Local Government and Communities Committee

Draft Budget 2018-19

Submission from East Ayrshire Council

We want to hear how spending is prioritised and resources are managed effectively, for instance through service redesign.

East Ayrshire Council agreed a Transformation Strategy 2012-17, which allowed savings in excess of £35m to be generated while protecting front line services. The Council was awarded “iESE Council of the Year” recognising its efforts in transformation and efficiency.

The five-year approach allowed savings to be phased over the longer term, with general fund reserves being utilised as appropriate to smooth out ups and downs over the period. Service redesign was delivered across the Council, with a number of significant changes (eg closing 13 out of 18 local offices, while improving access to payment services and telephone contact) taking place. Capital spend was identified as appropriate where there were spend to save opportunities; this included the development of new housing models that generated significant savings in community care budgets.

We want to hear how national policies are impacting on local government spending, for instance how will increased revenue from the end of the Council Tax freeze and banding multiplier be used, and what is the impact of spending being ‘protected’ through national policy.

This Council remains concerned with the perceived return to “ring fencing”. Local democratic accountability is a key tenet of local government, and the opportunity to fund services based on local need and demand is being lost. The ability to increase Council Tax was welcomed, although the controls around the levels of increase are not felt to be helpful. The additional income from the multiplier changes is not ringfenced, although this was initially to be the case. This increased (non-ringfenced) income is therefore welcomed, although the overall flexibility to control local taxation remains constrained.

A key consideration for local government remains the need for full funding of all national policies. The financial position is such that anything short of full funding will require councils to review / consider their ability to deliver the policy objectives.
We want to hear how fees and charges are being used, and how decisions are made on which service areas are affected.

Fees and charges are reviewed annually and an inflationary increase applied as appropriate (normally around 3%). Any increases beyond inflation are subject to consultation as part of the budget consultation process (i.e. along with savings). The new prices are approved by Council each year.

We want to know how local authorities assess the impact of increased charges and service redesign on different social demographics.

Equality impact assessments and risk assessments are undertaken for each proposal. These are available to elected members during the decision making process. Each item is assessed individually, as well as collectively to ensure the aggregate impact is properly considered.

Following on from evidence heard last year, we invite local authorities to provide an update on the use of General Fund Reserves.

The Council agreed when setting the budget that the general fund reserve would be:

> Value to be no less than 2% of annual budgeted expenditure and it may be prudent from time to time to build up funds in excess of the minimum level to meet known or predicted financial pressures, for example in relation to termination costs and reductions in grant funding. Funds in excess of the limits could be made available for one off expenditure items or fixed life contributions.

The Council agreed to use £1.5m of reserves in setting the 2017/18 budget. This reflected the increased reduction in SG funding compared to projections, and prevented the need for quick savings proposals to be identified with no opportunities for consultation. The current level of reserves is anticipated to be fully required to fund the next transformation strategy (2017-2022).

We want to hear your views on the transparency of the local government financial settlement, and how this could be improved.

The main concern with the settlement is the short term nature of it. The ability to plan is severely constrained when funding is advised on an annual basis. NHS budgets have been constructed on this basis for a number of years, while local government previously enjoyed multi-year settlements. The comparison of robust financial planning was stark, and we are now starting to see the negative impact of short term funding in local government.

Craig McArthur
Head of Finance and ICT
East Ayrshire Council