

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

SUBMISSION FROM MIDLOTHIAN COUNCIL

1. Over the period of the 2011 Spending Review, to what extent have the resources to local government been sufficient to deliver on the joint priorities agreed between COSLA and the Scottish Government, and to deliver local government's statutory duties?

Our statutory performance indicators demonstrate that there has been limited negative impact within Midlothian thus far on either the delivery of joint priorities agreed between COSLA and the Scottish Government or in the delivery of the Council's statutory duties. However, the ambition of Midlothian Council is not to simply meet statutory duties but to significantly improve outcomes particularly in areas of inequality, and to achieve this against the challenge of a real term reduction in resources.

Midlothian, like the rest of Scotland faces a rapidly aging population with an estimated 13,266 people aged 65 years and over, rising to 20,200 people by 2028. The projected sharp rise in the numbers of people with a diagnosis of dementia is estimated to double between 2011 and 2033 with 20% of people over 80 years likely to be effected. In real terms in Midlothian the spend per head on people aged 65 years and over went down by 10% between 2004 to 2011 whilst nationally it rose by 10% over the same period. This is testament to our programme of transformation and rebalancing care. Our transformation programme is a continuous one rather than a time-limited project. Critical to its success has been a culture which encourages constant exploration and evaluation of costs and benefits throughout the service.

The 2011 census population figure for Midlothian was 83,187. This is predicated to increase. The latest projections estimate a population of 91,017 by 2035 however it is reasonable to expect the total population of Midlothian will be greater than this by this time due to the large scale housing investment predicted in future years. This continues to require the council to contain cost pressures and achieve significant savings over and above the £13.8 million (7.4%) savings delivered over the last three financial years

Restraint in public sector pay has dampened inflationary cost pressures and has been a significant contributory factor in enabling already stretched resources to be utilised to maintain service delivery. In a Midlothian context this equates to a real term savings of £3.6m over the period of the 2011 spending review period.

The Council has achieved significant improvements across a number of key priorities during the period, including those as detailed in question 2. However to improve the outcomes on our key priorities of early years / reducing child poverty, positive destinations for young people, and economic growth and business support, during a time of real term reductions in resources, does not only require innovative transformation of services but also hard decisions including reduced investment in our existing asset base, withdrawal of services and buildings closures. Whilst these are the consequences of delivering national outcomes and local priorities, they do not sit comfortably with our communities' expectations.

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2. Overall, how have the local authorities dealt with “flat-cash” (i.e. real terms reduction) revenue settlement, and what has been the impact on the delivery of services?

Midlothian Council fared badly from the disaggregation of the former regional councils and the associated mismatch between service demands and grant distribution. This together with increasing financial pressures has required the Council to ensure that all of its resources are managed in an effective and prudent manner and since its inception to achieve significant savings across all service areas. As mentioned above, the restraint in public sector pay awards has gone some way to offset the effect of the real terms reduction in revenue grant, however this is increasingly unsustainable.

The Council has focussed on prioritising front line services and minimising the need for service reductions. This has been achieved through the adoption of a business transformation programme. Since 2011 the programme has delivered approx £10 million savings. Examples included a 20% reduction in senior management costs at a saving of £3.2m and, at the same time, a notable improvement in service performance demonstrated across a range of statutory performance indicators. The Council has also achieved major improvement in our procurement service, from one of the lowest performing in Scotland to improved performance status in 2012 and the most improved in Scotland over the last two years. Since the creation of the procurement team the Council has achieved cashable savings of over £1.1 million and aims to achieve a further £1.9 million by 2017. In addition to this we have rationalised our asset base and continue our transformational review of services to adapt to meet customer service needs in a period of austerity. Even with these savings the Council implemented service reductions of £2 million in 2013/14 and will need to make further service reductions in 2014/15 and beyond.

As one of Scotland's smaller authorities, we have demonstrated that we are fleet of foot and can adapt quickly to deliver improved outcomes despite the real terms reduction in revenue grant. However, it is also recognised that the pace of transformational change will need to increase sharply and that elected members will face increasingly challenging decisions about service priorities and service reductions.

Positive examples of change include the following:

- The opening of the Lasswade Centre, an exemplar for secondary education and community provision in Scotland .
- £170 million investment in Social Housing, building on a long history of prudent financial management providing high quality housing and in turn reducing the financial demands of homeless presentations.
- Investment in Foster Care has resulted in no child placed outwith Midlothian in foster placement since 2012.
- The Bush Masterplan was approved in March 2013 and provides a platform for further expansion of the major academic/manufacturing/research activities in the area.

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- The new community at Shawfair is the largest single new development in Midlothian and will comprise approx 4,000 new houses, employment opportunities, a town centre, new schools and community facilities all serviced by Borders Rail.
- A programme of Transformation in Community Care undertaken in an evolutionary manner which has entailed developing a culture of internal challenge to seek to deliver better quality services at lower cost. This transformation has focussed on rebalancing care and has included re-commissioning, service redesign, externalisation and internal reorganisation. This project has enabled Midlothian to avoid any delayed discharges for the last 18 months.

3. Are there particular examples of good and bad practices across local authorities in dealing with the budget settlement? How is good practice shared and disseminated and how is bad practice addressed?

The response to question 2 gives examples of good practice in dealing with the challenges brought about by the budget settlement.

The Council has shifted away from what was the traditional approach of across the board reductions in service budgets and has sought to match resources to its priorities. In doing this the Council recognises that there is a need for continuous improvement and has sought out best practice where it exists elsewhere in Scotland and the UK. It has also led the development of best practice, for example in Adult Social Care.

Despite the best efforts of officers across both Councils, political decisions have constrained the development of shared education services proposals, however the Council continues to work in partnership with East Lothian Council to explore and develop joint opportunities to work together. Current examples include Public Protection, Health and Safety, and Environmental Health and Trading Standards. Whilst the financial impact is small, partnership working has delivered immediate service improvements for both Councils and provides a basis for projects with a greater potential for financial savings in the future.

Like a number of public sector organisations the council has implemented a no compulsory redundancy policy. The Council recognised and responded to the potential financial constraints of such a policy at a time where services and the shape of our workforce has to change. We sought out the best practice in the UK, and have adopted the Sunderland Council approach to redeploying displaced staff for our circumstances. Even though it is at an early stage we have already had successful outcomes for displaced staff.

The Council works closely with the rest of the local government to share its good practice and learns from others. SOLACE, ADES, ADSW, CIPFA Directors of Finance, SOLAR and SCOTS are critically important networks in this regard.

In terms of tackling poor performance in service areas, the Council has adopted a whole systems approach to identify root causes as a basis to a review focussed on improvement, customer needs and efficiency. Examples of the early impact of this work includes invoice payments, Children's services, housing and homelessness.

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4. What has been local government's contribution to the delivery of the Scottish Government's Purpose and its 16 National Outcomes and how is this captured and measured?

In Midlothian we have picked three key shared issues to work to improve as a Community Planning Partnership, based on detailed local evidence gathering and public engagement. These are – early years / reducing child poverty, positive destinations for young people, and economic growth and business support. These reflect three of the six national delivery group priorities. As a sign of commitment, the council and its partners have signed up to a Single Midlothian Plan, and Christie Commission based approaches to its delivery in terms of co- production and capacity building, preventive interventions and improved customer access.

In delivering these priorities, the Council will work with its partners to ensure improved outcomes are focussed in those communities with greatest need and inequality.

Performance against the Single Midlothian Plan is monitored on a regular basis and the outcomes also form the foundation for all Council service plans, which are monitored by the Chief Executive, Directors and Councillors.

5. Over the years of the new Spending Review, are the resources being provided to local government sufficient to deliver on currently agreed priorities and other statutory duties?

The Centre for Public Policy for Regions (CPPR) in its September 2013 briefing commissioned by CIPFA Directors of Finance highlights that the Scottish Government's budget 2014/15 takes place in the fifth year of what is expected to be an eight year run (at least) of real term budget cuts. CPPR describe 2014/15 as a relatively easy year. Such easy years end in 2015-16 after which, based on current plans, cash terms cuts may re-emerge.

The proposed "cash flat" settlement and the continuation of Change Funds is welcomed and goes some way to recognising the importance of Local Government Services in delivering the joint priorities. However the prioritisation of the local government budget falls short of the protection afforded to Health. Local Government services will be the foundation on which the success of the prevention agenda will be need to be built. By not sharing the protection afforded to Health, the Scottish Government budget further exacerbates the challenge of shifting resources to preventative spend.

As the response to question 4 indicates the council, as the lead for the Community Planning Partnership, has clearly articulated priorities as set out in the Single Outcome Agreement. The Council is fully committed to these priorities and to focussing improvement in the most deprived areas within the county. Central to this is the need for a decisive shift towards prevention, focusing resources where they can deliver real and lasting benefits rather than resources being consumed on reactive spend to address the negative consequences later in the cycle.

The reality is that spending pressures are increasing, particularly demographic pressures. Welfare reform brings an increased demand from the most vulnerable. The challenge for the Council is to continue to meet these cost pressures, whilst resources are reducing in

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real terms, and in the future in cash terms, but then still drive the decisive shift to preventative spend, which will be critical to longer terms financial sustainability across the whole of the public sector.

The resources provided to local government over the years of the new spending review are not sufficient to deliver on currently agreed priorities and to maintain services at the existing levels. Midlothian Council will have hard choices ahead and focusing resources on preventative spend will inevitably mean that services which are provided or subsidised on a universal basis will either be withdrawn or service charges will increase. This will inevitably be counter to the expectations of many of the residents of Midlothian.

6. What are the key challenges and pressures that local authorities face over the period of the new spending review, and what planning has been undertaken?

Delivering a council tax freeze for the next two financial years will be challenging. Based on past experience, local authorities will meet this challenge but with each passing year the achievement of the revenue budget savings necessary to achieve a balanced revenue budget, while protecting front-line services, becomes more difficult. The Council is committed to a number of large scale transformation projects to bridge the budget gap. Particular issues over the period of the review include:

- Resourcing preventative spend
- Ensuring resources across the Community Planning Partnership are targeted towards the key priorities and that they improve outcomes and make best use of scarce resources.
- Implementation of the Integration of Health and Social Care.
- Delivering the final phases of Curriculum for Excellence.
- Mitigating the worst effects of the welfare reforms, particularly the phased implementation of Universal Credit, which reduce government expenditure but increase the pressure on local authority services.
- Maintaining the core asset base.
- The impact of pension reform and the removal of contracting out.
- Demographics
- Increasing population, and ensuring we meet the resulting housing demand
- Delivery of the essential infrastructure required to support the single Midlothian Plan
- Pay pressures, particularly low pay and pension reform
- Delivering savings whilst maintaining a no compulsory redundancy policy

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The council has developed medium term financial plans and is continually refreshing its business transformation programme as we embrace these challenges and drive the achievement of our priorities.

7. What initiatives are being undertaken by local authorities to support the coherent delivery of measures to reduce greenhouse gas emissions?

A key aspect of seeking efficiency savings for many authorities has been rationalisation of property use, with home, mobile and flexible working all helping authorities to reduce the number of buildings and close some which are not energy efficient. Midlothian's 'Effective Working in Midlothian' programme has similar goals and has achieved some early successes. Midlothian's programme of investment in the school estate, including new build and improvement, has also provided an opportunity to improve energy efficiency. The new Lasswade Centre, bringing together services previously provided across three separate buildings will have a significant impact on energy costs. Reducing energy consumption remains a key part of the Council's forward transformation programme.

Achievement of the Scottish Housing Quality Standard by 2015 will reduce emissions while also ensuring that homes are less expensive to heat.

8. What further measures are required during the period of the new Spending Review to ensure the delivery of the equalities agenda and support the development of the most vulnerable sections of society?

Midlothian is engaged in a number of innovative projects to reduce inequalities covering early years, reducing offending and re-offending, support for the elderly and supporting an active labour market. The Midlothian Family Resilience Project, focussing on families suffering multigenerational dysfunction, a rural skills programme for offenders and an extra care housing project in Penicuik, are all examples which can lead to improved outcomes and cost savings in the medium term.

Everything councils do now is done in the context of our community planning partnership. Midlothian community planning partnership for example has adopted a single shared plan encompassing the single outcome agreement. Core to the Single Plan is a commitment to work closely with partners in the third sector and other public bodies to address inequality. As all of us in public services know, reducing inequality is not just about providing universal services, but increasingly also about targeting them to reduce disadvantage and repeat funding of what can be described as "failure demand", that is continuing to fund interventions at points of crisis rather than preventing this repeat business by earlier intervention. In Midlothian as a partnership we have adopted three methodologies: co-production and capacity building; preventive interventions; and localising access to services. Our partnership is now introducing a focus on the geographies where disadvantage is most concentrated.

It is incumbent on all of the public sector to continue to support changing practices in public services towards prevention, co-production and capacity building, shared on the ground delivery between CPP partners, improvements in localised access especially targeting areas of deprivation, shared staff development and breaking down inter professional and inter agency silo thinking. To move from crisis response to prevention

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requires in some cases double funding to enable change- as the older peoples change fund has demonstrated. The engagement of national partners at a local level is essential, and in this respect the flexibility allowed to local managers to work in their CPP context is essential. We are moving forward on evidence based neighbourhood planning , bringing engagement practices towards co- commissioning , and co- delivery , and will be working towards local area budgeting. Support for innovation in these areas in the spending review would be welcome.

9. In what ways will the local government benchmarking framework be used in relation to the budget settlement?

Midlothian Council has now embedded the benchmarking framework in its performance management and self evaluation framework. The Council and Community Planning Partnership have agreed joint priorities which will be delivered through a Single Midlothian Plan. Key performance indicators from the benchmarking framework will be monitored regularly through executive management team and council/community planning governance systems to ensure that resources are focussed on delivering these key priorities.

10. How will the wider public service reform agenda support local authorities' ability to deal with the consequences of the budget settlement?

Midlothian has positively embraced public sector reform. It is an early implementer of Health and Social Care Integration. There are already robust joint strategies in place and we intend using the reformed service to deliver even better outcomes for service users and to achieve efficiencies through synergies. We have also embraced "Christie Principles" through our Single Midlothian Plan and Future Council Model, as described earlier in this response.