SUBMISSION FROM SCOTTISH BORDERS COUNCIL

Spending Review

1. The publication of the spending review and draft budget in September is clearly useful in providing an indication of the overall financial parameters and priorities of the Scottish Government. It is understood that, while draft figures at national level have been published for 2012/13, future year’s funding are indicative only and must be viewed in this context when forming any view of the helpfulness of the settlement.

2. Firm figures will not be available until December for each local authority and it is at this juncture that an informed view of the impact of the settlement on Scottish Borders Council will be possible.

3. While understanding fully the constraints under which the Scottish Government is operating, Councils, and their community planning partners, are increasingly recognising that longer term strategic planning is the key to delivering the changes which will be required to assure public services can operate effectively within a framework of reduced resources. In this regard the continued focus on one year funding is a limiting factor.

4. In the Scottish Borders the Single Outcome Agreement (SOA) and community planning is led by the inter-agency Borders Strategic Board, which has provided the strategic policy framework for inter-agency working.

5. The SOA has involved translating the national outcomes into local outcomes and ensuring that there is a golden thread running through from strategic planning to business plan objectives. The work has been positively recognised and supported by the Scottish Government by the liaison officers who have attended the meetings of Borders Strategic Board and in various national audits of community planning.

6. The relations between partners in developing and implementing the Scottish Borders SOA have been very constructive. This has been helped by the coterminous boundaries between NHS Borders, the Borders Division of Lothian and Borders Police and Borders College; and the Scottish Borders Compact with the voluntary sector which has now been mainstreamed into partnership working.

7. A review is taking place to refresh the vision and develop our Council priorities. This review will be driven from an evidenced based approach and will focus on early intervention; empowering individuals, families and communities; economic development and key structural matters relating to broadband, transport, renewable energy, affordable housing, and recycling; and the sharing of public services.
8. In the meantime the Council has identified nine priorities based on the present SOA to take account of in budget setting. These are:
   - We will drive up attainment and achievement for all our learners
   - We will refresh our early years services helping to ensure young people get the best start to life by offering help and support at an early point
   - We will ensure individuals within the Scottish Borders are protected and feel safe in their homes and communities
   - We will improve health and wellbeing of Borders communities
   - We will recognise the world class environment of the Scottish Borders and in developing our plans and services ensure we do everything possible to protect and enhance it.
   - We will develop a low carbon economy which delivers economic growth and quality of life improvements at the same time as minimising carbon emissions
   - We will address the needs of the growing older population by jointly reshaping services and working in partnership with communities.
   - We will promote social inclusion by tackling poverty, homelessness and inequality
   - We will ensure that Scottish Borders Council operates as an effective, efficient organisation

**Increasing Demand for Services**

9. The Council recognises that longer term demographic shifts in the population of the Borders means it is essential we plan effectively for the changes that will be required to deliver services which best meet the needs of our population in the medium to longer term.

10. The Council is presently developing a ten year strategic funding model which fully incorporates the financial implications of demographic shifts, for example, with regard to significant projected increases in the numbers of older people living in the Borders, increasing numbers of vulnerable children and increasing numbers of children with profound medical difficulties surviving into adulthood.

11. This model will recognise that growth in demand for services in these areas must be matched by appropriate levels of funding and this at a time of fiscal constraint will require greater levels of efficiency in other areas and prioritisation of spend away from non-core areas to meet these growth areas. This work is being informed by a recent reinstatement and simplification of the strategic priority outcomes being pursued by the Council in line with the objectives of the Single Outcome Agreement. This work will, it is intended, also focus efforts across the community planning partnership to deliver our local priorities.
Public Service Reform

12. Scottish Borders Council has an ongoing Business Transformation Programme which has focused over the last few years on radical service reorganisation and more flexible working by staff. Examples from this programme are:
   - Integrated children’s services delivered through a locality model structure
   - Services for older people delivered in on locality and person centred basis
   - The reorganisation of the Environment and Infrastructure services
   - The development of Borders Sports, Leisure and Recreation Trust

13. There has also been a range of partnership initiatives aimed at sharing services, examples are:
   - The co-located and integrated Child Protection Unit bringing together key Council services together with NHS Borders and the Police to focus on supporting children and families
   - The co-located and integrated Safer Communities Unit bringing together the Council and Police to focus on tackling crime, anti-social behaviour, domestic abuse and violence against women, and road, fire and home safety concerns
   - The joint appointment by the Council and NHS Borders of a Director of Public Health
   - The joint services between the Council and NHS Borders in the delivery of mental health, learning disabilities and adaptation equipment.

14. Examples of joint working with other local authorities include:
   - The SVQ Assessment Centre Partnership involving Scottish Borders Council (Social Work) and Midlothian Council
   - The South of Scotland Alliance, with Dumfries and Galloway Council and Scottish Enterprise, on the South of Scotland Broadband project, the South of Scotland Forum and European projects etc.
   - The joint Education CPD Programme with East Lothian, Mid Lothian and Edinburgh.
   - The Strategic Development Plan (SESPlan) work for Edinburgh and South East Scotland
   - The South East Scotland Transport Partnership (SESTRANS)

15. Future work is being developed through:
   - Inter-Agency Early Intervention Seminars aimed at developing a stronger approach to early intervention the Scottish Borders
   - The pilot Cheviot programme between the Council and NHS Borders, which includes Kelso and Jedburgh areas which aims to ensure that individuals can live safely in the community for longer, thereby reducing the need for hospital care or residential home care.

16. The Council intends to take the opportunity afforded by the Change Funds to further early intervention and prevention work in partnership with NHS Borders, the Police and the 3rd Sector.
Overall Funding Levels

17. As noted previously, detailed funding projections for Councils will not be available until December. This makes any pronouncement on the impact of the spending review on the Council’s income problematic at this stage. In saying this, there have been no major surprises for the Council following the spending review, and the assessment of officers is that the settlement, while challenging, is largely in line with expectations. Decisions regarding the early delivery of efficiency savings and down sizing the Council’s workforce taken in previous years mean the Council is well placed to deal with the impact of the settlement.

Council Tax

18. The continuing freeze on Council Tax is however beginning to impact upon the flexibility of the Council to resource local priority areas. This is particularly the case with regard to capital expenditure where the previous ability to flex the Council Tax to address capital priorities is now precluded. The reduced flexibility is particularly prescient given the reduction indicated in capital expenditure during the early years of the spending review. In essence, any attempt to compensate for this end loading of capital resources must be delivered through further efficiency savings in revenue budgets. The Council is closely monitoring the situation to ensure long term capital borrowing remains sustainable and within prudent limits.

19. One unintentional consequence of the on-going Council Tax freeze may manifest itself in a risk to the credit rating of local authorities, and central government and Scottish Councils must be vigilant to this risk. The inability to vary income through tax raising powers at a time where Councils are facing pressure through long term contractual commitments (e.g. PPP) and a squeeze on capital may cause concerns to lending institutions with a consequent impact on borrowing costs.

Reducing Expenditure

20. The Council will, as noted previously, be seeking to prioritise core services in 2012-13. It is too early to provide the Committee with detailed information on this point. A logical extension of this prioritisation exercise may be that services have to be reduced, reconfigured or stopped. One specific example from the Scottish Borders is work ongoing to integrate library services and contact centres in a number of Border towns. This initiative will see services redesigned – protecting customer facing activity while reducing staffing levels and the number of buildings currently utilised for service delivery. The work to redesign internal support services via a Business transformation project is also progressing alongside the Customer first Programme. These initiatives are designed to modernise the Council’s business processes and deliver significant efficiency savings.
The Council’s working assumption is that the budget for 2012-13 will require further significant efficiency savings. By way of example savings of £5.87m are required in the current year 2011/12 which are being delivered by departments to ensure the budget is balanced and priority areas are funded.

Any new charges for services, and charging levels, will be reassessed as part of the budget process and any changes approved in February 2012.

The Council will continue to make use of low cost/no cost options to reduce the size of its workforce while ensuring operational requirements are not compromised.

Savings from contracts and procurement are a major focus of our efforts to ensure the organisation is as efficient as possible and this strategy will continue through the budget 2012-2015.

21. The Council implemented a pay restraint policy from 1 April 2011. A temporary freeze on incremental pay progression over the next two years has been agreed with the Trade Unions for all staff earning over £21,000 per annum. In addition the Council has introduced the “living wage” of £7.15 per hour. A formal commitment has been given to ensure no compulsory redundancies over the period of the increment freeze. In the current year and next financial year pay awards have also been frozen in order to help address cost pressures.

Capital Spending

22. The Council’s capital budget has declined from £30million in 2006/07 to a projected £17million from 2014/15 onwards in response to declining capital funding from Scottish Government and the need to limit the burden on the revenue budget of increased loan charges.

23. The Council, however, is keen to secure continued investment in public sector infrastructure to support the local economy. The Council will therefore evaluate the impact of change in the profile of capital within the settlement and will seek to use the opportunities afforded by the prudential framework to support investment whenever possible.

24. A more refined methodology is now in place for determining capital projects, with strict set criteria establishing whether a project is included in the three year programme. This inevitably leads to a number of valid and necessary projects not ‘making the cut’ and there is concern that over the medium to long term this will have a serious impact on the Region’s infrastructure. This is almost certain to reflect the national picture.

25. The Council produces a ten year strategic capital plan which plots the direction of travel for infrastructure and other Council assets. Obviously assumptions have to be made in terms of funding and this leads to an element of uncertainty.
26. The Council has in the past used capital receipts from asset disposals to supplement its capital financing. This is now more challenging in the subdued property market. By way of example, the Council planned to sell three High School properties following the building of three new High Schools via a PPP project. Those sales have proved impossible in the current financial climate, causing a significant loss of capital receipts whilst incurring ongoing upkeep costs.

27. Alternative funding options are being pursued but opportunities such as Tax Incremental Financing and the issues of bonds are unlikely to be appropriate for a Council of this size. In addition the Council will have to borrow for Voluntary Severance / Early Retirement schemes, causing further pressure on borrowing costs.

28. The Council is actively working to ensure the impact of the slowdown in the national housing market is minimised in the Borders through partnership with local housing associations.

Equal Pay

29. Equal pay compliant pay structures were implemented under the modernising pay project across the council in November 2008. The majority of equal pay claims have been settled with only 53 known equal pay claims outstanding.

Welfare reform and other legislation

30. The UK Government is undertaking a programme of wholesale reforms to the welfare system which impact extensively on both Housing and Council Tax Benefit. Legislation has already been passed to introduce some of the changes but the major changes proposed are within the Welfare Reform Bill.

31. During 2010/11 Housing Benefit awards totalling £25.9m were made by Scottish Borders Council. In the same year Council Tax Benefit awards of £6m were made. A further £16k of Discretionary Housing Payments were awarded. The vast majority of this expenditure is funded through the subsidy received from the DWP. There are some categories of award which the Council must fund and last year these totalled £524k.

32. To administer both Housing Benefit and Council Tax Benefit, the Council receives an amount each year from the Department of Work and Pensions (DWP). The amount received for 2010/11 was £1m. This subsidy is used to cover all costs relating to the administration of these benefits with the largest costs being staff and IT systems.

33. The Welfare Reform Bill is still being considered by the UK Parliament. The Bill contains the legislative provisions for the introduction of a universal credit, to be paid direct to claimants, that will replace existing in and out of work benefits and credits for people of working age.
34. The main focus of the changes by the UK Government has been to limit the level of Housing Benefit which is being paid to private sector claimants. The combined changes will result in a reduction in Housing Benefit awards within the Scottish Borders of somewhere in the region of £700k per year.

35. The DWP are expecting local authorities to use Discretionary Housing Payments to minimise the impact of these changes. However, the additional funding DWP are making available next year for this is likely to go, in the main, to those areas like London who are experiencing the highest levels of reductions. On this basis, as the level of demand will considerably outstrip the level of funding available, a new policy on making these payments is being drafted for consideration.

36. The Welfare Reform Bill is likely to leave many substantial factors to be determined by regulation. It is understood that these will be issued by the DWP. This means that the full impact of these provisions will not be fully understood until the Bill is passed into legislation and the regulations are produced. However, the Bill does signal the broad areas of change and it is clear that this legislation will impact extensively on individual local authorities. The Convention of Scottish Local Government (COSLA) has submitted a detailed response to the UK Parliament’s Welfare Reform Committee. It is essential that the views of local authorities are taken into account during the development of the legislation and prior to the issue of any proposed DWP regulations.

Yours sincerely

TRACEY LOGAN
ACTING CHIEF EXECUTIVE

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