SUBMISSION FROM NORTH LANARKSHIRE COUNCIL

Spending Review

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. The Council started producing three-year financial plans from 2001/02, linked to the three-year grant settlement arising from the government’s spending reviews. Since then and until 2009/10, the three-year financial plan was updated annually, based on the budget decisions taken by the Council and the latest estimates of the level of grant income provided by the Government. In order to improve its planning of future services, the Council has further developed its financial planning strategy to forecast resources and cost pressures over a 10-year period. National and local priorities identified in the corporate plan are costed and incorporated into the financial plan.

2. Longer-term settlements are essential to allow proper planning in the short to medium term, allowing the Council to make decisions on services which are in line with the level of resources that will be received. The Spending Review 2011 provides detailed draft budget figures for 2012/13. However, the figures for the remaining years are plans and are not guaranteed. As a result, they provide only an indication of future resources.

3. In the absence of firm figures of grant from the Scottish Government, the Council developed its financial plans based on research following previous announcements from the UK and Scottish Governments. In February 2010, the Council prepared a two-year response to the figures produced for local government last year and approved a savings package of £55 million covering 2011/12 and 2012/13. The figures contained within Spending Review 2011 are broadly in line with the Council’s forecasts. The savings target will be revisited following publication of the local government finance settlement in December 2011.

4. The Spending Review states an intention to invest £500 million on preventative spending initiatives through joint priorities work between national and local government with the main focus being on supporting adult social care, early years and tackling re-offending. North Lanarkshire Council and NHS Lanarkshire have worked closely together for many years to improve the health and well-being of North Lanarkshire residents. The Council would welcome access to funding to continue to develop these services.
5. One of the main recommendations of the Christie Commission was the need to look at early intervention schemes. Local authorities are keen to invest in such schemes through, for example, Social Investment Bonds. The Scottish Government therefore needs to provide more detail and guidance on what they consider to be effective early intervention schemes and provide detail on how public agencies would be incentivised or rewarded for spending on prevention rather than addressing current problems. The Government must support early intervention and be prepared to fund initiatives that will accrue benefits in the medium to long term. This can be achieved by linking early intervention to national outcomes. Government must also set out clear guidelines on the body of evidence required to justify these programmes.

6. The Council agrees with the government’s approach that spending on prevention provides better solutions for individuals and reduced future costs. Emphasis should be on tackling the root causes of disadvantage and inequality rather than spending money in dealing with the symptoms. The government proposes to increase the Change Fund, currently held within the NHS, supplementing it with resources from local authorities. Given that much of the work of early intervention and prevention is carried out by local authorities, resources should be targeted at those services.

7. It is correct to encourage public sector providers to work in partnership. However, different financial regimes in which they operate can provide a barrier to increased partnership working. For example, there are significant differences between the VAT arrangements of local authorities and health authorities, which can make partnership working both difficult and costly to ensure that the agreements between both parties are within the law and are tax efficient. Consideration must be given to removing such barriers to make joint working possible.

8. There is no mention in the Spending Review of the Town Centre Regeneration Fund as a contribution to making town centres more attractive places to do business.

9. The TCRF was an important intervention for local authorities to not only invest in town centres, but also leverage in further funding contributions from the private and third sector. More clarity on the Scottish Government’s commitment to the TCRF would help local authorities plan their investment programmes in town centres.

10. In addition, the lack of clarity and resource allocation to the Vacant and Derelict Land Fund is a concern for local authorities that have particularly high levels of under developed and contaminated land. The VDLF has been a crucial source of funding in addressing market failure: for example, redeveloping land that has not been used by the private sector because of the decontamination or preparatory work required to bring it back into productive use. VDLF has therefore been used to make land economically viable for private sector developers and been a major catalyst for investment in local authorities. It may be the case that VDLF is included as part of the local authority settlement, but greater clarity on this would be helpful.
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?*

**Impact of Recession:**

11. The recession has had a direct impact on demand for Council services, putting greater strain on already stretched Council budgets. North Lanarkshire Council has suffered disproportionately from the impact of the downturn in the economy with the number of Job Seekers Allowance claimants rising from under 5,000 in 2008 to over 11,500. Life expectancy is significantly lower than the Scottish average (76.2 years compared with the Scottish average of 77.8), although demographic trends project that the percentage of the population over 65 years will increase considerably in the coming years.

12. There is a pressing need for capital investment to support the regeneration of the local economy. Asset management plans also highlight the scale of investment required in the Council’s infrastructure, particularly to provide schools that are fit-for-purpose in the 21st century. However, resources are extremely constrained as a result of reductions in government grant and capital receipts.

**Long Term Financial Planning**

13. Extending its financial planning framework from three years to ten years has helped it to react to the financial situation. The ten-year financial plan recognises the challenges likely to face local government in coming years, and also the impact that demographic changes could have on Council finances. With a view to assisting future Council decision making, the ten-year plan recognises the key cost pressures that the Council is likely to face in coming years, including:

**Employee costs**

- Scale progression, increased employers’ pension contributions and NI contribution rate

**Demographic changes**

- Population data and trends were obtained from GRO(S) to allow anticipated costs for demand-led services (eg supported living, home care and residential accommodation) to be built into the Council’s financial strategy. The Council’s population is expected to grow by about 3.7% by 2031 (2006 base), in line with the expectation for Scotland as a whole. However, significant changes are expected within particular age groups, notably the number of elderly residents.

- Services to the Elderly – the number of elderly residents will continue to increase annually by around 2%, resulting in expected increases of 30% by 2020 and 61% by 2031. This will invariably result in a number of pressures which the Council has considered. By way of an example, the Council estimates that by financial year 2020-21, around 6,000 additional elderly residents (6%) of that age group could be expected to require high cost social work services. Whilst the Council aims to satisfy the need for its population, the climate of fiscal restraint is likely to require the Council to also seek
alternative and innovative ways of managing this substantially increasing demand.

- Children’s Services – planning assumptions recognise the continuation of an increasing number of vulnerable children within the Council area requiring services such as assisted personal care, supported living or looked-after placements.

- From 2008-2009 onwards, the Council recognised that per annum, around 90 to 100 of our younger residents have specialist needs, and therefore require high levels of assisted personal care or supported living when they leave school. To this end, annual funding of £0.8 million has been incorporated into the revenue budget. Although difficult to predict with any certainty, it is estimated that the trend of around 100 young people per annum requiring specialist services will continue for the duration of this long-term strategy, hence budgetary provision at this level, adjusted for inflation, is reflected.

- In line with other authorities across Scotland, the number of vulnerable children requiring a service has been steadily increasing in recent years. In the baseline 2010-2011 year, the Council provided additional funding of £0.250m to support placements for a total of 207 children; it is envisaged that this level of funding will be required annually, adjusted for inflation, for the duration of this long-term strategy, resulting in recurring annual provision of £0.345 million by the year 2020-2021. The Council acknowledges however that alternative action needs to be taken to address this increasing and unsustainable cost. Plans are therefore underway within Housing & Social Work to utilise wherever possible alternative care options such as Kinship Care and Fostering, thereby minimising the proportion of children requiring looked-after placements.

Recycling and Waste Initiatives

- In recent years, the Council has recognised that it is essential to move away from the culture of disposing of waste through landfill, and has therefore provided funding to support the “Recycle for Good” initiative and the development of a residual waste treatment facility.

- The Council’s long-term financial plan incorporates the balance of funding previously approved by Council to support these initiatives, and also recognises some £1.8 million investment over the next three years to align with the future development of the Council’s strategic waste requirements. It is assumed that inflation of 2% will apply until 2017-2018, when an inflation index of 2.5% is assumed thereafter to reflect the government’s anticipated growth in public spending, as outlined within the Outlook for Scottish Government Expenditure” report of April 2010.

14. The expenditure projections, reflecting these cost pressure areas, were compared against the projected resources available, which were estimated utilising various researchers’ forecasts of future UK and Scottish Government expenditure, council tax and other income. This identified a significant funding gap until 2014/15, informing the level and timing of savings required. The forecasts remain broadly consistent with the Draft Scottish Budget published on 21 September 2011.
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.*

Change Management Programme

15. The Council’s change management programme, Service and People First, was introduced in November 2006 and became fully operational from 1 April 2007 onwards. At the time, it represented a major shift in the way our council was structured and governed. Priorities and emphasis moved towards greater efficiency, redirecting resources to frontline services, making the best use of the workforce and adopting a customer first and ‘can do’ attitude in all services. At that time a target was set of generating a minimum of £50m efficiency savings over the five year timespan of the programme - 2007/08 to 2011/12. In 2009, because of the scale of the financial uncertainties facing the Council, Service and People First was extended to 2013/14 through a Transformation Programme. As a result, the efficiency agenda and continuous improvement activities are co-ordinated within a single programme. These efficiencies and other improvements to the way we do our business have resulted in year on year savings in excess of £91m by 2012/13.

Alternative Service Delivery Methods

16. North Lanarkshire Council has a number of well established and successful mechanisms in place for alternative methods of service delivery including:

- **The Public Private Partnerships** joint ventures for roads, street lighting and winter services, property repairs and maintenance, and central heating repairs and maintenance were established in 1998, returning steady profits to the Council for the past twelve years and supporting economic development through apprenticeships and vocational training schemes. These contracts were re-tendered in 2011, resulting in a further saving of £6m per year;

- **Education 2010** PPP project provided 24 new schools, financed through public bonds, the first schools PPP deal to be financed through bonds issued on the sterling capital markets traded on the UK stock exchange. This secured a positive financial outcome for the council, establishing estimated savings of between £500,000 and £800,000 per year on the unitary charge paid over the 30-years contract;

- **A Sports and Leisure Trust** was established in 2006 to deliver financial savings and to improve access to sports and leisure facilities for the residents of North Lanarkshire.

17. Opportunities for further review of service provision currently underway include the possible externalisation of cultural services (libraries, museums, community facilities, etc.) within a stand alone NPDO and externalisation of the non-operational property portfolio (business centres, industrial estates, etc.).
Clyde Valley Shared Services

18. The Council is a founder member of the Clyde Valley Community Planning Partnership and has fully engaged in work to examine the potential for shared services from the outset, recognising the need for shared services to be considered across public services, where this is appropriate and deliverable.

19. There are 4 key work streams within the Clyde Valley portfolio that have been identified as having the greatest potential to generate efficiency savings and improve service delivery:

- developing an approach for support services;
- an integrated waste management approach;
- social transport and fleet management; and,
- an integrated health and social care service.

Shared Support Services

20. Following consideration of a Detailed Business Case for shared support services (encompassing Customer Access, Finance, HR/Payroll, ICT and Revenues and Benefits) the Council has agreed in principle to the development of a shared support service subject to further reports on the governance arrangements, completion of an equality impact assessment, final business plan, resource requirements and risk assessments.

Waste Management

21. In terms of waste management the Council has agreed to participate in the creation of a new organisation for the future treatment and disposal of waste and further agreed to participate in a joint procurement process for residual waste.

Social Transport and Fleet Management

22. A pilot exercise is underway examining scheduling and planning for education (Additional Support for Learning - ASL) and social work transport provision and the re-allocation of taxi journeys to identify down-time within the bus fleets of Glasgow City and Renfrewshire Councils. SPT are also undertaking a detailed scheduling exercise with all Clyde Valley Authorities’ 2011/2012 ASL School and Social Work client runs, to identify individual and joint savings that could be realised by utilising their software scheduling system and data is currently being collected from each Council. Work has also started to develop a shared policy for Social Transport provision.

Health and Social Care

23. The Council initially participated in all five elements associated with this workstream – namely children’s services; adult social care; national care home contract; training and development; and telecare/telehealth. However, because the Council is already implementing a number of the approaches being considered by this Clyde Valley workstream, it is unlikely that the Council will be able to make the forecast savings although they may assist in contributing to cost avoidance in some instances.
Has your Council taken any steps to move from a resource-based distribution system to a system which is based on outcomes?

24. No immediate plans exist to move from existing resource based budgeting and monitoring basis.

Overall funding levels

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

25. The long-term financial plan used various researchers’ forecasts of future UK and Scottish Government expenditure to project the total level of government grant and also contains estimates of council tax and other income. These resources were compared with the expenditure projections outlined above and identified a significant funding gap until 2014/15. This was used to inform the level and timing of savings required to balance the projected budget. The forecasts used remain broadly consistent with the Draft Scottish Budget published on 21 September 2011.

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

26. The Council has an excellent track record in restricting council tax increases, achieving the lowest council tax increase in the west of Scotland. However, while the Council would do everything in its power to minimise council tax increases, the imposition of a freeze in council tax limits the flexibility of the Council to react to local issues within the very challenging financial environment. The resources provided by the Scottish Government to “compensate” councils for the loss of increased council tax resources are mitigated by the fact that they are contained within the overall “flat cash” settlement and are not additional resources to local government.

27. The freeze in council tax means that income received from local council tax payers has been contributing less and less each year proportionately to the Council’s total income, potentially calling into question the future of local taxation. At the very least, the reduced share of total resources coming from council tax will increase the “gearing effect” of changes in government grant on any future council tax decisions.

Reducing expenditure

What plans do you have for—

- Prioritising specific services and ringfencing funding for them?
- Discontinuing services or financial provision to external providers for services?
- Achieving further efficiency savings in 2021-13?
- Introducing new or increasing existing charges for services?
- Further reducing staff budgets?
• **Making savings in contracts and procurement?**

• **Outsourcing services?**

28. In 2010, the Council agreed to develop a financial savings package totalling £55m for the two following financial years, 2011/12 and 2012/13. The approach taken was to review all services on the basis of service priority and to consider the impact of the savings proposals in general terms and specifically on the Single Outcome Agreement.

29. The prioritisation exercise considered:

- Statutory responsibility to deliver the service;
- Contribution towards Council policy / achieving targets within the Corporate Plan;
- Relevance and priority for customers, residents and service users; and
- Comparative costs to deliver the service.

30. Draft savings options were then evaluated for their impact on e.g. frontline service delivery and were the subject of separate equality impact assessment.

31. The proposals for 2012/13 still stand and will be considered as necessary in the light of the publication of 2012/13 grant figures in the local government finance settlement.

32. Since 1996, North Lanarkshire Council has had a commitment to efficient service delivery with efficiency savings being a fundamental part of the Council’s financial planning strategy. However, the changing economic environment meant that efficiency savings alone would not be sufficient and a strategic approach to delivering savings of the magnitude identified was established.

33. The Council is presently developing implementing the initial findings of its own consideration of income generation as part of the Transformational Programme.

34. Given the scale of savings required and the proportion of the total costs of services that relates to employee costs, it is inevitable that the Council will have to continue to review staff budgets. Workforce deployment is a key element of the Council’s Transformation Programme and savings targets, with targeted savings of £23.8m in 2011/12 and 2012/13.

35. The Council has an excellent track record in making procurement savings over recent years with total savings of £1.8 million in 2011-12. As above, a tendering exercise for the PPP joint ventures for roads and property maintenance resulted in a saving of £6m per year with each partner also required to deliver efficiency savings. It is anticipated that further savings will be made in the future from similar exercises and from national procurement contracts. However, potential savings will need to be balanced against the desire to protect local businesses.

36. As noted earlier, the Council is currently investigating the externalisation of cultural services and non-commercial property...
Capital Spending

**What impact has the reduction in capital spending had on your Council’s ongoing capital investment plan?**

37. Despite reducing government grant, the Council’s capital investment, including ambitious schools and housing projects, increased from £121m in 2008/09 to £177m in 2010/11 with £204m projected for 2011/12. A total funding package of £226m has been established, including self-financed prudential borrowing and capital receipts, and work is underway on the Council's Schools and Centres 21 programme. Scottish Government capital grant funding for one school within the project has now been converted to NPDO, resulting in delays to the commencement of the project. Work is underway to identify resources for the next phase of school improvements.

38. The ability to respond to the needs to stimulate the local economy has been hampered by the reduction in government grant. The Cabinet Secretary for Finance, Employment and Sustainable Growth, in presenting the Draft Budget, referred to the powers of local government to borrow for capital expenditure to make up for the reduction in grant. The cost of this additional borrowing, however, would have to be found from already severely constrained revenue budgets so that it is difficult to see how this can be achieved within the current financial settlement.

Equal Pay

**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?**

39. During 2010/11 a further provision of £15.257m was made for equal pay, which represents 1.9% of the revenue budget for that year. This brought the total provisions for equal pay made since 2005/06 to £48.041m. Payments totalling £30.751m have been made, leaving the balance at 31 March 2011 of £17.290m. 1,466 claims have been intimated that remain outstanding.

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?**

40. Direct implications for the Council include the need for additional welfare benefit officer support of individuals at social security tribunals. This would have a small impact on the budget (approximately £100,000 per year).

41. A far greater concern is the impact on the local economy of the introduction of the proposed welfare reforms. A recent briefing note to Council members highlighted the following potential effects:

- Migration of Incapability Benefit to Employment and Support Allowance: potential loss to the local economy of £18m;
- Reform of Disability Living Allowance: potential loss £21m;
- Housing Benefit: potential loss £3m;
• Other unquantified impacts include Abolition of Social Fund (Community Care Grants and Crisis Loans), Universal Credit and moving the uprating of benefits from RPI to CPI.

42. A high number of housing and social work service users are dependent on benefit for income. Therefore, the measures outlined by the UK Government will impact on them with potential effects both in terms of charging for and demand on the Council’s services.

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?

43. The change in empty property relief proposed in the Draft Budget and Spending Review will have an effect on the amount of non-domestic rates paid by the Council. Initial estimates suggest additional costs of around £900,000 would be incurred if the ending of relief was implemented. This relates mainly to industrial and commercial rents for business centres, industrial estates, etc. The figure has increased as a result of the economic downturn that makes these properties harder to let.

Other issues

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

44. North Lanarkshire Council has been successful in increasing council tax collection rates (from 86.2% in 1999/00 to 94.5% in 2009/10). Although it was expected that collection rates would fall in the economic downturn, efforts to follow up arrears and support individuals in difficulty resulted in a slight improvement in 2010/11. Similarly, rates for non-domestic collection have also improved in recent years. However, it is clear that the continuing economic situation is taking its toll on residents and local businesses and it will be extremely difficult to maintain collection rates going forward.

45. On a related issue, the Draft Budget highlights an increasing proportion of the resources funding local government coming from non-domestic rates. The current practice of funding local government is that the Scottish Government forecasts the total income from non-domestic rates and includes this as part of the distribution of General Revenue Grant to local authorities. At present, the Scottish Government bears the risk of its forecast of total non-domestic rates not being achieved. Given the increased prominence of non-domestic rates within the overall settlement for local authorities, confirmation is required from the Scottish Government that it will continue to guarantee the forecast non-domestic rates level so that, if the forecast is not achieved, the Scottish Government will bear the cost of the shortfall and not pass it to local government.

North Lanarkshire Council

26 October 2011