SUBMISSION FROM FIFE COUNCIL

Spending Review

1. The Council welcomes the fact that the spending review covers a three year-period. However, it is noted that the Scottish Government has set a draft budget for 2012-13 only, with “spending plans” for the subsequent two years. It is unclear at this stage whether the Local Government Finance Settlement in December will provide 3 year figures at an individual local authority level. To assist future financial planning and effective decision making it would be helpful if grant figures at individual local authority level were provided for each of the next 3 years.

Increasing Demand For Services

2. The Council has developed a long-term financial planning model to assess the cost implications arising from demographic changes and other cost pressures. We use a framework similar to that established by Cosla’s Strategic Funding Review Group (SFRG). Cumulative pressures are quantified for each year of a ten year time horizon and the model outputs are updated annually in light of new intelligence. The estimates are used in setting the council’s 3 year budget. The current model estimates the costs associated with demand / real cost pressures to be £22.5 million cumulatively between 2012-2015. [This relates to demand pressures only and not other pressures like inflation, which are recorded elsewhere in our budget model]. The main areas of demand pressure include older people, adults with special needs, waste management, roads and transport.

Public Service Reform

3. Fife Council has taken part in a pilot study in association with the Improvement Service and Deloitte’s looking at outcome budgeting as an alternative means to resource allocation. This exercise is still at an early stage and we are currently reviewing the findings. The Fife Partnership have endorsed this work and in particular the focus on outcomes over inputs.

Overall Funding Levels

4. While the Spending Review suggests a “flat cash” allocation for Councils across Scotland, this does not mean that each authority will receive the same revenue grant allocation as in 2011-12. Funding allocations will be adjusted as a result of the updating of Grant Aided Expenditure Indicators and other funding streams within the settlement. In addition we are expecting that the Council will have to make a contribution to the Change Funds, announced as part of the Spending Review, and fund a Council Tax freeze from within the flat cash settlement. Our financial plans suggest a funding gap of circa £17m in 2012-13. It is worth noting that a flat cash settlement represents a reduction in real terms funding of 7.5% or £50m over the three years. In addition the Council expects factors such as demand and inflation to put pressure on our cost base. The combined effect of increasing demand and real terms funding reductions present a challenging financial environment over the next 3 years. Our financial plans suggest a cumulative funding gap of £94m over the 3 year period to 2014-15.
5. The Council Tax freeze creates a greater dependence on Scottish Government funding and reduces the ability of individual Councils to independently raise income in response to local demand and other cost pressures. The Council Tax freeze essentially reduces local accountability and flexibility. Previously Councils have received additional funding over and above their general revenue grant to support a Council Tax freeze. However, the current spending review indicates this will be top-sliced from the general revenue grant in 2012-13, and beyond, and held back pending Councils’ confirmation of a Council Tax freeze. This represents a real loss of funding to Councils and we would ask the Scottish Government to give consideration to passing on the additional £67.5m funding received through the Barnett consequentials, arising from the funding awarded to Councils in England to freeze Council Tax, to local government in Scotland.

Reducing Expenditure

6. As mentioned above the Council’s estimated funding gap over the 3 year period to 2014-15 is £94m. To address this budget gap all services of the Council have been given a baseline efficiency target of 2% per annum. The gap cannot be closed by efficiencies alone, therefore, additional savings will be required. The additional savings reflect the Council’s policy priorities and consequently differential savings targets have been applied to individual services ranging from 2.5% for Social Work and Education to 6.5% for central support services. Please note these savings are in addition to the baseline 2% efficiency target mentioned above. This graduated approach achieves a degree of prioritisation and protection towards the Council’s policy priority areas.

7. The savings proposals that will be put forward for elected members’ consideration cover all the areas identified in your letter ie:-

- Discontinuing services or financial provision to external providers for services.
- Introducing new or increasing existing charges for services.
- Further reducing staff budgets.
- Making savings in contracts and procurement.
- Outsourcing services.

Capital Spending

8. The Council has a 10 year Capital Investment Plan and the impact of reduced capital grant, coupled with the wider issues of economic recession, has resulted in an estimated reduction in capital resources over the period of £127m. This necessitated a full review of the Council’s Capital Investment Plan resulting in the removal of projects from the plan, re-phasing and reducing the budget available for some other projects.
9. It is also worth noting that the re-profiling of capital grant outlined in the Spending Review would result in additional interest charges of approx £1.2m, between 2013-14 and 2014-15, should the Council decide to maintain capital spend and borrow to replace the loss of grant in 2013-14 and 2014-15.

Equal Pay

10. The Council settled the bulk (£30m) of its equal pay claims in 2006-07. There are a small amount of cases proceeding to tribunal and the Council has made provision for the likely compensation settlements for these cases in its accounts. The value of this provision at 31 March 2011 is £9.8m, or 1.2% of the Council’s net General Fund budget. However, case law in relation to equal pay continues to evolve and consequently there are still potential future financial risks in this area. For this reason the Council has identified a Contingent Liability in relation to equal pay in its accounts.

Welfare Reform and Other Legislation

11. It is difficult to quantify with any degree of accuracy the additional burdens on the Council arising from Welfare Reform due to the lack of any detailed information. From the information we have been able to gather we estimate an additional financial burden of approximately £4.2m from 2013-14. This is a very early and rough estimate at this stage and as further information becomes available we will update our figures in this area.

12. The proposals under consideration to end the “contracted out” rate for National Insurance contributions would create a very significant additional burden on the Council, currently estimated at £12.7m per annum.

Fife Council

25 October 2011