Local Government and Communities Committee

Scrutiny of the draft Budget 2017-18

Summary of written evidence – local government budget

Introduction

The Scottish Government’s Draft Budget for 2017-18 is not expected to be published until 15 December 2016. In light of this, the Local Government and Communities Committee agreed to undertake pre-budget scrutiny looking back at what has actually been spent in 2015-16 and (to the extent possible) in the current budget year 2016-17. The Committee launched its call for evidence, featuring questions on both local government budget and housing supply budget, on 19 September.

The Committee received 31 submissions, broken down as follows—

- 11 submissions from local government bodies;
- 1 submission from a public sector body;
- 12 submissions from professional and other bodies;
- 4 submissions from third-sector organisations;
- 1 submission from an academic; and,
- 2 submissions from trade unions.

This paper provides a summary of the main points raised in the submissions, and is structured around the local government budget questions asked in the call for evidence. The housing supply budget aspect is covered in a separate briefing. A list of all the submissions received can be found at:


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A number of submissions from local authorities introduce the impact of budget cuts by detailing the savings implemented over recent years. Renfrewshire Council states that, using its own methodology, which strips out various funding streams, its revenue grant support had reduced by 17% in real terms since 2009-10, in contrast to the 10% reduction it calculates has been seen by the Scottish Government. It also highlights the difficulties in tracking funding because of some responsibilities being removed from local authorities (i.e. police and fire services), and some being added (i.e. responsibilities linked to the Children and Young People Act). Renfrewshire Council argues that—

“It appears perverse and acutely unfair that the Scottish Government have chosen to continue to cut grant resources to council areas like Renfrewshire whilst at the same time providing grant increases to other, in many case, much more affluent areas across the country.”

Fife Council notes that it is picking up the additional cost of providing subsidised travel after the cessation of Scottish Government funding.

The Association for Public Service Excellence (APSE) cites its own research which suggests that the cuts to front line services, excluding public health, education and social security, have been as much as 24% between 2010 and 2015. Unite Scotland suggests that local government is spending the equivalent of 44p in every £1 collected in Council Tax on debt liabilities, with an estimation that 10p of this relates to outstanding pre-devolution liabilities. It argues for an amnesty on pre-devolution debt liabilities. It also suggests that in comparison to other public services, such as the NHS, local authorities have borne the greater burden from austerity measures.

In addition to cuts, a number of local authorities highlight increased service delivery costs. This is attributed to changing demographics leading to greater service demand, and to greater staffing costs as a result of the pension auto-enrolment scheme, the apprenticeship levy, changes to National Insurance, and the introduction of the Living Wage. Argyll and Bute Council points out that, as a rural authority, it is highly reliant on infrastructure and has higher delivery costs than other areas. It explains that it does not benefit from economies of scale in service provision. It also points out that it is the single biggest employer in the region, with staff cuts leading to depopulation and suppression of the local economy.

Submissions from local authorities all present a similar picture of service evaluation and efficiency measures. Much of the focus is on providing only those services which are statutory and tied to councils’ key outcomes. The examples given on how councils have been making savings include—

- revaluation of service provision, for instance reducing the number of hours and locations where services are offered;
- Removing some services entirely;
- Improvements to ICT systems;
• Transfer of council-owned assets to local community groups;
• Closure of local offices;
• Staffing reductions, including within statutory services;
• The introduction of charges for non-statutory services;
• A reduction in economic development activity;
• Closure of public facilities such as libraries and public toilets;
• Reduced spending on roads, parks, and tourism-related activities; and,
• A reduction in provision of classroom assistants

West Lothian Council suggests that anything that is non-statutory is at risk. Argyll and Bute Council explains that the choices on which non-statutory services could be reduced or cut are becoming narrower. Both Renfrewshire Council and Inverclyde Council suggest that a tipping point will come in 2-3 years when statutory services will become affected by cuts.

Inclusion Scotland raises concerns around the impact of reduced spending on social care. Its submission highlights the impact on the quality of life of disabled people of reducing services to meet only “critical and substantial” need. It also noted the reduction on third-sector spending and resulting impact on Disabled People’s Organisations and the support they provide. YouthLink Scotland raise similar concerns about the impact on youth work budgets and spending, such as that on sports clubs, that support outcomes for young people. The Scottish Council for Voluntary Organisations (SCVO) notes concerns amongst third-sector organisations around both levels of funding and the short-term nature of funding agreements.

In talking about making service decisions, Aberdeenshire Council gives details of a public budget engagement exercise which informed the Council’s future budget considerations. Orkney Council explains that it has made savings specifically in areas which would have limited impact on the most vulnerable.

A number of submissions highlight the fact that, in a climate where local authorities must work to protect statutory services, preventative spending is becoming increasingly difficult.

Highland Council points out that the protection of certain aspects of local government spending in line with Scottish Government priorities, such as teacher numbers and social care places, has a disproportionate effect on other services. UNISON Scotland suggests that even this protective spend underestimates the real cost of service delivery. West Lothian Council explains that the lack of certainty around central government funding has led to difficulties in planning ahead for future years. The Scottish Local Government Partnership (SLGP) states that—

“Local authorities need to be free to manage resources and services locally as they see fit and as being in the best interest of their own communities to which they are locally accountable”.

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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.

A number of local authorities detail the way in which they seek to protect the most vulnerable in society. Fife, Aberdeenshire and West Lothian Councils all explain that spending plans are set in line with their strategic plans and key priorities, with reducing inequalities as a priority. This means that for some the reduction in inequality is seen to underpin all spending.

Orkney, Highland, Inverclyde and Argyll and Bute Councils all speak of using Equality Impact Assessments when exploring potential savings. Both Inverclyde and West Lothian Councils describe using the Single Outcome Agreement to work with partners when budget-setting. Moray Council detail working with local partners to develop a strategic focus, and Argyll and Bute Council speak of public consultation work to gauge the impact of potential cuts. Argyll and Bute Council notes, however, that it could take some time to be able to fully understand the impact of cuts.

On the impact of savings to date, Fife Council argues that there had been a disproportionate impact on the poorest households. Orkney Council highlights that cuts to services such as public transport are likely to have the greatest effect on poorer households. A number of local authorities, along with UNISON Scotland, note that introducing charging for certain services may make them inaccessible to those who were worst off. UNISON Scotland also notes that disabled people under 65 years old, who are not eligible for free personal care, are facing mounting bills.

Inclusion Scotland speak of increased charging for services for disabled people, along with higher eligibility criteria for accessing services. YouthLink Scotland, citing youth work as key in reducing inequalities, give some examples of positive projects to support both LGBT youth and young offenders. It stresses that budget cuts may lead to pioneering services being available to only a small number of people, or existing services being reduced.

There is a focus in some submissions, from both local authorities and other bodies, on the importance of preventative spending. Renfrewshire Council explains that it is “focused on delivering sustained solutions to deprivation and inequality rather than directing more resources to deal with the related negative outcomes for … communities”.

It states, however, that budget contraction means that it is hard to move away from reactive spending on front-line services. The Council suggests that the Scottish Government needs to slow the pace of cuts to allow local authorities some “headroom” to plan ahead. West Lothian Council also mentions the need to target spending towards minimising poverty and the cycle of deprivation.

APSE states that a number of non-statutory services like provision of parks and green spaces and programmes focused on active lifestyles and healthy eating were key preventative services at risk of being cut. UNISON Scotland’s submission
echoes this, and highlights environmental health services, community sports facilities and allotments as other important aspects of preventative spend.

**East Ayrshire Council** agrees that there is a need to invest in early intervention but that such activity needs to be balanced against maintaining current levels of service. **Inverclyde Council** says that it has thus far been able to keep charges for services low, but warns that this is not a sustainable model as this had been funded through general fund reserves. **East Ayrshire Council** also talks of using reserve funds for specific initiatives, including a fund to mitigate the impacts of welfare reform, but it feels that there is a challenge in being able to mainstream these initiatives.

A number of submissions discuss the lack of certainty and flexibility around funding. **Lloyds TSB Foundation for Scotland** argues that local authorities need to have greater flexibility so that they can target spending towards people needs. Both **Fife Council** and **East Ayrshire Council** state that the rigid rules around teaching places prevent resources being allocated in line with need. For example, in rural areas, it isn’t possible to reduce teacher numbers to allow a greater focus on the quality of teaching. **East Ayrshire Council** suggests that reducing teacher numbers to better reflect local circumstances might “free up scarce resources for investment in high priority areas such as alcohol and drugs”.

The **SCVO** suggest that greater openness and transparency around local government budgets may make it easier for those outside local authorities to assess and feedback on the effect of spending plans on the most vulnerable.

Finally, both **Renfrewshire Council** and the **SLGP** reference the Joseph Rowntree Foundation report, *The Cost of the Cuts: the impact on local government and poorer communities (2015)*, and urge the Committee to consider the final conclusions of the report. The **SLGP** also raise concerns about the announcement that the Scottish Government will bring into effect the socio-economic duty under the Equalities Act (2010), and the need for effective farming of the duty and buy-in from both public bodies and those on low incomes.

**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.

Local authorities were agreed that general reserve funds should be used, as **Renfrewshire Council** puts it, to actively support councils’ “financial planning arrangements to deliver change, investment and modernisation in services as well as supporting meeting medium to longer term spending commitments”.

The majority of local authority submissions speak of a strategic focus on using funds on “spend to save” initiatives or one-off improvement investments. **East Ayrshire** gives its transformation strategy and resulting service design as an effective use of

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1 A SPICe Briefing published on 31st October 2016, *The social impact of the 2016-17 local government budget*, builds on this research.
funds, and Argyll and Bute Council, in order to tackle local depopulation, talks about using funds to stimulate economic growth.

Some local authorities report that general fund reserves have been used to implement longer-term savings, for instance to fund voluntary redundancy schemes when reducing workforce numbers. The equal pay settlement is noted as another use of reserve funds on internal resources. The SLGP say—

“Some councils have utilised reserves to support the release and delivery of savings in a planned way over short to medium term. Such approaches have been implemented to protect service and mitigate the risk of being required to make unnecessary cuts to services over the short term. Depleting these reserves to manage pressures in the short term could not be sustained longer term.”

UNISON Scotland reference Audit Scotland research, which suggests that in 2015/16, 13 councils planned to use reserves for day-to-day spending. The majority of local authorities’ submissions confirmed that they had not had to use general fund reserves for every day spending or to offset savings. Those that had had to use general fund reserves to address a budget shortfall did so acknowledging that this was an unsustainable approach and should only be used in the short-term. Argyll and Bute Council explains that funds had been used to offset savings in the short-term, for instance where funds were required part-way through the financial year.

The majority of local authorities report that they retained an emergency balance, though levels varied. Many councils with high balances report that much of this is earmarked. West Lothian Council explains that it holds a low balance, but that other funds for improvements projects are in play. Orkney Council maintains high levels of reserves but suggests that this is because, as an island population heavily reliant on sea and air infrastructure, the risk of catastrophe it faces is higher than other areas. Renfrewshire Council suggests that maintaining a steady reserve balance is dependent on growth.

Moray Council reports that it is reaching minimal reserve levels and is approaching the point at which service provision would have to be cut. It cites a lack of flexibility in its finances, with the Scottish Government “effectively” controlling 94% of its income. Orkney Council explains that its current high reserves were partly because the Council benefits from revenues from the oil port business, which is helping the Council to avoid a number of cuts. It reports, however, that the “General Fund is overspending despite the contribution from the oil reserves”.

Both the SLGP and UNISON Scotland argue that in order to maintain balances and plan effectively for the future local authorities needed longer term financial projections from the Scottish Government.

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 majority of submissions suggest that providing funding for activities which fall under local government jurisdiction through other bodies added unneeded complexity and eroded local accountability. This included the £250 million provided for health and social care integration through health boards. Aberdeenshire Council points out that, in its case, this is being administered through the Council, and will appear on the Council’s Local Financial Return reports.

West Lothian Council states that it would be more helpful if funding for local government services was included in the local government settlement, and Orkney Council agrees, saying it would be simpler if funds were ring-fenced to local authorities. Fife and East Ayrshire Councils say that routing funding through other bodies, and effectively ring-fencing funds, limits flexible strategic planning within local authorities. Inverclyde Council suggests that councils had become little more than agents delivering services on behalf of central government.

Despite criticism of the way funding is delivered, and the impact of conditional grants on local decision-making, Renfrewshire Council states that—

“Irrespective of how the Scottish Government chooses to construct its own budget, the most important factor is the scale of funding made available.”

Highland Council agree that, whilst focusing on the outcome of spending rather than the funding source is important, local control over spending should be higher. The SLGP say that changing the sources of funding does not change the challenges faced by local authorities in providing services on a contracted budget. It argues that some services are protected at the expense of others.

Picking up on the issue of local accountability, Argyll and Bute Council points out that the effective ring-fencing of funds leads to a one-size-fits-all approach which isn’t appropriate given the varying nature of different authorities. It argues that this limits innovation.

Submissions note that the short-term nature of funding allows for limited planning ahead. Argyll and Bute Council raise the specific impact on the voluntary sector, which receives much of its funding through local authorities.

A number of submissions suggest that grant funding often underestimates the actual cost of service delivery. UNISON Scotland suggests that there needs to be more openness and accuracy about the real costs of running services. It also highlight that grant funding is complicated and costly to negotiate, and the difficulty in applying for funds may lead to inequalities, and suggests that grants may often focus on more newsworthy projects at the expense of everyday expenditure.

Finally, the SCVO points out that in considering funding it is most important not to look at whether funding is contained within local government settlements or not, rather the focus should be on creating thriving local democracy and communities.