SUBMISSION FROM EAST AYRSHIRE COUNCIL

SPENDING REVIEW

1. The spending review provided high level figures for three years, but only definite figures for 2012/13. The continuing uncertainty for years two and three, therefore, remains a concern for the Council. The underlying assumptions for funding local government beyond 2012/13 also present concerns in relation to the reliance on a significantly increased business rate income stream across Scotland. The BRIS, TIF and Enterprise Zones also make assumptions in relation to business rate income and there are, therefore, real concerns about the long term sustainability of these assumed increases at a national level.

2. Our Community Plan is the overarching strategic plan for the organisation and is subject to regular review and scrutiny. Measurement of strategic outcomes is a key part of this framework and will continue to be so. Significant changes to the future funding of the Council will clearly impact on future iterations of the Community Plan. The current economic challenges are also being faced by our Community Planning Partners and close liaison is being maintained to ensure outcomes can continue to be delivered.

DEMAND FOR SERVICES

3. We have carried out a significant volume of work in this area particularly around demand for social care services in light of welfare reform changes and demographic changes. This has been underway for several years and recent changes have shown some positive results around services that are typically high cost. IRF and Change Fund activities in this area have also started to show some positive results in terms of shifting the balance of care.

PUBLIC SECTOR REFORM

4. We actively pursue opportunities for closer working with our neighbouring authorities and public sector partners, and a number of arrangements are in place to drive forward this agenda.

5. Since it was established in 2006, the Ayrshire Shared Services Executive has been driving and delivering shared services. The Group includes the Chief Executives and Leaders of the three Ayrshire Councils and the Chief Executive and Chair of NHS Ayrshire and Arran. A Project Board was set up in 2010 to drive forward the shared services agenda in light of the challenging financial climate facing the public sector, and the Board directs further work on services or parts of services which might be suitable for joint delivery.

6. The Ayrshire Strategic Alliance (a group of Senior Executive Directors from the three Ayrshire Councils and NHS Ayrshire and Arran) was established to strengthen partnership arrangements between NHS Ayrshire and Arran and the three Ayrshire local authorities. The group aims to ensure partnership working
in the strategic development and delivery of services, building on the already strong community planning structures in the area. The group continues to meet regularly to identify and pursue opportunities for closer working and sharing of services and resources.

7. In September 2011, a Joint Management meeting was held which brought together the Corporate Management Teams of the three Ayrshire Councils to discuss a number of topics, including Shared Services, the Christie Commission report and joint working with Health. The forum provided open and insightful discussion and a number of actions were identified which are now being taken forward on a joint basis. It has agreed that these sessions will become a regular feature in the calendars of Corporate Management Teams of the three authorities.

8. Within East Ayrshire Council, work is underway to review how we transform our relationship with the communities we serve, recognising the need to move away from a culture of dependency to social integration, enhanced community cohesion, co-production and the promotion of local ownership, responsibility and participation. Workshops have been held with the Extended Management Team and Elected Members, and further sessions have been arranged for employees and community representatives. This is a new and innovative approach which it is anticipated will result in stronger, more resilient communities, more efficient and responsive frontline services and better outcomes for local people delivered through a reduced revenue budget.

9. The next logical step in our evolving budget process is the shift towards outcome based budgeting (OBB). The Community Planning approach to strategic planning has already focussed minds on planning by outcomes/priorities. This now requires a big shift in how we budget for services – we have set up an internal working group to plan the shift to OBB. The revenue reductions faced by the Council are such that a focus on the absolute key outcomes will be required.

OVERALL FUNDING LEVELS

10. The revenue income for 2012/13 is expected to be “cash flat” in terms of Scottish Government grant. However, when you build in inflationary and demand pressures, there will be a significant gap in the funding required to deliver services. The reduction in capital grant and rephasing of remaining grant will also have an impact on 2012/13 revenue budgets as our 10 year capital programme was significantly “front loaded” and is, therefore, well underway with major construction projects ongoing across the authority.

11. The longer term impact of the settlement remains to be seen in terms of firming up the years two and three figures; however, there is no doubt that the current pressures will certainly not improve. Grant funding is likely to remain relatively static while demands will continue to increase. Price and pay inflation will continue to present pressures that will require difficult decisions to be made at a local level.
REDUCING EXPENDITURE

12. The budget process is currently underway for 2012/13 with several decisions already taken on cutting costs. The Council has a well established efficiency strategy that looks to strip out all unnecessary spend from revenue budgets. A management restructuring exercise is progressing well across all services with the intention of streamlining and delivering service management. This has already released savings in excess of £1m.

13. Further efficiency savings will be sought by all services as has become the norm over recent years. Savings will be reinvested in front line service delivery.

14. Additional areas for savings will be considered as the budget process evolves and as with previous years any areas that impact on service delivery will be the subject of risk assessments, equality impact assessments and extensive public consultation.

CAPITAL SPENDING

15. As referenced above, the Council has an ambitious capital programme that has remained intact despite recent reductions in capital grants and receipts. It is still intended to maintain progress with the capital programme as agreed by the Council. The reduction and rephasing of capital grant will have an impact on the funding for the capital programme and will, therefore, create additional pressures on the revenue budget as a consequence of the requirement for additional borrowing.

EQUAL PAY

16. Provision has been made in the accounts for equal pay settlements. The level of provision was reviewed again in preparing the 2010/11 final accounts and is believed to be an accurate reflection of the potential settlements and likely “cost” to the Council.

WELFARE REFORM

17. The Welfare Reform Bill will clearly present significant issues to all Councils. The Council is particularly concerned about the significant impact that UK Government welfare reforms are forecast to have on vulnerable groups and individuals in East Ayrshire.

18. The abolition of Housing Benefit and the introduction of a Universal Credit together with a new Council Tax Benefit scheme will be complex and will require careful transition and there will be consequences for tenants in the private rented sector, council tenants, and those with social landlords, in respect of housing policies, homeless strategies and the demand on discretionary housing payments.
19. An assessment by the Scottish Local Government Forum Against Poverty and Rights Advice Scotland (September 2010), found that there could be a total annual loss for those in East Ayrshire who are dependent on benefits of between £13.8 million and £16.4 million. This will lead to increased demands for Council services in areas such as social work, housing and welfare advice at a time when local government grant funding is also being reduced. The consequential impact on the local economy, already contributing to our high unemployment figures, means that the Council will need to put even more effort into economic regeneration activity, just to stand still.

20. We are also concerned about the lack of clarity around how the universal credit will finally look and operate. Housing Benefit is expected to form part of the universal credit and will impact on local Housing Benefit staff. There is no clarity around what will happen to this staff group which in itself presents problems. From a financial perspective the ability to collect housing rents will be impacted upon as payment of Universal Credit will go directly to claimants who will then require to pay their housing rent to the Council. It is expected that arrears will increase which will potentially increase the number of evictions for non-payment of rent. This will then have a consequential impact on the Council’s homelessness costs.

21. In addition, there remains a lack of certainty around Council Tax benefit and how this would work in Scotland. There needs to be clarity around the cost to the council of administering the scheme, and once the mechanics are known the impact on collection rates will require to be further investigated.

I trust the above will assist the Committee to inform the scrutiny of the Draft Budget 2012-13.

Yours sincerely

Fiona Lees
Chief Executive

21 October 2011