The Spending Review provides a budget settlement for local government for the three-year period until 2015. The Committee would welcome your views on how helpful the three-year settlement is for your planning and management of -

- Your budgets over the next three years;
- The Community Planning Partnership strategy and its Single Outcome Agreement and, especially, how to evaluate achievements on outcomes; and
- Your relations with other public service providers, including private and third sector bodies.

1. Clarity on the resource availability over the next 3 years is helpful for local authorities developing their medium term service plans. Increased financial certainty is important for the wider public sector in developing their strategies for early intervention – a strategy which for some service areas will deliver over the longer term. It is important that there is no further reduction in resources from that laid out in the September 2011 Spending Review. Clarity of funding will also help local authorities to plan in the medium term with other public services, including private and third sector bodies, giving increased certainty for these bodies.

2. The North Ayrshire CPP has three priorities: tackling worklessness; tackling health inequalities; and, tackling community safety.

3. We welcome the Scottish Government’s commitment that the “top priority” in the spending review is accelerating the economic recovery and boosting jobs. In this context, we will continue to work closely with one of our key partners, Irvine Bay Regeneration Company, to implement our Economic Development & Regeneration Strategy 2010-20. There is currently uncertainty about the level of Scottish Government funding for Irvine Bay Regeneration Company and any shortfall in the amount requested would clearly be unwelcome.

4. A focus on preventative spending is crucial to achieving the long term outcomes that are related to the CPP’s priorities. The Scottish Government’s “decisive shift to preventative spending”, the continuation of the Health & Social Care Change Fund, and the introduction of two new funds (Early Years & Early Intervention and Reducing Reoffending) to support preventative spending are therefore to be welcomed. The proposed governance arrangements for these Change Funds have still to be agreed, but in our view, any move to incentivise partnership working, has to be embraced.

5. These Change Funds are clearly time limited, so it will be important that they are used to lever in mainstream funding to ensure strategies that are sustainable. It will be important to develop a reliable evidence base to demonstrate the effectiveness of interventions. There is a further issue with regard to the Early Years & Early Intervention Change Fund: in contrast with
the Health & Social Care Change Fund, there are less immediately obvious success measures for EY&EI Change Fund.

6. The CSR and Draft Budget therefore present significant challenges and opportunities for the CPP and its constituent partnerships such as Irvine Bay Regeneration Company and the Community Health Partnership Committee.

Increasing demand for Services

| What projections have you made in terms of the increasing demand on your Council for services, including interaction with other public service providers? |

7. Projections of increased demands on services are used in the planning of Council services and in strategic planning with community planning partners. The main projections relate to:-

- **Demographic change** - There is an anticipated decrease of 12% in North Ayrshire’s younger population (0-15 years) and in its working age population by 15.3% in the period to 2033. The pensionable age population, however, is set to rise by 26% which has significant implications for the Council’s services and those of its partners.

- **Legislative and National Policy change, including welfare reform** - e.g. the Self-Directed Support (Scotland) Bill; anticipated legislation for greater integration between Social Work services and the National Health Service, implications of the Christie Commission. An area of particular uncertainty relates to the demand for services, and potential loss of income, associated with the introduction of Welfare Reform.

- **Impact of the economic recession** - through the loss of local jobs, including high value, high wage jobs and manufacturing jobs. This is projected to affect the high levels of unemployment and deprivation on the area, including youth unemployment. We experience the highest levels of unemployment in Scotland and the second highest level of youth unemployment with 18% of our residents based in SIMD areas. There are also related implications for services from the increasing levels of poor health experienced in North Ayrshire, closely related to the high levels of deprivation. Mortality rates are significantly higher and life expectancy is lower than the Scottish average.

Service Plans

8. Each Council service produces a plan annually which describes the external factors anticipated to impact on its service over the year. These factors include increased demand for the service, legislation and changing technology. The budget pressures highlighted as a result of these factors are put forward for consideration as part of the budget process. The Council has developed the
framework for its long term financial strategy; this will capture information on demand for Services.

Strategic Plans

9. As new strategies and plans are developed, projections are used to anticipate future demands. For example, in reviewing the Council’s sheltered housing, detailed analysis was undertaken of demand and as a result the Council is investing £1.8 million in piloting a new North Ayrshire Council Sheltered Housing Standard. Projections of future school rolls, based on the changing birth rate, are regularly used by Education and Skills in reviewing the school estate.

10. The implications of wider demographic change were considered by the Council’s Executive in April 2011 and the issues arising from a declining population in North Ayrshire. Increasing life expectancy coupled with a declining birth rate means that the ratio of economically active to inactive people in North Ayrshire is also declining. This “dependency ratio” may become unsustainable and is a measure of the strain which is anticipated on public services. It is a performance indicator for both the Council Plan and the Single Outcome Agreement. The Council’s Executive agreed that measures to support population growth should be included in strategic plans and its future vision.

Interaction with other Public Sector Providers

11. Through the CPP Board, the Strategic Management Team and the Community Health Partnership there have been discussions about the anticipated increased demand on services. Various projections are used regularly by partnership groups in developing joint strategies for their consideration.

12. The CPP Board has agreed to take a preventative spending approach, in line with the Scottish Parliament’s Finance Committee recommendations. This has led to a focus on early years intervention work as a means of addressing the anticipated increased demand in the longer term.

13. During a Straight Talking public consultation exercise in 2010 the Council highlighted to its various local communities the potential impact demographic changes and the pressures that this will place on its budgets in future years. This included a presentation on projected population changes by 2018 and 2033. The purpose of the consultation events was to explore with communities their ideas about how these challenges can be tackled.

14. Our Economic Development and Regeneration strategy seeks to provide an additional 23,000 jobs to achieve an economic performance that is at the Scottish average. Much of this effort will involve interactions with other public sector providers including the Enterprise Network, VisitScotland, Skills Development Scotland and DWP.

15. Projections are therefore integrated widely into the Council’s planning arrangements and in its strategic planning with other public service providers.
Public Service Reform

Have you already planned any changes to the ways in which you provide services and work with other public sector bodies? If so, please provide examples.

Has your Council taken any steps to move from a resource-based distribution system to a system which is based on outcomes?

16. North Ayrshire Council has established a transformational change programme to address the challenges of a changing demographic (declining, but ageing population) and a reduction in funding.

Examples of current / planned changes:

Tackling Worklessness

Social Services & Health
- Reshaping care for older people: Balance of care
- Personalisation

Early Intervention and Prevention
- Parenting
- Multi-Agency Support teams
- New early and effective intervention model for young people who offend

Education & Skills
- School estate restructuring / increasing school occupancy
- Cluster working / budget devolution
- Early years / senior phase education: development of alternative models

Sport, Leisure & Recreation
- Review of sport, leisure and recreation services
- Review of halls, community centres and libraries

Streetscene
- New integrated service covering grounds maintenance, street cleansing and cemeteries

Waste Management
- Development of new strategy to align with national Zero Waste Plan
- Investigation of all Ayrshire residual waste treatment facility

Shared Ayrshire service being developed
- Roads
- Regulatory Services
- Tourism
Transport
- Development of centralised transport hub / vehicle routing system

Property Management
- Rationalisation of operational properties / centralisation of their management

Supporting Services
- “soft market testing” exercise as part of an options appraisal
- Procurement – centralisation of function

17. The Council’s Change Programme has adopted programme and project management principles which require the development of business cases that demonstrate the expected outcomes as well as the financial benefits from proposed change projects. An Aggregate Business Case tracks the benefits and costs relating to each workstream within the Change Programme.

18. The service planning and budgeting process also relates proposals to strategic outcomes in the Single Outcome Agreement and/or Council Plan.

Overall funding levels

How will the Draft Budget impact on your revenue income in 2012-13?

What do you see as the longer-term implications of the three-year settlement, including the implications of continuing the freeze on council tax?

19. The Draft Budget for 2012/13 creates a number of pressures on North Ayrshire’s revenue budget, pressures which require to be met within shrinking resources:

- Managing increasing demand for services, this is evident across a wide range of services, including services to older people and increasing demand for children’s services linked to high levels of deprivation. A specific concern, as yet not quantified, is the impact of Welfare Reform.
- Responding to national initiatives and increased regulation e.g. zero waste strategy, carbon trading,
- Containing Inflationary pressures which are significant across a range of commodities e.g. fuel, energy.
- Whilst welcoming the additional resources attached to both Change Funds a pressure is created to identify the contribution which local authorities have to make to this fund.
- Managing a further resource pressure from the inability to increase the Council Tax without any funding from the Scottish Government to compensate for this.
- Loss of flexibility from a number of the Government’s “asks”, in particular maintenance of teacher numbers and passporting the 2011/12 funding level to Police.
20. A further concern associated with the Draft Budget is the application of pension increases to teachers’ contributions. The impact of this will result in a reduction to actual pay at a time of pay restraint and high levels of RPI.

**Reducing Expenditure**

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<tr>
<th>What plans do you have for -</th>
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<tbody>
<tr>
<td>Prioritising specific services and ringfencing funding for them?</td>
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<tr>
<td>Discontinuing services or financial provision to external providers for services?</td>
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<tr>
<td>Achieving further efficiency savings in 2021-13?</td>
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<td>Introducing new or increasing existing charges for services?</td>
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<tr>
<td>Further reducing staff budgets?</td>
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<tr>
<td>Making savings in contracts and procurement?</td>
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<td>Outsourcing services?</td>
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21. The Council has been proactive in its response to the financial challenge it faces. Significant savings / efficiencies have been delivered over a number of years and continues with the development of budget for 2012/13.

- The nature of the financial challenge is such that no Service is exempt from contributing savings /efficiencies and no funds are ring fenced. The significant demand pressures on some services means that the level of efficiencies which require to be delivered is less; the Services which enjoy this protection are Social Work and Education and Skills. Both Services are active in seeking to divert resources to early intervention initiatives.
- The Council’s review of services and requirement to deliver efficiencies has included External providers of Services
- As noted above development of the final budget for 2012/13 is work in progress. The 3 year financial plan developed for the period 2011/12 to 2013/14 had identified a gap for 2012/13; it is anticipated that this will increase as a result of some of the issues identified above
- The Council will explore all options for bridging the financial gap and this may include new or increased charges. Ability to introduce new charges or increase existing charges requires to be approached cautiously given the high levels of deprivation and unemployment in North Ayrshire and the anticipated impact of the Government’s Welfare Reform
- As noted above the Council has embarked on an ambitious transformation programme to develop Services within North Ayrshire but also to respond to the significant financial challenge it faces. The Council is committed, as far as possible, to the protection of jobs; this is a significant issue for the Council given its position as the biggest employer within North Ayrshire and the high levels of unemployment which are prevalent in the area. The scale of the financial challenge and the fact that a significant element of the Council’s budget is staffing costs has resulted in a high number of job losses in recent years and will result in further job losses in future years, the Council seek to do this via turnover and voluntary severance.
- The Council is continuing to develop its approach to procurement and ensuring that best possible value for money is secured from external
providers. A programme of improvements for procurement has been established and it is anticipated this will contribute to the financial gap which the Council faces.

- The Council has already taken a number of decisions which have resulted in a shift in the balance of in house versus procured services e.g. home care and will continue to explore options for alternative services delivery models as part of its transformation programme.
- A robust approach to maximising attendance at work is also being implemented to reduce costs. This has resulted in a significant reduction in sickness absence levels and the council is now one of the top performers, as highlighted by the 2010/11 Audit Scotland national data.

Capital Spending

<table>
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<tr>
<th>What impact has the reduction in capital spending had on your Council’s ongoing capital investment plan?</th>
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<tr>
<td>22. The Council has an ambitious investment strategy around its school estate, town centre regeneration and leisure, with the focus of the investment on developing the local economy and improving opportunity within North Ayrshire. The Council’s funding strategy is a mix of direct funding from the Government with enhanced investment via prudential borrowing. A key consideration in developing the strategy is the future affordability of servicing loan charges in the context of reducing revenue resources.</td>
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<td>23. The Council welcomes the protection of local government’s share of available capital funding but was disappointed to note the reprofiling of capital funding; a particular concern relates to the final “payback” of the reprofiling falling outwith the current Spending Review period. North Ayrshire would welcome reconsideration of the reprofiling being contained within the 3 year period of the Spending Review. Given the financial challenges facing the Council it will not be possible to sustain the original capital programme; as such capital expenditure will slip into future years, this is disappointing as the Council’s investment programme contributes to economic activity within North Ayrshire.</td>
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<tr>
<td>24. North Ayrshire Council requires significant capital investment for flood prevention and welcomes the consolidation of capital funds associated with this to ensure a more strategic approach is taken to resolve flooding issues across Scotland. An important aspect of this consolidation is the undertaking that local government will be able to influence the priority of funding.</td>
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Equal Pay

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<th>Have you made provision for potential settlements of equal pay claims and, if so, what proportion of your budget is this likely to represent? How many cases are still outstanding?</th>
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<tr>
<td>25. The Council has a current reserve of £4.6m, this represents 1% of the Council’s gross revenue budget.</td>
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Welfare reform and other legislation

Have you been able to quantify the additional burdens on your Council that will result from the UK Government’s Welfare Reform Bill?

Are there other areas of potential new legislation or regulation (European Union, UK Government or Scottish Government) that you think will add to the burdens on your Council?

26. The Welfare Reform Bill has reached the Committee Stage in the House of Lords and to date there is insufficient detail upon which to quantify the additional demand the reforms will have on the delivery of Council Services. Indeed it is unclear what role Local Government will have under Universal Credit, Social Fund Administration and Localised Benefit.

a) Local Housing Allowance Reforms April 2011

27. The Local Housing Allowance reforms that took effect from the 1 April 2011 are expected to increase the demand for alternative accommodation and that customers may report to the Council as homeless once the transitional protection starts to reduce from January 2012. The Scottish Local Government Forum Against Poverty estimated the loss of benefit at around £747k per annum. Such a reduction in benefit may increase the levels of homelessness and this may affect the Council’s ability to discharge its homelessness duties and potentially increase the numbers on the Social Housing waiting list. Rent arrears in the private rented sector may increase and this will impact on the Benefits Service with increased landlord requests for direct payment of benefit and customer requests for discretionary housing payments. This may also increase the demand for debt and money advice. The same issues will apply to claimants under 35 when the shared room rate is introduced from January 2012.

b) Localised Benefit Scheme April 2013

28. Council Tax Benefit is to be abolished from April 2013 and is likely to be replaced with a localised scheme but with 10% less subsidy of around £1.6m available to the Council. If this loss of benefit is not provided for either by the proposed scheme or by the Council then this is likely to increase council tax arrears and the charges associated with recovering the debt. This may also increase the demand for debt and money advice.

29. If the new localised benefit is to be applied for then around 10K working age claims will need to be processed and updated to an existing or new IT system before April 2013. This is a significant undertaking in a short timescale.

30. The amount of funding available to administer the scheme is unknown at present.
c) Looked after and accommodated children and numbers on the child protection register

31. The number of children in North Ayrshire who are looked after has increased year on year. From a total of 473 looked after children in 2007 there are now 110 additional children who are looked after, an increase of 25%. Since March 2010 an additional 54 children are looked after, an increase of 10% in a period of 18 months.

32. Registrations on the child protection register show an even more marked increase, particularly in the past twelve months. There are currently 84 children on the register, over double the number (39) at the same time last year. From 1 August 2011 we have started to register pre-birth children and the indications are that this may further increase the numbers on the register.

33. The upward trend is also reflected in the number of children who are accommodated in kinship care and in foster care. There are currently 185 children in kinship care, compared with 34 in 2007 and 171 in foster care, compared with 85 in 2008.

34. The reasons for the increases in the above figures have been identified as the impact of the economic downturn on communities that were already high on the SIMD index, the prevalence of substance misuse and high levels of domestic violence.

Other Issues

Are there any other issues that you would like to draw to the attention of the Committee?

35. We emphasise that tackling worklessness through a new Economic Development & Regeneration Strategy is the North Ayrshire Council’s number one priority. This mirrors the Scottish Government’s overarching purpose of achieving sustained economic growth.

36. The Council presented a Business Case for Change to the UK and Scottish Governments in July 2010 which contained a number of specific asks. We would refer you to that document. Key among these asks is an upgrade to the A737 between Kilwinning (Pennyburn) and the Howwood bypass, particularly the Dalry bypass, which is currently on the Strategic Transport list but with no start date, and a Kilwinning western bypass. Completion of the Dalry Bypass would result in an estimated £4M boost to the areas economy. We again request support to bring jobs to North Ayrshire and have recently met with Scottish Enterprise and SDI in this regard.

37. As noted above, certainty around the Spending Review settlement for future years helps local authorities and community planning partners develop a medium term view of service delivery and transformation. It is important that there is no future reduction to funding from that outlined in the Spending
Review. A particular concern of local government is the balance of funding assumed within the review, in particular the growth assumptions within non domestic rates.

38. The Council has suffered a loss of income in respect of planning application and building warrant fees as a result of the economic downturn. An announcement had been anticipated from the Scottish Government to increase fees which would have assisted with bridging the gap.

39. The Council has a very successful Council House Building programme with support from the Scottish Government (most recently, from the Innovation and Investment Fund announced in March 2011). The Council notes with concern the proposed reduction in the Housing and Regeneration Budget (from £389.6m in 11/12 to £300.8m in 12/13 and to £265m in 13/14) and its potential to hamper continued good progress in this aspect of our regeneration plans.

40. Business Gateway – North Ayrshire Council is the lead authority for the Ayrshire Business Gateway. Any reduction in the resources available to the service will impact across the Ayrshire area. North Ayrshire in particular seeks to increase enterprise and create much needed jobs and such a move to reduce funding would undermine this initiative.

North Ayrshire Council

21 October 2011