Question 1: We want to hear how spending is prioritised and resources are managed effectively, for instance through service redesign.

Response:

The priorities of the Council are documented in the Council Plan. The Council’s Financial Strategy for the Council sets out the financial environment for future years, funding for priorities, the implications of changes that the Council is facing, and highlights any budget gap going forwards. Resources are allocated through the approval of the Budget Strategy, and managed through regular monitoring by committee and scrutiny forums. One of the key components of the Council’s overall financial strategy is the level of Government Grant that we receive. In order to prioritise and prepare a medium-term budget strategy local authorities require to make estimates around the future levels of grant. These estimates are then considered as part of the overall budget strategy.

The Budget Strategy and the budget setting process sit alongside other Council plans such as the workforce plan and the asset management plan.

In arriving at the expenditure assumptions within the Financial Strategy, a number of factors are taken into account including investments in Council Priorities, inflationary pressures including pay, demographics, economic conditions, revenue implications of the capital programme.

Longer term planning would be aided through having greater certainty of grant funding into future years. Multi-year budget from the Scottish Government that aligns across the various streams of the public sector would also be beneficial for development of partnership working.

Consideration on how services are delivered, and efficiencies gained through changes in service delivery are reported to Committee as part of savings proposals.

Question 2: 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.

Response:

In 2017/18 South Lanarkshire Council did not increase the level of Band D council tax and therefore experienced no increase in revenue as a result.
Levels of council tax for 2018/19 will be decided as part of the budget process this year. The use of any income generated from future council tax increases would be an issue for consideration by elected members.

In terms of the increased Revenue from the Banding Multiplier, for 2017/18 the increased revenue generated from changes to the Council Tax banding multiplier was £5m and was incorporated into the Council’s budget, with £3.5m being utilised in relation to existing and anticipated budget pressures within Social Work, and the balance used to reduce savings elsewhere.

Protecting budgets through national policy restricts the Council’s local decision making capabilities, and leaves unprotected services more exposed to savings required to balance councils’ budgets. As an example, using the 2017/18 budget set, the savings requirement moved from 6% of all budgets, to 11% of unprotected services through protecting Teachers budgets, Integrated Health and Social Care budgets, and Pupil Equity Funding.

Grant settlements include both ring fenced and non ring fenced elements of funding, and it can be difficult to see how changes in funding affect councils’ spending power year on year as levels of ringfenced funding increases.

**Question 3:** We want to hear how fees and charges are being used, and how decisions are made on which services are affected.

**Response:**

When considering charges for services the Council considers affordability for users, ability to pay, how charges can be used to influence demand, recovery of the cost to deliver those services and inflation levels. When proposals are put forwards to increase fees, the level of existing charge, and how other providers of similar services charge are taken into account (including other councils charges). Consideration is also made to who is affected by the charges, and whether individuals or groups may be affected by more than one charge increase.

Income generated through fees remains with services, and forms part of the overall budget position for the Council. Fees and charges generate £26m for the Council (excluding Leisure and Cultural Trust income)

**Question 4:** We want to know how local authorities assess the impact of increases charges and service redesign on different social demographics.

**Response:**

As part of decisions taken by the Council, including decisions on increasing fees, where appropriate, equality impact assessments are carried out which consider the effect of proposals and changes in relation to particular groups, specifically:

- Age
- Disability
- Gender
- Gender Reassignment
- Marriage and Civil Partnership
- Religion and Belief
- Race
- Pregnancy and Maternity
- Sexual Orientation
Also when considering how services are delivered, the impacts of changes on users are also considered.

**Question 5:** Following on from evidence heard last year, we invite local authorities to provide an update on the use of General Fund Reserves.

**Response:**

The Council maintains an uncommitted general fund balance to hedge against unforeseen events, and this balance has not increased substantially in recent years. Any use of reserves to manage budget pressures does not represent a long term solution for savings requirements. The Council has used reserves to balance the budget in the short term. As a result of decisions taken in recent years, the Council will use £40m of reserves in managing our budget between 2017/18 and 2020/21.

**Question 6:** We want to hear your views on the transparency of the local government financial settlement, and how this could be improved.

**Response:**

Better planning for budgets can take place if grant allocations for future years are available earlier. Preparation of detailed budgets for the financial year begins at least one year in advance. Later notification of grants for the coming year, and only single year settlements, means that budgets are currently prepared using estimates, bringing uncertainty into the process. Knowledge of indicative allocations for future years can greatly assist with service planning, and can help to ensure greater efficiency over the longer term.

It would be helpful to have clear reconciliations of grant movements year on year, highlighting elements that are ring fenced, and the element of funding that is not. As there are often elements of funding still to be allocated when grants are advised, it can be difficult for councils to provide clear reconciliations in relation to movements in grant funding.

**Question 7:** We want to hear your ideas on how local government finance, including revenue streams, may change in the future.

**Response:**

There are a number of key areas where the landscape of local government finance has the potential to change in the future, some specific examples include: continued pressure on pay; Inflation; changing demographics and the potential impacts on Integrated Health and Social Care; national priorities such as Early Years provision, and Fair Funding & Education Governance.

In recent year funding for Councils to pay for Older People Care has been diverted through NHS settlements. Councils should be provided directly with adequate
funding, to remove the need for unnecessary re-allocations through Health and Social Care Partnership budgets.

In order to effectively plan for and manage changes it is important to have details of settlement allocations as early as possible in advance of the start of the financial year – with a preference for multi-year allocations.

It is important that there is consultation and communication on the impact of changes in Local Government Finance, including financial outcomes of policy changes.

**Question 8:** We want to hear your views on the three year RPAs and how this will help local authorities to plan to meet affordable housing needs in local areas and also the Scottish Government’s 50,000 affordable homes target.

**Response:**

The establishment of longer term 3 year RPAs are welcome as they support the effective development of Strategic Housing Investment Plans (SHIPs) and provide a more solid base for the five year forward rolling plan of affordable housing development priorities within the area.

The provision of longer term three year RPA’s strengthening the planning process between the SHIP, the three year Strategic Local Programme Agreement and local programme agreements for Council’s and RSL’s.

Specifically, this provides local authorities and Registered Social Landlords greater certainty in relation to the availability of grant resources to support their business planning enabling them to advance preparation on their forward affordable housing programmes with greater confidence to maximise the impact of available resources to accelerate and optimise delivery. This may include investment in personnel resources to support development activity as well as financial borrowing.

**Question 9:** We want to hear your views on any other aspect of the housing supply budget.

**Response:**

While the increased resources being made available are welcome, there is concern that the construction sector and associated supply chain will come under significant pressure to deliver over a relatively short period of time (3 years) and this will impact on tender prices.

Additionally while it is understandable that the period covered by the RPAs is limited to the lifetime of the parliament, obvious benefits would be accrued in terms of promoting confidence within the sector, if there was a longer term commitment to the provision of multi-year RPAs.
Question 10: We also invite views on any of these aspects of the Local Government and Communities budget 2018/19.

Response:

In summary, for local authority budget planning purposes it is important to have details of grant allocations as early as possible, to avoid having to estimate grant movements for coming year budgets. Multi-year settlements / indicative allocations would be of great benefit to local authorities in terms of providing a degree of certainty to the budget planning process. Knowledge of indicative allocations for future years can greatly assist with service planning, and can help to ensure greater efficiency over the longer term.

Protecting and ring fencing budgets does restrict the Council's local decision making capabilities, leaving unprotected services more exposed to the need for savings to balance Councils budgets.

On the horizon, the pressure for pay awards, inflation and increasing costs in relation to care continues to play a significant part in the Council's budget strategy discussions. These will continue to put pressures on councils going forwards.