Local Government and Communities Committee

Scrutiny of the Draft Budget 2017-18

Submission from Inverclyde Council

Please find undernoted the responses from Inverclyde Council to the questions asked in the call for evidence on the Draft Budget 2017/18.

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

The call for evidence states that Local Government funding from the Scottish Government has fallen by around 10% in real terms since its peak in 2009/10. In addition to the real term reduction in Local Government funding it is important that the Committee recognise that Councils have been experiencing significant increases in demand for certain services over the same period in addition to the continuing freeze in Council Tax.

Over the period 2010/11 to 2016/17 Inverclyde Council has reduced its budgets by £33.3 million. This is against a budget of £197 million (2016/17) and therefore represents a 15% reduction over the period.

Areas where there is increasing demand relate to demographic pressures in particular in Social Care services and aspects of the Education budget (additional support needs), pressures arising from the payroll budget such as the end of national insurance contracting out and auto enrolment plus the Living Wage and also legislative changes such as Landfill Tax and the impacts of Welfare Reform.

The Council has made every effort over this period to minimise the direct impact on the local community and the services which it delivers and has been very successful in this regard. The vast majority of the savings have been achieved via efficiencies in areas such as Asset Management, Procurement, Senior Management Restructures, modernisation of working practices, savings in borrowing costs and general bearing down on all overhead budgets. However there have been areas which have impacted on the local community such as increases in certain fees and charges, reviewing the level of support given to local groups and commissioning arrangements with organisations which provide support in the local community.

As indicated above a significant proportion of the budget reductions which have occurred over the period 2010/17 have been dealt with internally with the inevitable impact on the workforce. In addition to the increasing the working week from 35 hours to 37 hours which was implemented in 2010 and reviews of conditions of service there has been a reduction in the workforce of 500 FTE (12.5%) since 2009/10.

Following the worse than anticipated settlement in 2016/17 the Council believes it faces a tipping point in the next 2 to 3 years and unless there is an improvement in the Local Government funding settlement and the flexibilities afforded to Local
Government then the vast majority of future savings will require to come from front line service delivery plus significant increases in fees and charges.

**Question 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.**

The Council’s budget and Financial Strategy aligns with the Inverclyde Alliance Single Outcome Agreement, the Inverclyde Council Corporate Statement and Corporate Directorate Improvement Plans. The Single Outcome Agreement states the priority areas for all partners within Inverclyde to work together on and within the 8 priorities are Successful Communities, Economic Regeneration & Employability, Health & Equalities and the Best Start in life for children & young people. As such reducing inequalities is at the forefront of the budget decision making process within Inverclyde.

Despite the significant budget reductions which the Council has had to implement over the last number of years extra resources have been allocated in areas such as Employability Schemes, increase funding for clothing grants, Outreach services for young people, extra funding to help address impacts arising from Welfare Reform, Aids & Adaptations whilst keeping charges within Inverclyde amongst the lowest in Scotland in a large number of areas. It is acknowledged that the sustainability of such an approach is under significant pressure as a result of the estimated funding gap facing the Council over the next 3 financial years.

It is important to note that a significant proportion of the support undertaken by the Council to reduce inequalities is funded from the Councils Revenue Reserves rather than being embedded in the core Revenue Budget. This therefore makes the sustainability of these initiatives more vulnerable as the reserves will inevitably reduce and existing core budgets come under even greater pressure.

When the Council is developing savings proposals for consideration, the Council undertakes equality impact assessments and these are published and available for review.

**Question 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.**

Based on data from the Audited Accounts for 2015/16 Inverclyde Council has proportionately the highest level of General Fund Reserves of any Council in Scotland with a figure of £58.8 million. However it should be noted that the vast majority of this sum is allocated for specific initiatives/purposes and at the 30th September 2016 only £3.8 million of the reserves remained unallocated. This represents approximately 2% of the Councils annual net turnover which is line with Council policy.

There are aspects of the approved Use of Reserves which are providing short term funding for time limited initiatives as detailed in the answer to the previous question.
as well as providing smoothing funding for unpredictable budget areas such as winter maintenance and residential children’s placements plus funding longer term funding models such as The City Deal, School Estate Management Plan and Asset Management Plans.

The Council’s current budget strategy is to allocate up to £7.3 million from Reserves to temporarily close the budget gap over 2017/19. This approach has cross party agreement within the Council and recognises the significant financial uncertainty facing Local Government in the short term and the Local Government elections due in May 2017. The Council is fully aware that the utilisation of reserves to close a funding gap is a short term measure and members have approved a process whereby officers will develop a comprehensive suite of savings options for the new Council to consider post May 2017.

Question 4 – What are your views on the range of Local Authority activities which should be considered “Local Government Budgets” as compared with funding that is provided elsewhere but which may support Local Government activities and outcomes?

The public sector service delivery landscape is becoming more complex and as a result the definition of the “Local Government Budget” can mean different things to different audiences.

It is clear that Councils have responsibility for and involvement in a large number of services over which it does not fully control the determination of the level of service and hence budget. Some of this is due to the fact that services are delivered by bodies which have their own governance and decision making structures such as the Integrated Joint Boards for Health and Social Care, whilst others are voluntary arrangements entered into between Councils or Public Sector Partners such as Joint Committees, Regional Passenger Transport Authorities and Shared Services arrangements.

There are also significant parts of the Local Authority Budget where the level of budget which the Council requires to spend in an area is effectively mandated by the Scottish Government e.g. teachers or where the Council is acting as an administering agent for another body e.g. DWP, Scottish Government, Scottish Water.

An example of the issue highlighted is in relation to Housing Benefit. Within Inverclyde Council approximately £35 million per year is spent on housing benefit payments to tenants and landlords. The subsidy received from DWP is approximately £34.6 million. The Council is effectively acting as agents on behalf of the DWP providing this service and cannot influence the level of benefits which it provides yet this £35 million sum is included in some calculations as being part of the Local Government budget. Therefore there is a real danger that the level of funding reductions on Local Government is significantly understated.

When considering how to balance future budgets Inverclyde Council is concentrating on those budget areas where it has the ability to influence expenditure or income levels. Taking into account the maximum 3% Council Tax increase cap over the
next number of years then it is clear that those service areas where the Council has a "free hand" to determine service levels/charges will require to have double figure percentage cash reductions in their budget with the risk that some areas of service delivery may require to have funding reduced by over 50% or indeed be stopped altogether.

### Housing Supply Questions

**Question 5:** In particular 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?

The Centrally managed funding programmes are generally managed well with good levels of consultation and engagement with Local Government. The expectation of delivery of projects by increasing funding but ignoring the significant lead in time to deliver projects is problematic. This is improving with notification of minimum Resource Planning Assumptions RPA. However there is a need for earlier notification of final RPAs to ensure projects can be delivered on time. Value for money on projects is delivered through the use of benchmarking of needed subsidy levels requiring the RSL to seek build costs in line with the benchmark level. The funds should deliver needed affordable housing for Scotland.

**To what extent are the innovative funding packages leading to a change in the way affordable housing is being delivered?** (information on innovative financing is available on the Scottish Government website at this link.)

As yet there have been no real impact on Inverclyde from this innovative funding options (apart for the More Homes funding for new build), but it does provide more options for the delivery of affordable housing.

**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 with social rent or private rent)?**

The Council along with RSL’s will always seek to maximise the housing mix where possible and the funding does assist this.

**Question 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?**

These processes provide an excellent base to provide new build properties meeting local needs.

**Question 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.**
Indications are that the increased subsidy levels will support new developments for a range of needs. However this maybe a problem for Local Authorities were affordable land supply is short.

**Question 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?**

The Government focus on new affordable housing is right. However the decreasing quality of older private sector housing continues to be a concern for local government, which appears to be largely ignored by Central Government. Government Initiatives like buy back funding for former RSL properties and no interest or equity release loan products would be of assistance.