



## **Local Government and Communities Committee**

### **Scrutiny of the draft Budget 2018-19**

#### **Summary of written evidence**

##### **Introduction**

The Scottish Government's Draft Budget for 2018-19 is not expected to be published until 14 December 2017. 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 2016-17 and (to the extent possible) in the current budget year 2017-18.

The Committee launched its call for evidence, featuring questions on both local government budget and housing supply budget, on 14 September.

As of 13 November, the Committee received 23 submissions to its draft budget 2018-19 call for views 19 of which relate to local government budget and can be broken down as follows—

- 8 submissions from local government bodies;
- 2 submissions from professional and other bodies;
- 5 submissions from third-sector organisations;
- 3 submissions from trade unions; and,
- 1 submission from an individual.

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. A list of all the submissions received can be found at: <http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/106441.aspx>

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**17 November 2017**

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

Local authorities set out varying approaches to prioritising spending, which included—

- **South Lanarkshire Council** bases priorities on its Council Plan, which interacts with both its Workforce Plan and Asset Management Plan.
- **North Ayrshire Council** gave details of its hierarchy approach.
- **Aberdeenshire Council** identifies priorities over the coming 5 years and aligns budget decisions to these priorities, one example being maximising the efficiency of its operations through the use of digital technology.
- **East Ayrshire Council** also uses a 5 year approach in line with its transformation strategy, which has included activities such as closing local offices.
- **Renfrewshire Council** stated that its budget is set to support both Council and Community Plans, and as such it works with Community Planning Partnerships on budget-setting. There has been a focus on innovative service redesign, early intervention and prevention.
- **Comhairle nan Eilean Siar** explain that its Budget Strategy includes plans for 5% incremental efficiencies over the next 5 years.
- **Glasgow City Council** set out how it is planning ahead for a reduction in resources, and details how its Transformation Strategy is used to address financial challenges and transform the organisation into “a leaner and more efficient council family”.

Local authorities highlighted concerns and challenges around prioritisation. **South Lanarkshire Council** said that greater certainty of funding would help, and **North Ayrshire Council** noted that service redesign has been useful to date but there’s an increasing move towards stopping/rationalising and reducing services. **North Ayrshire Council** also pointed out that the protection of education and social care services have had an impact on other services, and that funding restrictions reduce capacity to reshape services. **Renfrewshire Council** pointed out that the point has been reached where the efficiencies that can be made do not match the reductions in budget from the Scottish Government. **Comhairle nan Eilean Siar** echo this, and **CoSLA** state that “there is no more room for manoeuvre”.

**UNISON** gave details of survey work done relating to service redesign and rationalisation, which found that—

- Jobs have been cut but no work has been reduced.
- Members are under enormous stress from both the physical and emotional demands of trying to maintain quality services without adequate resources.
- It’s the more experienced staff that volunteer for redundancy or retire, this means work is now being undertaken by staff with less experience and training and at lower rates of pay. This adds pressure both as experience and training make it easier to do the work and this added to a long pay freeze is leading to a demoralised workforce.

**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.**

**CoSLA** sets out that “just to stand still on current services, local government would need a revenue increase of £545m, 5.7% arising from inflation and current demand”. It goes on to detail that because of Scottish Government budget decisions, 58% of councils’ budgets cannot be reduced, meaning that all cuts have to be absorbed by the rest of the budget. With just 42% of the budget having to absorb cuts, an 8% cut in overall local government resources results in a 20% cut in those services not protected by Scottish Government policy.

Local authorities all echoed this theme in their submissions. **Aberdeenshire Council** noted the impact on being able to respond to local challenges. **North Ayrshire Council** spoke about the challenge brought by inflationary pressures and increased demand for services, and the forthcoming removal of the public sector pay cap.

**South Lanarkshire Council** noted that, with grant settlements including both ringfenced and non-ringfenced funds, it could be hard to see how changes in funding affect councils’ spending power year-on-year as levels of ringfenced funding increases. **East Ayrshire Council** called for the full funding of national policies.

The majority of local authorities welcomed the end of the Council Tax freeze, though a number called for the removal of the 3% cap to allow councils more flexibility. Only one local authority making a submission, **South Lanarkshire Council**, had chosen not to increase the Band D Council Tax rate. Additional income had been used to reduce budgetary pressure.

**Comhairle nan Eilean Siar** pointed out that the additional income it received from the changes to Council Tax policy, at £0.5m was less than the cut to the funding it received through its settlement from the Scottish Government in 2017-18 (3.2m). **Glasgow City Council** highlighted that it benefitted less from the changes to Council Tax multipliers than other areas, and suggested that the increased income should be pooled and reallocated across Scotland on the basis of overall Council Tax contribution.

The **SCVO** welcomed discussion on local tax reform, but felt that there should be more transparency on how tax income is used. Finally, **Brian Griffiths** felt that the re-valuation of older properties for Council Tax purposes would unlock a significant amount of funding for local authorities.

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

Local authorities explained varying approaches to setting and reviewing fees and charges for services, with most acknowledging the impact on vulnerable and low income groups—

- **Aberdeenshire Council** offered concessionary and rebate schemes to mitigate the impacts of fees and charges.
- **South Lanarkshire Council** explained that income from fees and charges remained with services. Its process involved considering the affordability of fees, the rate of current fees and the amounts charged elsewhere including by other local authorities.
- **North Ayrshire Council** spoke of benchmarking activity being undertaken by a number of councils to map out comparative charges for services.
- **East Ayrshire Council** reviews its charges annually and applies charges in line with inflation, with any proposed increases beyond the rate of inflation being consulted on.
- **Renfrewshire Council** explained that it continues to subsidise key services even when charges apply. It also noted that there had been a reduction in income from business related services (such as commercial waste collection) because of competition from private-sector service providers.
- **Glasgow City Council** integrates its approach to fees and charges within its annual budget-setting process and as such changes are driven from a service-area perspective before being agreed by elected members.

The **Health and Social Care Alliance** suggested that the increased use of fees and charges is a “tax on disabled people” and noted that there are big variations across the country before suggesting that guidance on fees and charges should be placed on a statutory footing. **CoSLA** highlighted that local authorities couldn’t price citizens out of social inclusion services.

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

The majority of local authority submissions detailed use of the Equality Impact Assessment (EqIA) approach to assess the impact of changes to fees and charges on different social demographics. **Aberdeenshire Council** and **Comhairle nan Eilean Siar** also spoke of consultation work to establish who would be affected by changes and the level of impact. Four of the seven local authorities who made submissions confirmed that EqIA results were provided to elected members in order to inform their decisions on changes to fees and charges.

**Renfrewshire Council** stated that increased charges had not “featured to any great degree” in its financial strategy, and as an alternative it had focused on early-intervention strategies and service re-design.

The **Scottish Council on Deafness** argued that service redesign was not going “far enough or at any reasonable pace to effectively improve access, inclusion and integration of over a million deaf people”.

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

A number of local authorities explained that they were keeping unallocated reserves to the Scottish Government's recommended 2% of budget level, with only one stating they would go below this level for a one-off service investment. Balances where detailed had not increased. Whilst it was recognised that reserves should be used for longer term initiatives such as transformation strategies, there were examples of reserve funds being used to alleviate short-term pressures, including to counteract the reduction in the funding settlement from the Scottish Government.

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

**UNISON** spoke about recent budget debates and the differing viewpoint on which figures are used, and suggested that "it is hoped that this year there will be less spin". It highlighted that the use of ring-fenced funding and the conflation of revenue and capital funding added to confusions. It suggested that the Scottish Government's approach to setting out additional funding for specific policies could give a "false impression to lay people about just how far these monies are expected to spread". It did, however, conclude that whilst transparency in budgets is important, adequacy of funding is much more so.

**Aberdeenshire Council**, whilst acknowledging the impact of the UK Government's budget timeline on the Scottish Government, suggested that it would be helpful in the context of financial modelling at a local and national level if those involved could share assumptions and work together at an earlier stage. Including indicative figures for future years alongside the Draft Budget was desirable, as was giving further detail on Grant-Aided Expenditure within the local government finance circulars. **South Lanarkshire Council**, **North Ayrshire Council** and **Renfrewshire Council** also called for multi-year budgets.

**North Ayrshire Council** also called for clarity on how additional investment across the Scottish Government is funded (to match that given within the local government settlement), including transparency on taxation. It also highlighted the disagreements of the appropriate measure of funding to compare year-on-year, suggesting that this should be the combined revenue and general grant rather than total estimated expenditure.

Both **Renfrewshire Council** and **South Lanarkshire Council** suggested that the funding of local government social services through the Health settlement (to Integrated Joint Boards) is complex and confusing.

**Comhairle nan Eilean Siar** felt that there should be more transparency on how the Scottish Government weighs up the impact of new policies on existing services. **Glasgow City Council** felt it would be useful if funding for core services was set out explicitly by the Scottish Government.

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

**CoSLA** set out a number of aspirations for the future of local government finance, which included—

- No more cuts to the revenue settlement – parity with cash increase for the Scottish Government.
- Proper investment in the local government workforce.
- Full baselining of £130m funding from the 2016-17 budget agreement.
- Additional investment in Health and Social Care in recognition of the rising demand.
- Multi-year budgets, with increased flexibility.
- Increase in capital funding, and return on re-profiled capital funding.
- Removal of the 3% cap on Council Tax.
- Proper reform of local taxation with the power to introduce discretionary taxation.
- Full and transparent funding for new central government initiatives.
- Funding to cover any shortfall which might arise from the charitable status of ALEOs being withdrawn.

**Aberdeenshire Council** saw merit in the greater use of shared services, but highlighted that upfront funding to establish a shared working approach would be needed. It also suggested that an analysis of the cost of providing statutory services and a debate about nationally accepted service standards would be helpful.

**South Lanarkshire Council** argued that councils should be funded directly for the services they provide, and that multi-year allocations should be introduced. It also highlighted the importance of consultation and communication on the impact of changes in local government finance. **Comhairle nan Eilean Siar** also supported longer-term financial plans, covering a range of scenarios, along with the further devolution of powers (for instance on taxation).

**North Ayrshire Council** felt that resources should be aligned with Scottish Government priorities, and that ring-fencing of resources should end. Like others, it felt that all funding for local government services should come through the local government settlement, and that opportunities for local revenue-raising through local taxation should be maximised through the removal of the Council Tax freeze and the ability to introduce discretionary taxes. It also suggested that issues raised by the Commission on Local Tax Reform such as the revaluation of properties should be addressed. **Glasgow City Council** also echoed calls for more power over local taxation.

**Renfrewshire Council** felt that enabling of the Community Empowerment (Scotland) Act 2015 would provide both obligations and opportunities for local authorities, for instance in encouraging communities to take a more active role in asset management.