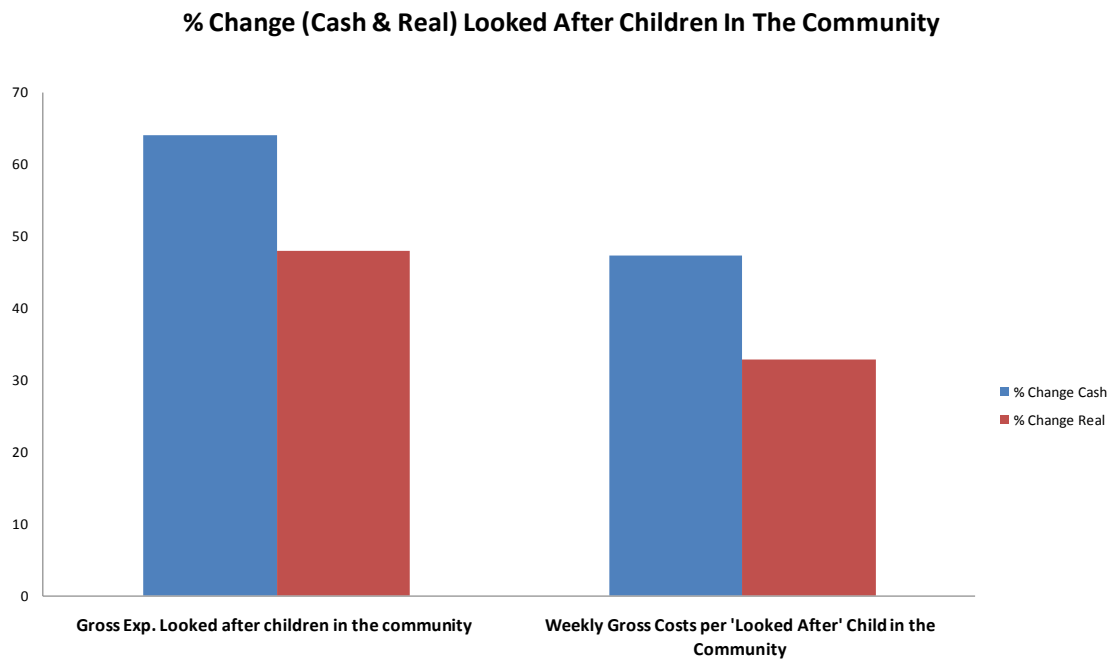
Chart6:



For children that are looked after by a local authority the policy thrust in recent years has been to care for them in a community rather than in an institutional or care home setting. Over the five year period gross expenditure on looked after children in the community grew in cash terms by 64% and in constant terms by 48%. The cost per child on a weekly basis followed a similar pattern with a cash growth of 47% and a constant terms growth of 33%. This growth reflects a policy shift with more complex cases now being looked after in the community. The average cost in the community remains about less than 10% of residential costs. By 2011/12, 91% of all looked after children were in a community setting.

Local Government and Regeneration Committee
Scrutiny of Scottish Government's Draft Budget 2014/15

Chart7:

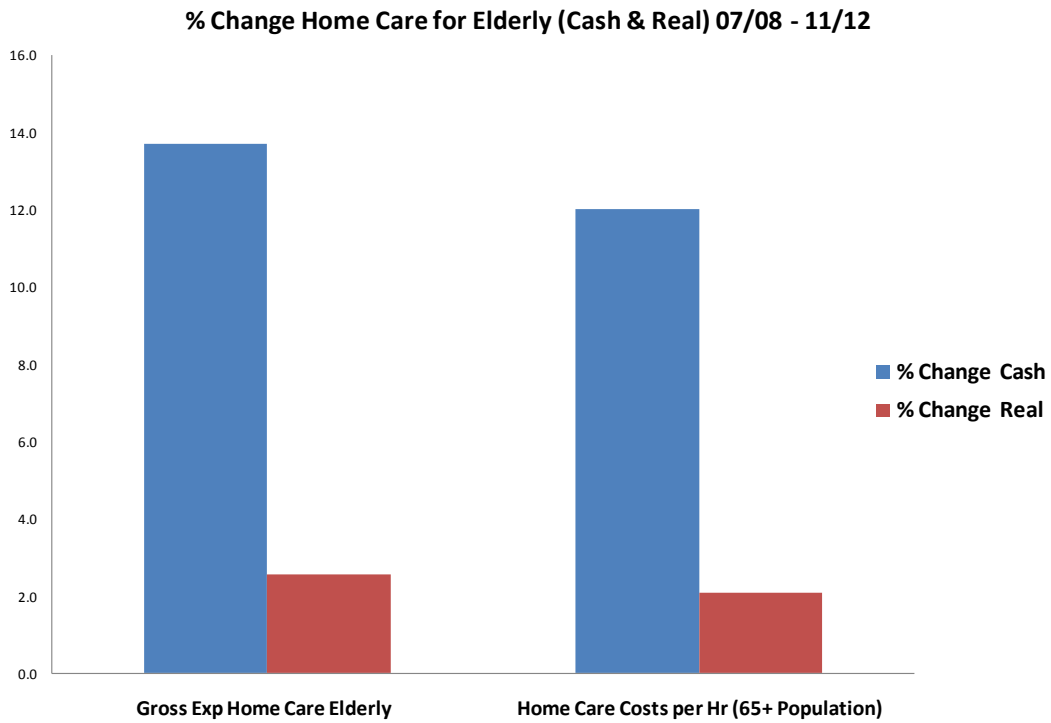


Care for Older People

A major area of council support to older people is home care services. Across the period aggregate spending on home care increased in cash terms by 13.7% and in constant terms by 3%. The cost per hour of home care rose by 12% in cash terms or 2% in constant terms. This indicates that councils as well as increasing the budget were also getting more hours of care for the money spent. Budget growth parallels the growth in the older population, and an increasing number of older people requiring personal care.

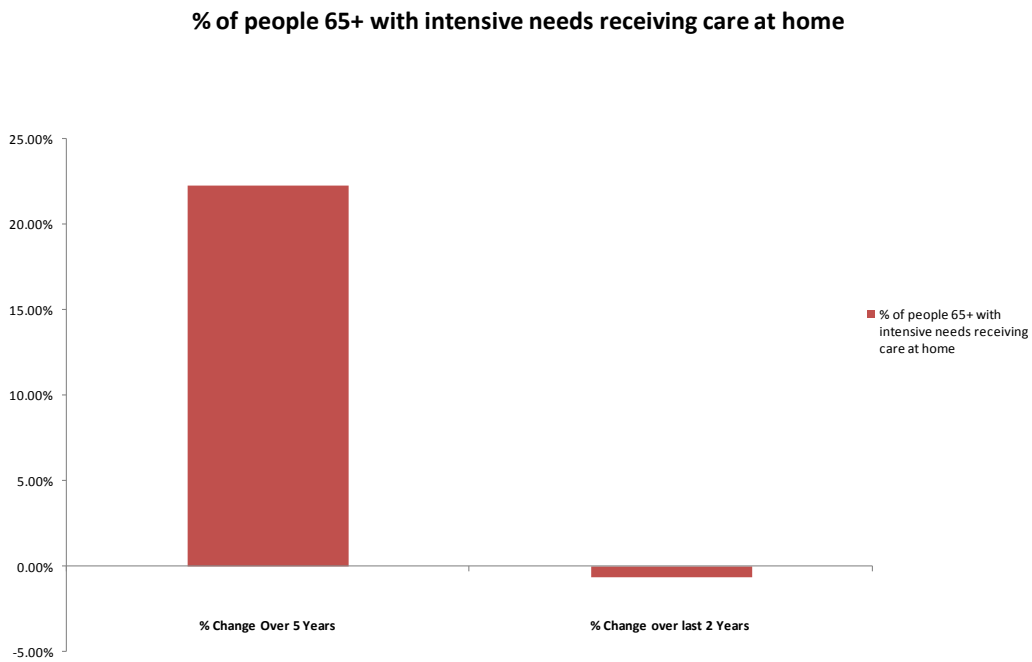
Local Government and Regeneration Committee
 Scrutiny of Scottish Government's Draft Budget 2014/15

Chart8:



The percentage of people receiving intensive care at home with complex needs also rose by 23% across the five years.

Chart9:

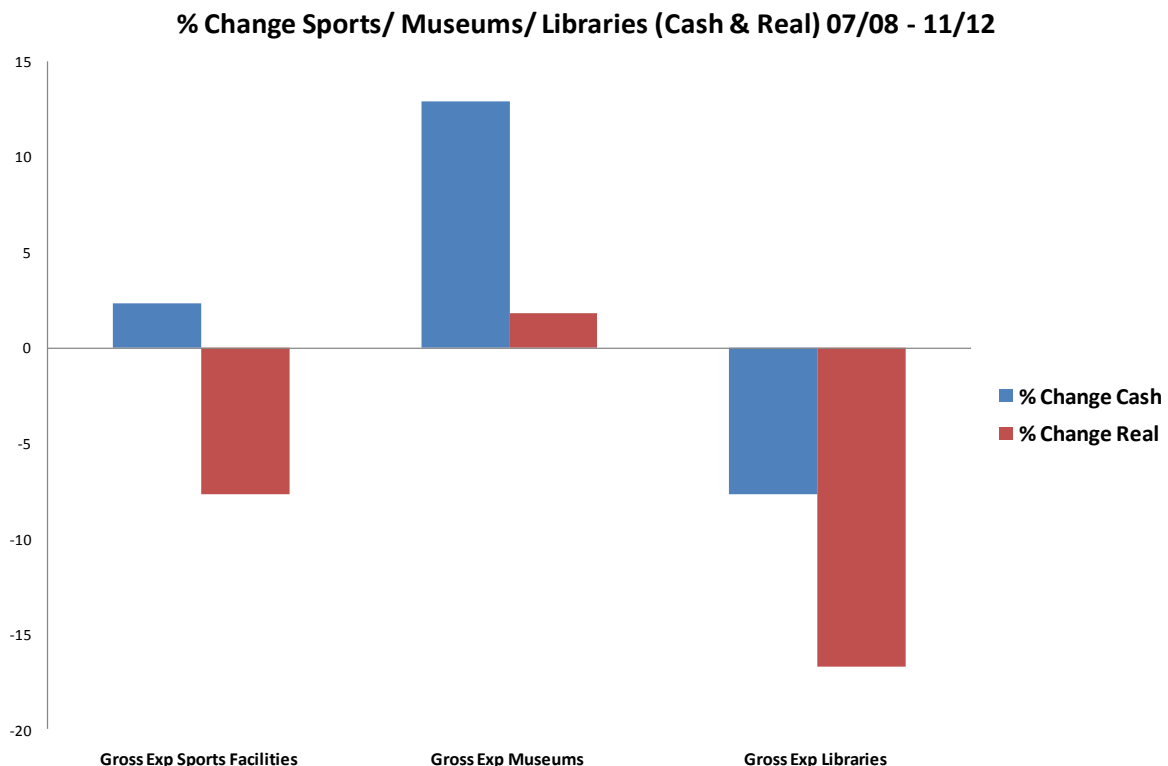


Local Government and Regeneration Committee
Scrutiny of Scottish Government's Draft Budget 2014/15

Leisure, Libraries and Museums

Culture, Leisure and Library services remain important to councils. Over the five year period gross aggregate spending on Sports facilities grew by 2% in cash terms which is a fall of -8% in constant terms. For museum services there was a growth in cash of 13% which is a 2% constant terms growth. For libraries there was a gross -8% reduction in cash terms which is a -17% reduction in constant terms.

Chart10:

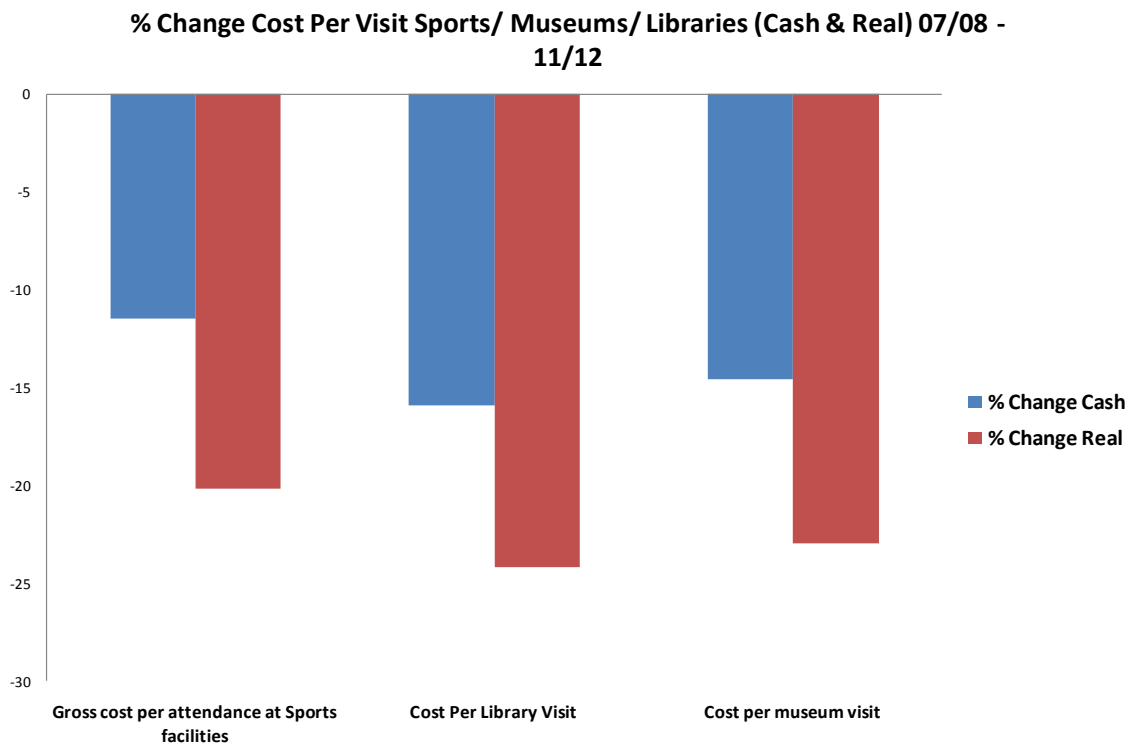


The cost per visit for all three services declined sharply in constant terms by -20% to -24%. As aggregate expenditure on sports centres and museums rose in cash terms this reduction is due to sharply increased visitor numbers. This means that in sports and museum services councils over the period have 'worked their assets hard' by reducing cost and increasing visits by the public.

For libraries a different picture emerges aggregate expenditure fell in cash and constant terms but again visitor numbers actually increased by 7.7%. For councils over this period this has meant that rationalising library outlets and opening hours has coincided with increased use of the service.

Local Government and Regeneration Committee
Scrutiny of Scottish Government's Draft Budget 2014/15

Chart11:

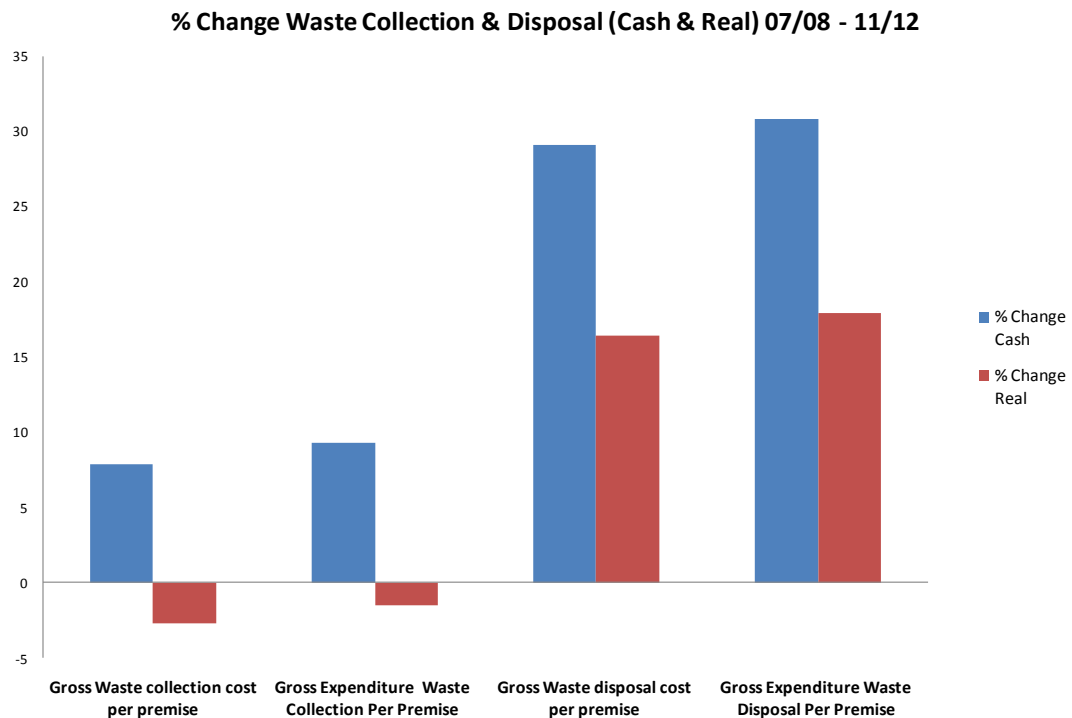


Environmental Services

The gross expenditure cost of waste collection rose by 9% in cash terms which is a fall of -1% in constant terms. On a cost per premise basis expenditure rose in cash terms by 8% which represents a fall in constant terms of -3%. Again the trend was for an increase through to 2009/10 and a sharp reduction thereafter.

Local Government and Regeneration Committee
Scrutiny of Scottish Government's Draft Budget 2014/15

Chart12:



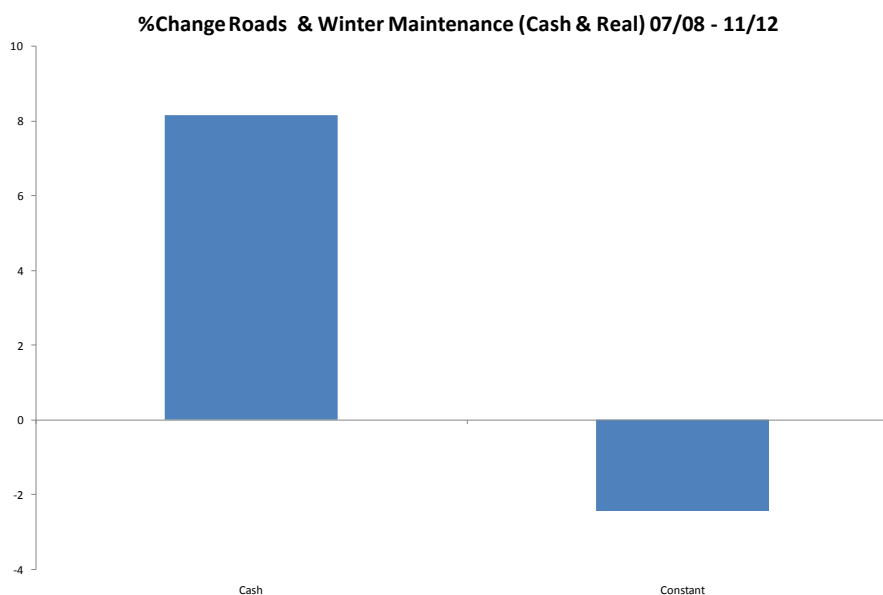
In terms of costs of disposal expenditure increased quite sharply in cash terms by 31% and by 18% in constant terms. The equivalent figures on a cost per premise basis are a cash increase of 29% which in constant terms is 16%. These changes in part reflect the impact of environmental taxes. Also over the period recycling increased by 20% on average, which reflects the impacts of environmental and sustainability policies.

Roads Maintenance

Expenditure on roads and winter maintenance over the five year period saw a cash growth of 8% which in constant prices represents a -2% reduction.

Local Government and Regeneration Committee
Scrutiny of Scottish Government's Draft Budget 2014/15

Chart13:

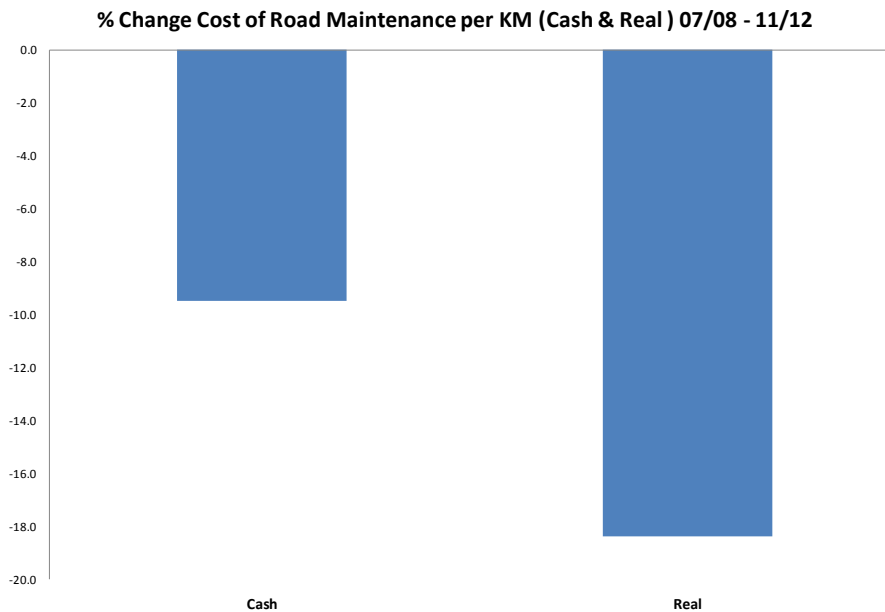


When roads and winter maintenance expenditure is broken down to cost per kilometre of road maintenance, it fell by -9.5% in cash terms which in constant prices represents a -18.5% reduction. At individual council level there is significant variation around these general trends. In Capital investment intensive services each authority operates an investment cycle based on local situations. This means over a longer term period different authorities can be at either an upturn in investment or on a downward cycle. It is also important to note that over the period new roads are added in the areas maintained by councils – either as a result of new road construction or the adoption of existing roads by councils – this in turn impacted on the unit cost per kilometre. The biggest increases were recorded amongst the councils with the lowest base year spend and the increase reflects increased activity, not cost.

Over the period the percentage of roads managed by councils that required maintenance (all road categories) remained at about the same level of 30% requiring treatment. So in the face of stringent financial pressures the quality of the road network has been maintained.

Local Government and Regeneration Committee
Scrutiny of Scottish Government's Draft Budget 2014/15

Chart14:



Conclusions

In recent years local government has experienced significant financial pressures while facing rising demand for services. Over the five years covered by this paper local government has worked hard to manage these pressures, while also seeking to improve service performance. The analysis of spend and performance trends demonstrates that the advanced financial planning (pre 2010/ 11) that was undertaken with COSLA and Scottish Government helped local government manage these pressures while maintaining performance levels in key service areas. Individual councils have driven change hard over that period by among other things pushing hard on efficiency, redesigning services, de-layering management structures and managing the wage bill in partnership with trade unions. Going forward financial and demand pressures will continue to affect local services. As a result local government service delivery will continue to change and the IS will continue to support local government and individual councils in that journey.