Local Government and Communities Committee

Scrutiny of the Draft Budget 2017-18

Submission from the Scottish Council for Voluntary Organisations

Summary

- If we move towards fully empowered communities, then the role of local authorities radically alters. Where power moves it seems inevitable that money will move too.
- We must ask not just how much local government funding there should be, but consider what outcomes we want to achieve and how best we can achieve them.
- Cuts to local authority budgets can have a knock-on effect on the funding coming through to third sector organisations, to the detriment of the people and communities that those organisations support.
- There needs to be a fundamental change in how local authorities work with the third sector, with a recognition of the significant role the sector plays, in order to achieve better outcomes for our communities.
- If budgets were opened up to proper scrutiny, it would be possible for those outside of local authorities to help assess whether funds are being spent in a way that has the most positive impact on society as possible. The Open Government agenda can help with this.
- Local authorities should broadly raise the money they spend. This would have the benefit of making money raised and spent directly connected to local communities.
- It is less important to consider what makes up the 'local Government budget' than it is to consider how we can create thriving communities. Within this, ensuring sufficient spend to achieve positive outcomes is just one part of the puzzle.

Our response

SCVO welcomes this inquiry and would like to contribute the following:

Introduction

To begin, it is important to note that if we here in Scotland eventually move towards fully empowered communities (where real decision-making power – rather than just a range of predetermined options – is given to communities), then the role of local authorities in terms of both democracy and service delivery will radically alter. It is clear that the environment for local authorities is already changing: in communities, there is the onset of community empowerment and participatory budgeting; in education, there are reforms to empower schools and introduce regional hubs; in social care, there is integration with health and the slow march to self-directed support. And, as the local government and communities committee points out, the Scottish Government has committed to introduce a Bill "that will decentralise local authority functions, budget and democratic oversight to local communities". And where power moves, it seems inevitable that money will move too.
More immediately, local government spending is constrained by a number of things: legal duties on teacher/pupil ratios for example; or the adoption of policies which limit discretion such as no redundancy agreements; or very long-term contracts already agreed with arms-length organisations (ALEOs). So local authority budgets as a whole are not really open for discussion; rather, if we constrain ourselves to considering the spending of budgets for the coming year, we can only debate limited discretionary spend.

Taking, then, both of these things into account, the question of local authority budgets begins to look very different. In order to square this circle we must, at the very least, ask not just how much local government funding there should be, but consider what outcomes we want to achieve and how best we can achieve them. It is, then, with this in mind, that we answer the committee’s questions below.

Note that in the following, we answer questions 1, 2 and 4 of the committee’s questions, as these are most relevant to our sector’s work.

**Question 1**

As part of the UK-wide squeeze on public sector budgets, the Scottish Local Government budget has fallen significantly in real terms in recent years. Since its peak in 2009-10, total like for like local government funding from the Scottish Government has fallen by around 10% in real terms. See the SPICe Briefing on historic local government finance for more information and context. Local authorities have therefore been making savings for many years. The future shape of the local government settlement is unclear, but local authorities are preparing for further real terms reductions in their resources.

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

Many third sector organisations receive money from local authorities to carry out work in their communities. This can be in the form of grants, contracts, or service level agreements. Cuts to local authority budgets can have a knock-on effect on the funding coming through to third sector organisations, to the detriment of the people and communities that those organisations support. Furthermore, surveys of our members highlight issues around amount of funding received and, for agreements that span more than one year, the difficulty of securing inflationary increases. All of these issues mean a tough time for our sector and for the community it serves.

Having said that, there have been voices within our sector for some time now that call for a change in the relationship between the sector and local authorities. Whilst this committee’s call for evidence highlights the recent fall in Scottish Local Government budgets, the same SPICe briefing highlights the fact that, since devolution, there has been only a modest reduction in local authority budgets on a like-for-like basis; so the question is not just about the amount of funding secured, but, more fundamentally, about how money is spent.
Third sector organisations work extremely closely with their communities, and, indeed, are often established by them in the first place; they can bring resources to those communities that local authorities don’t have access to; and they often, through volunteering, develop and engage a wide range of local people – in addition to carrying out the projects or services requested of them by local authorities. Despite this added value, they can find themselves treated as a bit player by local authorities, with confirmation of funding delayed, information not shared, and heavy-handed monitoring insisted upon. So some of our sector would in fact like to see a fundamental change in how local authorities work with the sector, with a recognition of the significant role they play, in order to achieve better outcomes for our communities. This is not, then, a conversation about budget reductions, but rather one about what Scotland wants to achieve through its local authorities (for example, reduced poverty), and how this can best be realised.

Question 2

As part of a long running project looking at the impact of local government budget reductions across the UK, the Joseph Rowntree Foundation and Glasgow University have developed a 'social impact tool'. This tool allows councils to examine their budget choices and look at whether their savings are weighted more on those services that are "pro-rich" or "pro-poor".

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.

There is an awkwardness to this question, in that local authority budgets are not easily accessible – it is not possible for SCVO, for example, to look across local authority budgets and pick out where money has been spent in any detail. However, as we move towards more open decision making through the Open Government agenda (which calls for transparency and the opening up of data to the public) that the Scottish Government, along with ourselves and others in civil society, are progressing, there will be more opportunities for individuals and communities to really look at where money goes. But beyond this, as stated above, as well as looking at where money is spent, it is necessary to consider how it is spent, and whether it is achieving the best possible outcomes. Beyond the Joseph Rowntree’s tool, mentioned by the committee in this call for evidence, there is of course the National Performance Framework (NPF), and we would hope that all levels of government are using this to assess whether their decisions are facing the right direction in terms of achieving the aims of the NPF. Perhaps if budgets were opened up in depth to proper scrutiny, it would be possible for us on the outside of local authorities to help them assess whether funds are being spent in a way that has the most positive impact on society as possible. And, as we move to a time when participatory approaches to budgeting are being explored increasingly by local authorities, and community empowerment is transferring assets to communities, it surely becomes even more important that spending decisions are as transparent as possible.

It is also worth mentioning here, perhaps, the issue of raising funds as well as spending. Many in our sector support the idea of subsidiarity – that power should be
devolved to the lowest point that it makes sense to do so, so that communities themselves, as well as formal democratic institutions, have real say over decisions that affect those communities. Community empowerment and participatory budgeting are going some way to start to bring about this change to local democracy. Open government, and a real look at what outcomes are desired from our local spending and how these can best be achieved, would bring about further local decision-making. But one needs to ask about where the money that is to be spent is coming from. Certainly, one principle would be for local authorities to broadly raise the money they spend, with possibilities for sharing across Scotland some of those funds in order to account for wealth differences between areas. This would have the benefit of making money raised and spent directly connected to local communities in a way that, at present, perhaps is not felt to be the case, due to the significant funding block that comes from central government. Like the subsidiarity principle for decision-making, the principle that local authorities broadly raise the money that they spend should be explored. Certainly anything that increases the connection to local democracy that people feel and the sense that they have a stake in their communities that is recognised by local authorities through their decision-making processes, would be very welcome.

**Question 3**

*Finally, the Scottish Government has committed to consult on and introduce, in future, a Bill “that will decentralise local authority functions, budget and democratic oversight to local communities”. The Committee noted that the Finance Committee reported in its report on the draft budget 2016-17, that different figures for the revenue settlement to local government were arrived at in terms of the reduction in funding for Local authorities. These differing figures depended upon whether the comparisons were made between combined revenue and general resource grant (GRG) (5.2% reduction) or cash reductions compared with estimated total expenditure (2% reduction).*

*Other funding such as whether the £250 million provided for health and social care integration (which was provided via health authorities) should also be considered as local government funding has also been highlighted.*

**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?**

As perhaps is not surprising from our comments above, we believe that much of the third sector, working as it does directly within local communities, will be supportive of any such future Bill as mentioned in the committee’s call for evidence that would decentralise local authority functions, budget and democratic oversight to local communities, assuming of course that a minimum level of support is provided for all. So perhaps, with this in mind, along with our comments above, it is less important to consider what should be considered to be ‘local Government budget’, but more important to consider how we can create thriving local democracy and communities, and achieve the outcomes which we, as a nation and as individual communities, set
for ourselves. Within this, ensuring sufficient spend in order to achieve these outcomes is just one part of the puzzle.

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