Local Government and Communities Committee

Scrutiny of the Draft Budget 2017-18

Submission from West Lothian Council

1. We want to hear your views on the impact of budget reductions to date on local services etc.

Response:
West Lothian Council has implemented £83.1 million of budget savings in the years 2007/08 to 2016/17, with a further £8.4 million currently required for 2017/18. This represents a significant reduction delivered through efficiencies, income generation and service changes. To minimise the impact of reductions on local services, the council developed a strategic priority based approach called Delivering Better Outcomes to target resources to the council and Community Planning Partnership’s key outcomes and priorities. The council developed this strategic approach to financial strategy and corporate planning however financial planning for future years was extremely difficult due to the lack of certainty around grant funding. A strategic approach to financial and corporate planning ensures that the council can respond proactively to the magnitude of the challenge in delivering essential services whilst financial resources are constrained. Within this context, the council has been able to prioritise resources to key service areas and has been able to maintain and improve performance in key indicators whilst achieving Corporate Plan outcomes. It should be noted however that this level of savings has resulted in substantially reduced staffing levels throughout the council. As identified in the Accounts Commission’s Overview of Local Government in Scotland 2016 report, by reducing workforces to achieve savings, councils risk not having employees with the knowledge, skills and time to design, develop and deliver effective services in the future.

Although the council has been able to deliver savings to date with a minimum impact on direct service delivery, it is increasingly likely that the period ahead will see fundamental changes in the delivery of services if funding reductions continue. At this stage it is very difficult to identify the potential impact on local services as the council does not have a 2017/18 or longer term funding settlement from the Scottish Government.

It is essential that the Scottish Government properly funds local services. If a sufficient level of funding is not provided for both revenue and capital, it is inevitable that further cuts will be required across all council services and to approved capital investment programmes. It is also important that councils are provided with the flexibility to set local taxation with councils being able to retain the funds raised to support the delivery of services in local communities. In the context of further funding reductions, it is foreseeable that services that do not deliver the council and Community Planning Partnership’s key outcomes and priorities will need to be reduced or stopped entirely.
2. We want to hear your views on the extent to which local authority spending decisions prioritise funding for policies that are likely to reduce inequalities.

Response:
West Lothian Council developed an integrated approach to corporate and financial planning in 2013 to ensure that revenue and capital budget strategies and annual budgets are based upon the shared priorities outlined in the Corporate Plan and Single Outcome Agreement. The council’s priorities, which were widely supported in a community consultation, are as follows.

- Deliver positive outcomes and early interventions for early years
- Improve employment position in West Lothian
- Improve attainment and positive destinations for school children
- Improve quality of life for older people
- Minimise poverty and the cycle of deprivation, and promote equality
- Reduce crime and improving community safety
- Deliver positive outcomes in health
- Protect the built and natural environment

These priorities underpin all of the council’s activities and were considered when developing budget measures to ensure resources are targeted to priority areas. By using this approach, the council makes decisions that prioritise funding to those areas where the quality of life for people in West Lothian can be improved. This reduces inequalities through making a lasting and sustainable impact on the local area and the lives of residents. In addition one of the council’s key priorities is to promote equality through minimising poverty and the cycle of deprivation whilst promoting equality. Resources have been allocated to activities such as delivery of the council’s Anti-Poverty Strategy, providing additional school clothing grants and free school meals and breakfast clubs. The council continues to focus on in-work poverty and low pay, including payment of the Living Wage to council staff and externally contracted social care staff.

3. We therefore invite written evidence on how General Fund Balances are used by local authorities and in particular the extent to which the General Fund Reserves are being used to offset savings in the short to medium term.

Response:
The principal focus, when considering future financial strategy, is to ensure that sufficient funds are held in reserve to deal with the financial consequences of uncertain future events. Taking account of the significant financial pressures facing the council in future years, West Lothian Council’s uncommitted General Fund Balance is currently £2 million or 0.5% of budgeted net expenditure and has been at this level since 2013/14. Although this is amongst the lowest uncommitted balances held by Scottish Local Authorities, the council does have earmarked funds, such as the Modernisation Fund, to cover the costs of implementing measures that will deliver future savings for the council.
To date West Lothian Council has not had to apply General Fund Reserves to offset savings in the short to medium term. The council has been able to balance annual budgets through approval of recurring budget saving measures. Any delay in the implementation of budget measures in year has been covered through the application of one off time limited savings. The council has not used reserves to offset savings previously and, given the modest level of the General Fund Balance, this will not be a potential means of offsetting future savings. It is also worth noting that balances can only be utilised once and will therefore never be a recurring, sustainable means of balancing a budget.

4. What are your views on the range of local authority activities that should be considered ‘local government budget’ as compared with funding that is provided elsewhere but which may support local government activities and outcomes?

Response:
Councils are increasingly working with community partners to deliver a range of services to local communities with funding being allocated to other bodies. It is important to be aware of the full cost of delivering services but particular care should be taken to ensure that including other funding is not used to mask general reductions in the level of funding provided directly to councils. Any funding provided to cover the cost of services delivered in partnership with others is welcomed but it would be more helpful if funding for local government services was included within the defined local government settlement.

Housing Supply Budget

5. We want to hear your views on:

- How well the centrally managed funding programmes are managed, what outcomes they deliver and do they represent value for money?

Response:
In West Lothian, the centrally managed funding programmes for the Help to Buy scheme, Open Market Shared Equity (OMSE) and Home Ownership Support Fund seem to be well managed and deliver what is required to support home ownership.

West Lothian has a particularly strong record in relation to OMSE and Help to Buy with in excess of 500 individuals being assisted to buy property between 2012/13 and 2015/16. The OMSE has been particularly successful in providing assistance to home owners in Deans South, Livingston enabling them to relocate from the area. The OMSE scheme seems to have provided good value for money as government funding is repaid when the property is sold.

- To what extent are the innovative funding packages leading to a change in the way affordable housing is being delivered?
Although innovative funding packages have not been widely used in West Lothian, there has been an increase in provision of new tenures such as mid market rent. There is an acknowledgement that some of the funding models have helped bring forward difficult sites. Through the mid market rent invitation, Registered Social Landlords (RSLs) can further develop mid market rent opportunities.

One issue worth noting is that some of the funding models can be short term in nature whilst housing supply generally requires long term certainty meaning that these models are not affordable in perpetuity. For the National Housing Trust (NHT), the five year commitment to affordable housing is fairly short term and requires acceptable housing solutions after the period ends, increasing pressure on mainstream housing supply. Although not an issue in West Lothian, some of the NHT developments are approaching the end of the five year period potentially creating implications for both the tenants and landlords. For the Scottish Government mid market rent invitation the commitment is 25 years. Although this is medium term, there is still some uncertainty about what happens to tenants after the end of the period.

It is important that mid market and private rented solutions provide sustainable, long term options so that tenants have a good understanding of the implications of their tenure choice. It also will give a greater degree of certainty for landlords.

- The extent to which the centrally managed funds support development of the appropriate mix of affordable housing to meet housing needs (such as mid-market rent as compared to social rent or private rent)?

Response:
In West Lothian, although the highest need is for social rented housing, there is also need for below market rent. The centrally managed funds do support below market rent but sometimes the models are confusing to understand and may only suit fairly limited sites/RSL delivery. It may be more beneficial to have fewer funding stream but greater flexibility to enable providers to deliver the most appropriate tenure solution to meet the needs of the area. One option may be to increase the grant subsidy levels per unit. This would replace a range of other funding streams and would reduce the administrative burden in terms of determining criteria, applying for funding, assessment and ongoing monitoring of expenditure.

6. To what extent do the Resource Planning Assumption and the Strategic Local Planning Agreements processes effectively enable local housing needs to be prioritised and resourced?

Response:
Both the Resource Planning Assumptions (RPA) and the Strategic Local Programme Agreements are effective in enabling local housing needs to be prioritised. The three year RPAs do provide some certainty of funding, however,
it would be more beneficial to have certainty over a five year period. There is an opportunity for the regular review of programmes with Scottish Government staff enabling projects to be brought forward or delayed depending on the progress of sites.

One issue is that funding is offered at relatively short notice, such as the Housing Infrastructure Fund. Whilst this fund is welcome, it is difficult to identify projects that can benefit from funding quickly whilst meeting set criteria. Most projects have a long lead in time and cannot be activated at short notice even if funding is available. It is also often the case that although projects are put forward within the timescales, decision making can take a long time, shortening the ability for project spend within any one financial year. The extent to which funding should be fragmented in this way is questionable as it may be more beneficial to have fewer funding pots with greater flexibility in terms of project criteria and timescales for completion.

7. **We seek written responses on whether the increased subsidy levels will support new housing developments, and in particular whether the flexibility in subsidies will improve the provision of housing for older people or for people with particular needs.**

**Response:**
The increased subsidy levels are welcome and will support new housing developments. There is still some disparity between funding levels for councils and RSLs (currently £57,000 and £70,000 respectively). It would be beneficial for there to be no disparity in funding as some councils are approaching their borrowing limits and will require significant grant funding to avoid having to consider large rent increases to enable future new build programmes. Whilst councils do have a number of sites available, these are generally costly to develop with significant infrastructure constraints, meaning that additional grant support is required to make the sites viable.

Increased funding to support housing for older people is essential. The council has recently completed Rosemount Gardens, which is housing for older people based on an assisted living model. This is a high quality, desirable development but has been costly to deliver in relation to mainstream housing due to the need for communal areas and facilities. Any further housing of this nature would require significant subsidies to ensure viability.

8. **Do you have any other comments to make about the outcomes the Scottish Government seeks from its Housing Supply Budget and how it delivers those outcomes?**

**Response:**
There is currently a conflict between the Scottish Government’s aim of increasing the supply of social rented housing and the Additional Dwelling Supplement (ADS). The ADS was aimed at discouraging buy to let investors in order to give first time buyers a better opportunity to compete in the housing market, however councils and RSLs are not exempt from this 3% tax.
West Lothian Council is looking at buying back former council houses to increase the supply of social rented housing but as the council is not exempt from the ADS, 3% tax will need to be paid each time the council buys back an individual ex local authority house. This tax does not support local authorities who wish to increase supply by buying back ex local authority houses. Ideally the Scottish Government should bring forward an amendment which specifically excludes councils and RSLs from the ADS. This would be consistent with the approach in England in relation to the 3% Stamp Duty levy.

The housing supply targets are challenging in terms of delivery. Whilst increased availability of funding is welcome, significant challenges exist in relation to availability of sites and infrastructure constraints. It would be beneficial to have certainty of funding over the medium to long term and acknowledgement of longer lead in times to develop complex sites.