Local Government and Communities Committee

Scrutiny of the Draft Budget 2017-18

Submission from Argyll and Bute Council

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

The impact of budget reductions on Argyll and Bute Council since 2008-9 has been significant and affected frontline services and back office activities alike. The Council is the single biggest employer in Argyll and Bute and has seen a reduction in FTE over that period of 16% which in turn has had a knock on impact on the local economy and contributed significantly to the de-population of the area. Whilst the council has a track record of innovation and has transformed its services in many ways, there are barriers to progressing many areas of innovation / shared services work relating to the island, remote rural and size and diversity of the authority area which result in high unit costs of delivery for many services. These barriers include the fragility of key transport routes (roads, ferries and limited train service), digital and mobile connectivity (speeds and coverage), the absence of competitive private or 3rd sector markets for many services, the unattractiveness to potential shared services partners due to the size and scale of the area, and the absence of alternative employment opportunities which makes recruitment and retention more difficult.

The depopulation also manifests itself in reducing school rolls meaning the loss of economies of scale enjoyed by the majority of Scotland – we have primary schools with as few as 3 pupils and secondary schools with around 22 pupils. The cost of staffing classes for pupils are the same for the council as it is for more populous areas with full classrooms and which attract a substantially greater per capita income.

The council’s ability to invest in preventative and early intervention activities in areas like education, social care, housing etc has also been significantly affected by reducing budget flexibility. Given the effective ring fencing of certain budgets e.g. teacher numbers, a disproportionate impact has had to have been made on non-teaching services like classroom assistants, ASN assistants, pupil support staff, etc – these all have an impact on teacher workload and the quality of education provision.

Argyll and Bute relies heavily on its tourism industry however financial constraints have impacted on the cultural offer available through our venues/ centres/ events and festivals; the parks, public realm and amenity of the destination towns, the availability for leisure and sports activities, the marketing of the area and ultimately the economy of the area.
The council has the second largest road network and the effect of reduced finance and the effective ring fencing to social care and large parts of education has meant an unacceptable reduction in resources available to maintain the network. The council has compensated in part by the investment of capital in network conditions but this has only been effective in the short to medium term and investment at current levels will inevitably see a massive deterioration in the network which will impact on our residents, visitors and ultimately the economy.

Due to the protection or removal of large areas of service expenditure from the scope of budget savings, it makes the Council's transformation programme particularly difficult. Initial investment is often required in order to generate longer term savings and the council often has to apply savings to some areas where priorities and strategies would in fact possibly merit investment. Partnership and Empowerment agendas are also adversely impacted as resources to progress or implement these are extremely limited and effectively limit the scope and scale of budget that can be delegated to community level.

There are many more areas that could be cited as examples however hopefully the above is a helpful illustration – it is safe to say that every aspect of the council’s services has been impacted over the last 8 years which in turn has impacted on our communities. The council has carried out many consultations with residents in Argyll and Bute over the period, seeking views on priorities as well as on specific proposals. The feedback has been helpful in setting out budget proposals and which areas to invest in, maintain at current or reduced levels and which to fully withdraw from. The choices are increasingly becoming narrower and all carry negative consequences for the whole of the area or for significant parts of our population and there is a lot of public anger at the diminution of their public services and the consequential impact on the population, the economy and the wellbeing and safety of residents.

**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.**

Argyll and Bute Council’s approach to balancing the budget for 2016-17 was to consider each service activity and prioritise them based on the priorities within the Local Outcome Improvement Plan (LOIP). This determined whether the activity would have budget added, be maintained at standstill or be reduced. The budgets for Social Work were protected more than others in order to protect the more vulnerable and Education was also protected to a greater extent than other services. An extensive budget consultation took place and the feedback from the public was then taken into consideration when deciding on the options to accept to balance the budget. The budget options were subject to an equalities impact assessment in
relation to the protected characteristics so that decisions were taken in full regard to the impacts.

Whilst there was prioritisation of options, they weren’t necessarily weighted more on those services that were specifically targeted at relative poverty. As noted above we would highlight that the significant reduction in public services finance over the last 8 years has undoubtedly impacted on all sections of our communities including many affected by poverty.

Over time the actual impact of cuts on vulnerable and disadvantaged groups which, may arise indirectly, will become clearer. Whilst unintended, it is likely that all councils will have in some circumstances exacerbated current inequalities across disadvantaged communities in their actions to reconfigure or redesign public services as a result of budget cuts. The challenge for all Councils is dealing with service reductions and meeting short-term ‘reactive’ objectives such as intervention and support whilst at the same time providing investment in longer-term proactive initiatives aimed at reducing inequalities. It is not possible to reduce public services in the scale seen since 2008 and make the inroads to addressing inequalities aspired to regardless of local government’s strong track record in innovation and improvement. There is a need for an honest national conversation about the public services we want in Scotland and how this can be appropriately funded.

**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.**

Argyll and Bute Council had built up a level of reserves through careful management of resources over the last few years. It was agreed that our unallocated General Fund reserve would be used to support the delivery of the LOIP and our Council have been careful to only use reserves for one-off issues and not to support ongoing revenue as this wouldn’t be a good approach to balance the budget in light of the anticipated ongoing reductions to local government budgets.

The General Fund reserve is, on occasion, used to smooth a saving, where for example, a saving can only be made part way through the year, then it may be agreed to use reserves for the first part of the year. The reserves have also been used to fund the severance costs as a result of having to make people redundant to balance the budget.

One of the key issues for Argyll and Bute is the continuing depopulation of the area and change in the balance of the population demographics, the overarching aim in the LOIP is to grow the population based on economic development. In 2016-17 we
used a sizable amount of our unallocated balance to support the economy for the future which included:

- £3million to regenerate Mid-Argyll
- £2million asset management and investment fund which will be used to seek investment opportunities, based on business cases, which will generate income that can be used to support frontline services in the future.
- £1million inward investment fund to be used to grow the economy through attracting inward investment by supporting initiatives which deliver real, tangible economic benefits.
- £6million extra, adding to the £11million already committed, to transform Helensburgh waterfront.

In light of the pressures facing Council’s it was also agreed to increase our general fund contingency balance from 1.5% to 2% of net expenditure.

**Question 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?**

The extent to which funding to local government is now prescribed (ring fenced in all but name and linked to financial sanctions) limits the decision making and democratic accountability of local government. Scotland is made up of a range of diverse communities and one size fits all approaches are inappropriate and give rise to unintended consequences. For example some authorities are required to maintain teacher numbers beyond their roll requirements creating supernumerary posts whilst others struggle to recruit to the target levels to avoid a financial sanction. This also mitigates against more innovative solutions where a better education outcome for young people might be realised by using education budgets differently (e.g. commissioning services from FE colleges or other providers) rather than employing teaching staff.

The short term nature of settlements to public bodies also mitigates against giving certainty and security to voluntary and independent sector bodies from whom services are commissioned. This mitigates against strategic decision making and medium to longer term planning – the position is often characterised by these bodies as lurching from one year to the next and spending enormous proportion of their efforts in applying for funding simply to sustain themselves. Equally they often have to abandon activities that are having positive benefits as they need to always seek to do new things to attract grant assistance.
There appears to be limited appetite for budget to be delegated to “community” level and beyond the decision making by local authorities – notwithstanding that there is variable capacity within communities to directly take on these roles, there is no clear definition of who the “community decision makers” are, how they are representative or accountable to their wider community and how this facilitates strategic decision making. Undoubtedly members of our communities want a stronger voice in influencing how public services are delivered but this falls short of taking on the running of enterprises for the most part. We need to avoid creating another layer of decision making bureaucracy that multiplies the role that local government is established to perform and that is based on a democratic accountability.

**Housing Supply Budget**

**Question 5:**

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

Better outcomes are delivered when funding is delivered to local partnerships with flexibility in deployment within a broad outcomes framework. This was ably demonstrated through the Integrated Care Fund and its predecessor the Older Persons Change Fund. Where central programmes are applied as a standard it is less effective. For example the centrally managed housing funds have had minimal impact in Argyll and Bute. The focus for this area is to maximise the delivery of social rented housing as incomes are low and in fact 67% of the population in Argyll and Bute cannot afford the average market price of £146k. The range of initiatives are to be welcomed but the wide plethora of schemes with different criteria are also confusing for prospective tenants and buyers. In particular there are different criteria applied to the Scottish Government Help to Buy scheme and the UK government Help to Buy scheme. The Council do not receive any information on the uptake of centrally managed funds. It would be helpful for planning purposes.

Argyll and Bute Council would like to make strong representation about the threshold levels set for this authority area for the Open Market Shared Equity Scheme. The threshold for a three bedroom property in Argyll and Bute is £120,000 while in Central and West Mainland (Highland) it is £150,000 and £140,000 respectively. The current Argyll and Bute thresholds mean that in the most pressured housing market areas, Oban and Lorn, Helensburgh, Mid Argyll and the islands, the thresholds are too low to make this a realistic alternative for first time buyers.

A further example in relation to the proposal to delegate additional council tax multiplier income directly to head teachers has the potential to lose all strategic benefit and miss the targeted objectives of the Education Act, 2016. In an area where the school rolls range from 3 pupils to circa 1,350 the pro rated allocations
regardless of distribution methodology may be so small that they will be unable to produce a systemic improvement in either attainment or equality. Aggregated at authority level however there is the potential to make systemic improvements. The distribution is also important however and, whilst we recognise the existence and impact of urban deprivation, it cannot be equitable that Argyll and Bute with its large number of schools, remote rural and island geography receives only £20,000 from a £100m raising attainment fund and may fare equally poorly over the next 5 years from the £750m raising attainment fund.

**To what extent are the innovative funding packages leading to a change in the way affordable housing is being delivered?**

They are not having any significant impact in Argyll and Bute.

**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)?**

Compared to the need for social housing in Argyll and Bute the need for mid-market and private rent is very limited. Income levels are not sufficient to make mid-market and private rent affordable. It is also worth noting that the dispersed nature of the Argyll and Bute geography and the distance from the central belt means that there is a lack of competition in the construction industry and the step-change in resources for the AHSP is stretching the capacity of both existing construction companies and the housing association sector.

**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?**

The three year resource planning assumptions have reduced the risk and improved the capacity for housing providers to forward plan. The certainty that this approach provides has meant that the programme has been significantly increased but the factors alluded to, as potential constraints, still need to be recognised.

**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.**

The higher cost of specialist housing provision, particularly wheel chair housing, needs to be taken into account when setting benchmarks. The increased subsidy levels do support new housing developments and most importantly help to keep
rents affordable. However, it has to be recognised that subsidy levels influence the market negatively and positively.

**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 outcomes are clear; strategically it would be beneficial for a more integrated approach between More Homes Scotland and Road, Water and Sewage, Infrastructure. Each of these elements need to be co-ordinated if the ambition for housing is to be realised.