



LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

AGENDA

28th Meeting, 2017 (Session 5)

Wednesday 22 November 2017

The Committee will meet at 9.45 am in the James Clerk Maxwell Room (CR4).

1. **City region deals:** The Committee will take evidence from—

Keith Brown, Cabinet Secretary for Economy, Jobs and Fair Work, Oonagh Gil, Deputy Director, Enterprise and Cities, and Morag Watt, Head of Region and City Partnerships Team, Scottish Government;

Lord Duncan of Springbank, Parliamentary Under Secretary of State for Scotland, and Neil MacLennan, Head of City Deals and Local Government, Scotland Office, UK Government.

2. **Draft Budget Scrutiny 2018-19:** The Committee will take evidence on the Scottish Government's Draft Budget 2018-19 from—

Cllr Gail Macgregor, Spokesperson for Resources, and Vicki Bibby, Chief Officer, Local Government Finance, COSLA;

Paul Dowie, Director, Shared Services, Improvement Service.

3. **City region deals (in private):** The Committee will consider the evidence heard earlier in the meeting.
4. **Draft Budget Scrutiny 2018-19 (in private):** The Committee will consider the evidence heard earlier in the meeting.
5. **Work programme (in private):** The Committee will consider its work programme.

LGC/S5/17/28/A

Jane Williams
Clerk to the Local Government and Communities Committee
Room T3.60
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Edinburgh
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The papers for this meeting are as follows—

Agenda item 1

Note by the Clerk

LGC/S5/17/28/1

PRIVATE PAPER

LGC/S5/17/28/2
(P)

Agenda item 2

Note by the Clerk

LGC/S5/17/28/3

PRIVATE PAPER

LGC/S5/17/28/4
(P)

Agenda item 3

PRIVATE PAPER

LGC/S5/17/28/5
(P)

Local Government and Communities Committee

28th Meeting 2017 (Session 5), Wednesday 22 November 2017

City Region Deals: Note by the Clerk

Purpose

1. This paper provides background information on the Committee's inquiry into city region deals.

Background

2. At its meeting on 22 March 2017 the Committee agreed that it wished to undertake an inquiry in City Region Deals. The remit agreed for the inquiry was:

To explore rationale, prioritisation and value for money in relation to city region deals, including the progress to date of city region deals in delivering job creation and economic growth, and the structure and governance of city region deals in Scotland.

3. On Tuesday 2 April 2017 the Committee launched its call for views with a deadline for responses of 2 May 2017. A total of [39 written submissions were received and published](#). A [Scottish Parliament Information Centre \(SPICe\) summary of the written views](#) was undertaken and the results also published.
4. In addition the following briefings have been published on city region deals:
 - [Scottish Parliament Information Centre \(SPICe\) briefing on City Region Deals](#) (15 March 2017)
 - [Accounts Commission/Audit Scotland briefing paper – City Deals Overview](#) (May 2016)
 - [Scottish Parliament Information Centre \(SPICe\) Overview Update on City Region Deals](#) (1 November 2017)

Local Government and Communities Committee Consideration

5. Following receipt of the written submissions the Committee agreed the witnesses it wished to hear from at Committee meetings.
6. At its meeting on 1 November 2017 the Committee heard from the following:
 - Professor Duncan Maclennan, Policy Scotland, University of Glasgow;
 - Dr Peter O'Brien, Research Associate, Centre for Urban and Regional Development Studies, Newcastle University;
 - Lesley Warren, Policy and Public Affairs Officer, Coalition for Racial Equality and Rights;
 - Barry McCulloch, Senior Policy Adviser, Federation of Small Businesses;

- Chris Day, Policy Advisor, Transform Scotland.

[Link to papers for the meeting on 1 November 2017](#)

[Link to Official Report of the meeting on 1 November 2017](#)

7. At its meeting on 8 November 2017 the Committee heard from the following:

- Cllr Susan Aitken, Chair, Glasgow City Region Cabinet and Leader of Glasgow City Council;
- Kevin Rush, Director of Regional Economic Growth, Glasgow City Region Deal;
- Cllr Adam McVey, Leader, City of Edinburgh Council, and Andrew Kerr, Chief Executive, City of Edinburgh Council, Edinburgh and South-East Scotland City Region Deal Partners;
- Cllr Graham Ross, Depute Provost and Leader of Inverness and Area, and John Robertson, Programme Manager, City Region Deal, Highland Council;
- Cllr David Ross, Co-Leader, Fife Council;
- Cllr Jenny Laing, Co-Leader, and Richard Sweetnam, Head of Economic Development, Aberdeen City Council.

[Link to papers for the meeting on 8 November 2017](#)

[Link to the Official Report of the meeting on 8 November 2017](#)

8. At its meeting on 15 November 2017 the Committee heard from the following:

- Patrick Wiggins, Director, Ayrshire Growth Deal;
- Douglas Duff, Head of Planning and Economic Development, Falkirk Council;
- Phil Ford, Regional Skills Planning Lead, and Paul Zealey, Regional Skills Planning Lead, Skills Development Scotland

[Link to papers for the meeting on 15 November 2017](#)

[The Official Report of the meeting on 15 November 2017 will be available by 6.00 pm on Monday 20 November 2017](#)

9. At its meeting on 22 November 2017, the Committee will take evidence from Keith Brown, Cabinet Secretary for Economy, Jobs and Fair Work, Scottish Government and Lord Duncan of Springbank, Parliamentary Under Secretary of State for Scotland, UK Government.

Fact Finding Visit

10. On 6 November 2017, the Committee undertook a fact finding visit to Glasgow airport to learn more about the benefits and impact of the Glasgow Airport Investment Area and Glasgow Airport Access Projects which form part of the

Glasgow City Region Deal. This was followed by an informal discussion with community groups and businesses.

Next Steps

11. Following the evidence session with the Cabinet Secretary and the Parliamentary Under Secretary of State for Scotland on 22 November 2017, the Committee will consider the evidence heard before deciding on its next steps to take as part of its inquiry into city region deals.

Local Government and Communities Committee

28th Meeting 2017 (Session 5), Wednesday 22 November 2017

Draft Budget Scrutiny 2018-19: Note by the Clerk

Purpose

1. This paper provides background information on the Committee's scrutiny of the draft Budget 2018-19.

Background

2. On 6 September 2017 the Committee agreed its approach to scrutiny of the Draft Budget 2018-19. As the budget will be published later this year the Committee agreed to undertake pre-budget scrutiny looking back at what has actually been spent in 2016-17 and (to the extent possible) 2017-18.
3. On 14 September 2017 the Committee launched [its call for views](#) with a deadline for responses of 23 October 2017. A total of [24 submissions were received](#).
4. A summary of the written views received which relate to Local Government (19 submissions) is available in **Annexe A** of this paper.
5. In addition the following briefing has been published on Local Government Finances:
 - [Local Government in Scotland: Performance and Challenges 2017](#) (Accounts Commission report)

Local Government and Communities Committee Consideration

6. The Committee has agreed the witnesses it wishes to hear from. At its meeting on 22 November the Committee will hear from the following:
 - COSLA;
 - The Improvement Service.
7. Submissions from these organisations are contained in **Annexe B**.

Next Steps

8. At its next meeting, on 29 November 2017, the Committee will take evidence from the Accounts Commission.
9. At its meeting on 6 December 2017 the Committee has invited the following organisations to speak to the Committee:
 - a. Association of Local Authority Chief Housing Officers

- b. Scottish Federation of Housing Associations
- c. UNISON Scotland
- d. North Ayrshire Council
- e. Renfrewshire Council
- f. Comhairle nan Eilean Siar

10. At its meeting on 20 December 2017 the Committee will take evidence from the Cabinet Secretary for Finance and the Constitution and the Minister for Local Government and Housing.



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>

Ailsa Burn-Murdoch
SPICe Research
17 November 2017

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area.

The Scottish Parliament, Edinburgh, EH99 1SP www.scottish.parliament.uk

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 benchworking 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

changed 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.

Submission from COSLA

Introduction

1. COSLA welcomes the opportunity to provide a submission to the Local Government and Communities Committee call for evidence on the draft budget 2018-19.
2. We appreciate the opportunity to feed in the views of all 32 of Scotland's Councils, at what is a crucial time for understanding the hard choices which are facing the future delivery of essential local services.
3. We welcome the Committee's focus on the effective management of resources, the transparency of the local government financial settlement and their willingness to consider views on how local government finance may change in the future.

COSLA's Response

4. The Committee has asked for views by setting out a number of questions. We enclose our submission, attached, which we trust the Committee will find helpful and informative in responding to those questions. We will also be sharing our submission with all MSPs.
5. We welcome the Committee's support in ensuring fair funding for local government. We are of course more than happy to expand on any of the points in this submission, at a future oral evidence session, as well as offering the Committee any supplementary information should they wish it.

Fair Funding for Essential Services

We all need local government



#essentialservices

Local Government is Essential

Local government is democratically elected and provides a breadth of essential services to Scotland's communities which:

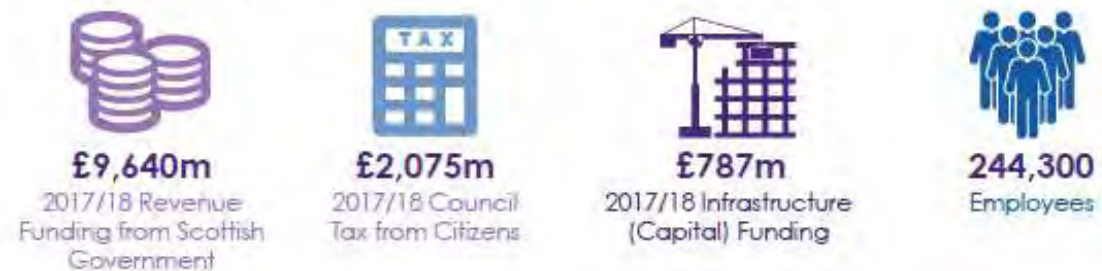
- support and protect all in our society;
- tackle inequalities;
- promote a fairer Scotland through inclusive growth.

Local government creates opportunities for every citizen which strengthens communities.

Local government is a key economic driver:

- Employing 10% of Scotland's workforce
- Procuring £6.3bn of goods

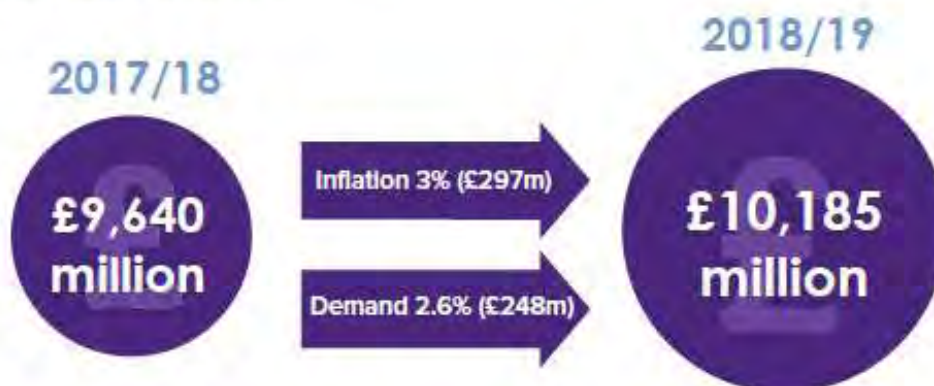
How is this done?



In the 2018-19 budget there must be a fair settlement for local government.

What local government needs in 2018/19

Just to stand still on current services, local government would need a revenue increase of £545m, 5.7% arising from inflation and demand.



Note: 2017/18 Revenue figure taken from the Scottish Government's local government finance circular 1/2017

Story So Far...

Recent settlements have been very challenging. The Accounts Commission said in their Local Government in Scotland Performance and Challenge 2017 report:

"Councils have faced significant challenges from a long-term decline in revenue funding and from an ageing population. The scale of these challenges continues to grow. Policy and Legislative changes are also placing additional demands on councils and changing how councils work."

In 2012, COSLA undertook a significant piece of work recognising the demographic and inflationary pressures, and called for a review of policy. This did not happen.

Overall funding has gone down

Between 2010-11 and 2017-18:



Source: SPICe Briefing – Local Government Finance: facts and figures 2010-11 to 2017-18

Changes to core budget

The above shows the global picture for local government, but the reality has been a significant downward shift in funding for core services, with new additional resources being directed towards Scottish Government-led policies such as the extension of early learning and childcare, free school meals and Scottish Welfare Fund. These are valuable policies but undoubtedly create challenges for the rest of the budget.



Structure of budget

Due to recent Scottish Government budget decisions, 58% of councils' budgets cannot be reduced. That means all of the cuts have to be absorbed by the rest of the budget.



Result: 8% reduction in overall resources can only be absorbed by 42% of budget = 20% cut in those services only

However, that is only part of the story. Inflation and demand growth need to also be absorbed into the reduced part of the budget. The result is that vital services such as economic development, employability, public protection and regulatory services, and early intervention initiatives for tackling inequalities are being cut to absorb the funding shortfalls. Cuts are hitting the most vulnerable which is creating further inequalities.

Having so much of local government's budget protected through Scottish Government policy priorities prevents local government responding to local need.

Managing the cuts

Local Government has risen to the challenge but cannot continue to do so — there is no more room for manoeuvre.



Efficiencies

- £1.4bn of efficiency savings made since 2012
- Includes collaboration and streamlining of services, smarter procurement and asset management

Workforce

- 15,000 FTE staff (30,000 people) lost over the last five years
- Pay erosion

Increased Charging

- On the whole charges have increased by 13% between 2010-11 and 2015-16
- Local authorities can't price citizens out of services that deliver social inclusion, health and well-being, early intervention and prevention, when setting charges. For example, when setting charges for access to leisure and cultural facilities.

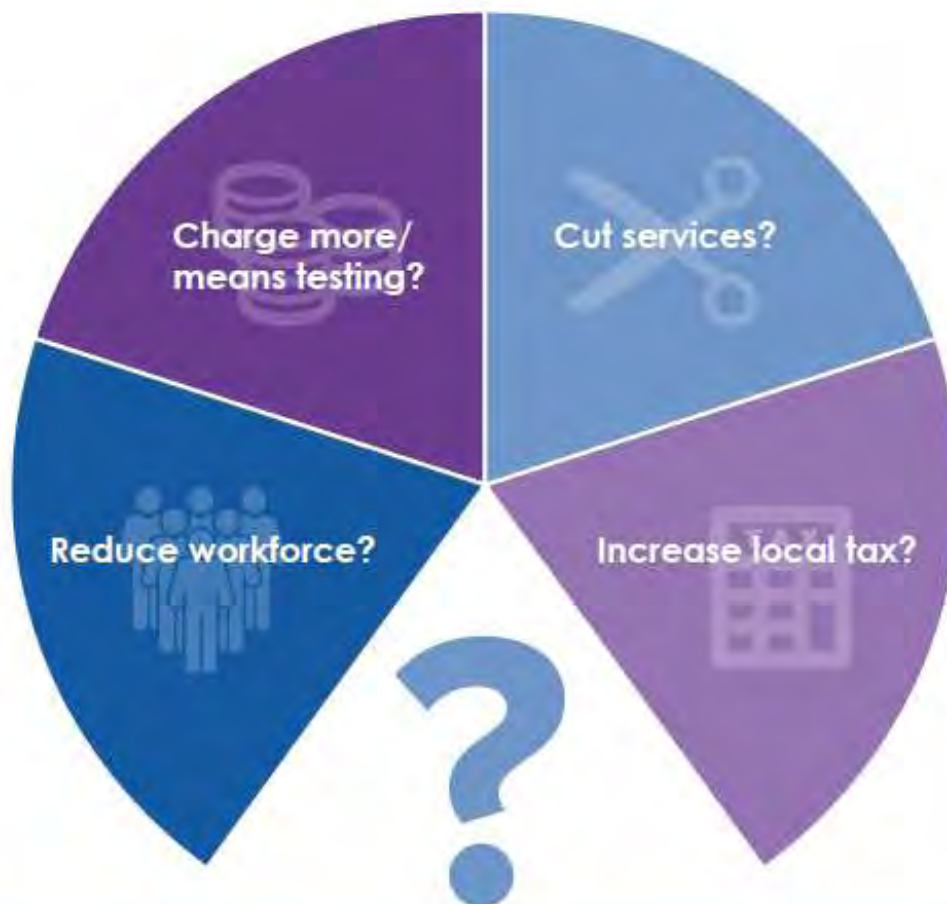
The Improvement Service, in their recent National Benchmarking Overview report, recognised this landscape.

"The absorption of major cuts while improving performance is an impressive achievement and there is a danger it is taken for granted: an assumption that, because savings have been made without a crisis of performance, savings can be continuously required and made. In reality, the trends required an overall reduction in the workforce; staff accepting year-on-year real reductions in wages, and substantial improvements in efficiency, productivity and innovation. If similar savings were necessary again across the next five years, severe issues of capacity, resilience and maintaining performance will need addressed."

So What Happens Next?

If local government continues to face the same level of grant reduction, there are extremely difficult choices ahead. The consequences and opportunity costs of this must be fully understood.

Responding to this, a number of Councils are already out to budget consultation, highlighting the magnitude and scale of the budget gaps. Councils are having to make hard choices, including:



The other question is, can we continue to do it the way we are doing now without a more fundamental review of how we deliver services? Overall, this current model is not sustainable and we cannot continue to operate from one year budgets, storing up problems for the future.

What is Needed from the 2018/19 Budget

We recognise that tough choices will need to be made across the Scottish budget but we cannot underplay the needs of local government to deliver essential services that are vital to our communities.

Local government therefore needs:

Revenue Settlement

1. **No more cuts - parity with cash increase for Scottish Government**
2. **Full baselining of £130m funding from the 2016-17 budget agreement**
3. **Allow for proper investment in the local government workforce**
 Every 1% on local government paybill costs £70m
 Every 10p increase in living wage for adult social care providers costs £10m.
4. **Additional investment in Health and Social Care in recognition of the rising demand.**

Capital

1. **Increased capital funding to invest in and attract growth**
2. **Return of reprofiled capital funding**

Local Taxation

1. **Removal of the 3% cap on Council Tax**
2. **Proper reform of local taxation**
3. **Power to introduce discretionary taxation**

Structure of Settlement

1. **Multi-year budgets**
2. **Create flexibility to help deal with pressures.**
 We cannot continue with 58% of the budget being nationally ring-fenced. We need true removal of ring-fencing and central direction through input targets

Funding for Government Policies

1. **Full and transparent funding for new central government initiatives. Specifically:**
 Expansion of early learning and childcare
 Living wage for adult health and social care workers
 Carers Act
2. **If charitable status of ALEOs is withdrawn, then the £45m shortfall in delivery of these services needs to be met.**

Longer Term

We cannot keep going on like this, storing up problems for the future. Over the long term, linking in with the overall Scottish budget process, we need a fundamental review of Scottish priorities and how services are funded, ultimately with a view of improving outcomes.

Our Essential Services

Protection Services



Children's Services

Councils protect the most vulnerable in society. In 2015-16, 15,300 children were 'looked after' or on the child protection register. This number is **reducing** and it is essential that early intervention investment continues to further drive this number down.

2017



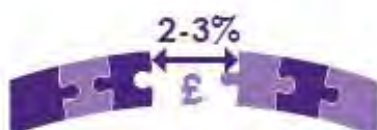
Adult Social Care

Adult social work services support and protect vulnerable adults, allowing them to live independent lives and ensuring they have access to the services they need. This area is under significant year on year budgetary pressure, as needs become more complex. The number of people 75+ is expected to double by 2039.

2039



Spending on care for older people has grown in 6% real terms since 2010/11 but not at a pace to keep up with demographic change (another 2-3% needed).



Councils also support those with mental health issues. Healthy lives are as much about mental health as they are about physical wellbeing.



Support for Carers

Councils provide vital support to adult and young carers, helping them to manage their caring role.



-50%



-70%



-83%

Youth Justice

By intervening early, Councils have seen offending by young people halved since 2008, with a 70 per cent reduction in the number of under 18s in custody and an 83 per cent reduction in children referred to Children's Hearings System on offence grounds. This has resulted in a significant saving out with local government to the courts system.



50%

funded
by
Councils

Providing Affordable Housing and Tackling Homelessness

Councils are playing a vital role in the delivery of 50,000 new affordable homes by contributing half the cost of meeting their commitment to this target. Alongside building new homes, Councils are ensuring their existing stock is not only maintained but also meets the highest standards for energy efficiency.



Councils have a vital role in using their duties to tackle homelessness and reducing the number of rough sleepers. Providing debt advice; intervening in cases of domestic abuse; benefit help; and help in managing rent arrears all contribute to this aim.

£241m



total debt



£55m

financial gain

Welfare Advice and Support

Helping deal with debt and the consequences of debt is an important aspect of Councils' work. The total combined debt of all clients who sought advice in 2015-16 was around £241m. The verified client financial gain accruing to users, as a result of intervention by money advice services funded by local authorities across Scotland in 2015-16, was around £55m.



Human Rights

Local authorities have been integral to the development and delivery of a distinctive Scottish approach to the integration of refugees and asylum seekers in Scotland. All councils have provided excellent leadership in the resettlement of Syrian refugees to Scotland and by the end of 2017 more than 2,000 people will have arrived.

Councils also play a key role in detecting and protecting those affected by human trafficking.

Regulatory Services

Local government provides a wide range of key regulatory services which protect the public. From ensuring food safety in restaurants and eateries, as well as trading standards enforcement to protect against illicit trade, scams and doorstep crime. Planning, building standards and environmental protection are key services which only too recently have been highlighted as vital areas for protecting the public.



Trading Standards

-20%



Environmental Health

-23%

Trading Standards and Environmental Health (Includes Building Control)

These services are under significant threat due to cost pressures which have seen budgets reduce significantly. For Trading Standards and Environmental Health Services there has been a sharp decline in the workforce with 20% and 23% reductions in these areas respectively. Both workforces have an ageing demographic and very few new entrants. If this trend continues across the next five years there would be only 350 Environmental health officers and 101 Trading Standards officers in the whole of Scotland. Given the potential of substantial regulatory change, post Brexit, and sharply increased demand from SME's for regulatory advice and support, there is a risk that Scotland is very poorly placed to respond.



-25%



Waste Management and Energy Efficiency

Councils are contributing significantly to protecting the environment through reducing waste, encouraging recycling, improving energy efficiency and tackling fuel poverty. The environment impacts on all parts of communities but can impact more on less advantaged parts. Initiatives to tackle issues such as fly tipping, littering and promoting greener neighbourhoods can reduce anti-social behaviour and foster greater community spirit.

Due to budget pressures, there has been a significant reduction in spend in environmental services, with a 25% reduction in street cleansing. This has been accompanied by a reduction in public satisfaction rates for refuse collection and street cleaning.

Healthy Lives and Social Inclusion



+16.8%



+29.8%



+36.6%



Councils play an integral role in promoting healthy lives across communities and providing access for all to services which can improve their health and well-being. This includes providing sport facilities, leisure centres, libraries, museums and parks, as well as organising or promoting cultural activities. These services form the fabric of communities and are geared to ensure that those who have least access and are least financially advantaged can use the services. The cultural and social benefits of these services also encourage people come into and participate in their communities and are very often tourist attractions in their own rights, thus helping to grow inclusive local economies.

There have been substantial increases in visitor numbers for sports (16.8%), libraries (29.8%), and museums (36.6%) against a backdrop of a reduction of 12% reduction in net expenditure. However, against this strain, public satisfaction rates for all culture and leisure facilities have fallen in the last 12 months.

Inclusive Growth and Economic Contribution



Education

A key contributor to economic growth is ensuring all our children are properly educated and reach their full potential and individual aspirations. Councils spend £5 billion a year on educating children (age 2 to 18), with educational services covering early years as well as school-based and community education. Educational outcomes are a strong predictor of inclusive growth and Scottish Councils are committed to improving these outcomes.

Expansion of early years is a key priority for the Scottish Government, and local government is very supportive of the expansions. However, we are clear that it must be fully resourced, and be truly additional to the current local government settlement, to ensure it is not at the expense of other vital services. We therefore welcome the Scottish Government's commitment to do this.

10%
workforce£6.3bn
procurement

Economic Growth

Councils make a significant and essential contribution towards inclusive economic growth both locally and nationally. Local authorities are major employers and combined directly employ 244,300 people or around 10% of the national workforce. Financial pressures have meant downsizing of workforces across all local authorities.

Councils also contribute to local and national businesses through procurement. Each year councils spend around £6.3 billion on procurement generating significant value and demand for the economy.



Councils invest more than a quarter of a billion pounds a year in promoting economic growth and providing direct support for business. In 2015/16 councils supported around 16,900 businesses and supported 21,600 unemployed people into jobs within their local communities. Critically in supporting economic growth, Councils are equally investing in employment and skills, through modern and craft apprenticeships and probationary teachers, to help equip young people to enter the marketplace. Council services themselves also generate economic benefit.



Roads and Infrastructure

Despite financial pressures Councils are continuing to maintain roads at a stable level and are providing a wide range of infrastructure to support and sustain communities such as schools, libraries and community centres.



Digital Connectivity is an important area in which Councils are playing their part, particularly in rural areas. Councils recognise that ensuring good digital access throughout the country will ensure communities can prosper. This includes providing greater digital access to Councils' own services.



Transport

Transport is a major driver for the economy and a lifeline for many people, including those who must travel to access work, education, health care or other amenities. Transport can help people live better, healthier and richer lives. Transport has an important part to play connecting different aspects of people's lives.



For transport policy to be nimble and responsive to the needs of communities, there must be a close and direct connection to the local democratic process. Tying transport policy to the needs of communities up and down Scotland will benefit the whole country. However, local transport services are under significant pressure and have already been reduced. A further reduction will hit communities again.



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Submission from the Improvement Service

Thank you for the opportunity to contribute.

Our report focusses on

- The positive response that councils have made so far to managing budgetary and demand challenges and
- Some points to consider for the fiscal role of local government

Managing resources effectively

The call for written views recognises that local government have faced formidable challenges across the last five years, but the response has been positive and councils have made significant savings while maintaining services and, in many cases, increasing the use of services. The 2017 Local Government Benchmarking Report highlights and evidences examples from across the many services that local government operates.

“Across the six-year period [2010-2016] for which we present data, total current spending by Scottish councils has reduced by 11% in real terms from £17.18 billion to £15.30 billion. During this time, councils have achieved substantial improvements in efficiency, innovation and productivity while service output and outcomes have been maintained and improved...”

http://www.improvementservice.org.uk/benchmarking/documents/2017_Overview_Report.pdf

The Accounts Commission’s 2017 overview report highlights the significant challenges that councils will continue to face whilst operating within the current environment and continuing to deliver services at Best Value. Budgets are likely to reduce by at least a further 10% in cash terms (18% in real terms) across the next four years as demand on major services will continue to rise. Equally, as the Accounts Commission highlights in its report, in addition to the financial, leadership, and demographic challenges, there are significant policy and legislative changes that will have an impact on the role of local government. Some of these changes, such as the Community Empowerment (Scotland) Act 2015, Education Governance Review, City Region Deals, Enterprise and Skills Review, for example, will require local government to consider alternative models of service planning.

Service redesign

The committee will receive evidence of the wide range of approaches that are drawn upon by councils to support identifying, prioritising and implementing their improvement efforts. These include:

- Improving Productivity and use of assets
- Maximising Revenue and Charging

- Digitisation
- Managing Demand
- Increased collaboration
- Major transformation programmes

that are implemented alongside budget and workforce reductions.

Many examples are brought together on the SOLACE/Improvement Service ‘Scottish Local Government Innovation Exchange’. <http://www.innovationexchange.scot/>. This site brings together information on many of the innovative projects being taken forward by Scottish local authorities. It allows local authorities to access and contribute examples of innovative projects and approaches, in order to share good practice and improve service delivery. Further examples are showcased and recognised as part of the annual COSLA excellence awards (see <https://youtu.be/9AMM6OcDqVc>). Case studies and collaborative work on digitisation can be found at <http://www.improvementservice.org.uk/myaccount-case-studies.html> and <http://www.digitaloffice.scot>.

Learning between local authorities and between local authorities and other public services is active. The Improvement Service facilitates the online collaboration tool, the knowledge hub (KHub), on behalf of Scotland’s public services. (www.khub.net) There are over 600 groups and 30,000 members participating on the K Hub. This platform facilitates the online sharing of practice, learning, tools, approaches etc. between local authorities and between local authorities and other public services. For example, groups with over 500 members include people from local government working on Benchmarking, Digital Transformation and Change Management.

All of this demonstrates the effective positive action being taken by councils and their ongoing development and improvement. The risk is that these will not be sufficient to address the scale of challenge faced by local government across the foreseeable future. Inflationary and demand pressures mean that the opportunity and capacity to respond will be constrained. Difficult choices will be unavoidable. Equally innovative approaches that will have a medium to longer term impact on resource use (e.g. for a greater shift to prevention) will require investment that is challenging to prioritise and secure against the demands of sustaining current services.

Local Government Revenue Streams.

The research undertaken for the Commission on Strengthening Local Democracy indicated three core facts the Committee might choose to consider. These were:

- (i) The countries with the highest ability to raise income through taxation were the countries with the most decentralised fiscal systems.
- (ii) The countries with the highest decentralisation and the most empowered local governments also had the highest level of voluntary participation through civic society organisations and NGOs.

- (iii) The most decentralised countries with the most empowered local governments had populations with the greatest confidence that could shape their own lives and outcomes.

Local financial and fiscal capacity is part of that, but governance structures and a culture of decentralisation are critical. Equally, reviewing local governance without enabling the fiscal capacity to make choices in response to local circumstances and preferences would miss the point.

Scottish local government is fiscally limited in comparison to European counterparts and that makes it highly dependent on grants from Scottish Government and therefore very exposed to conditionalities, ring-fencing, etc. Local fiscal reform has been on the agenda since 2007, and was the initial rationale for Council Tax freeze, but little has happened. The average local government in Europe raises over 50% of its income through local taxation. In Scotland, the figure is slightly over 20%.

The pattern of ring-fencing through grant allocation and conditionalities drives local prioritisation within and between services. (teacher numbers, attainment challenge fund, pupil equity fund, allocation of part of the care budget through the NHS budget, etc.). This results in a situation where councils have little control over how much they can spend or over how they have to spend it. Council tax has been frozen since 2007. This has been ended (with a 3% cap reinforced by grant conditionalities); but even if the setting of Council Tax was wholly freed up, and capping withdrawn, the “gearing effect” is so high as to restrict its use (a 10% increase would raise local spending by only slightly over 2%).

The deployment of specific grants (e.g. attainment challenge fund; pupil equity fund) is highly specified and regulated. Conditionalities within RSG (e.g. teacher number requirements) also require Scottish Government priorities to be adopted locally, as do conditional transfers from the NHS budget. The end result is a division within the current budget between “protected” service areas (e.g. Education and Care) and “unprotected” service areas (e.g. Roads, Regulation, Leisure and Culture). As the “protected” areas account for over 60% of the current budget, this has resulted in much higher cuts to “non-protected” budgets.

Environmental and Regulatory services

Schools and social care are likely to continue to be relatively protected, other services will face higher levels of budget reduction and this will raise issues about the sustainability of current approaches and models, the capacity, resilience and quality in often small scale services, and the nature of local government finance.

Across the last five years there has been a (6%) real growth in Adult Care which contrasts with a (21%) real reduction in Trading Standards and a (26%) reduction in spending on local roads. Budget pressures have driven greater local integration to create local economies of scale, however, ‘Regulatory’ and/or specialist support capacities may only have the right economy of scale and skills at a regional or national level. Brexit will also generate new demand for regulatory services. Over a number of years work has been undertaken to explore future options for services such as trading standards and environmental health for 32 councils.

The challenge is recognised but there are systemic barriers to proactively putting in place a sustainable future. There are real challenges for local politicians, for example, to examine the value of such services now and into the future to local outcomes in isolation or to prioritise regulation over education or care.

There is a very proper “localist” critique to be made of ring-fencing, capping, etc. and others have covered this in their evidence to the Committee. The key link here is with local decision-making. The Local Decision Making review is to take place next year and needs to focus on the fiscal capacity that would make truly local decision making possible. This could include the return of the business rate to local control, devolution of income tax variation and empowerment, as elsewhere in Europe, to create and levy specific local taxed (luxury good taxes, tourism taxes, etc.). Although this latter category has attracted a lot of attention, “cappuccino taxes” are profoundly unlikely to bridge the gap with the European norm and would be very variably applicable across the 32 council areas.

Views have also been requested on charging and there is an intimate link between fiscal powers and the role of charging. As successive Audit Scotland Overview reports show, the balance of income from local taxation and from fees and charges has shifted markedly over the last few years. This is obviously connected to the Council Tax freeze and real reductions in grant and the consequent imperative to make savings and raise income from other sources. Some of this has been raising fees and charges already in place, some of it diminishing rights to free service, and some of it driven by “commercialisation” objectives, i.e. creating marketable and chargeable products and services for the public, other public authorities or the private sector.

The range, nature and level of fees and charges varies depending on an individual council’s scale, capacity and operating context. (For example, it may be easier to raise income from fees for golf courses or leisure centres with a more affluent population than with a deprived one.) The essential aspect of this is differentiating between core public services and services that have that dimension or history but are now seen as open to charging e.g. leisure services.

The core point is that charging is growing precisely because council’s lack the ability to raise necessary income through taxation because of their limited and controlled fiscal base. If “commercialisation” is not wanted, Parliament either has to increase councils’ fiscal powers, or their share of the Scottish Budget or both.

Conclusions

There are insufficient resources in the whole system to maintain current services and entitlements in line with demand. The Scottish budget has declined in real terms across the last five years and is currently projected to fall further.

Councils can and will continue to take effective positive action to meet local needs through effective service redesign and better use of resources. The risk is that these will not be sufficient to address the scale of challenge faced by local government across the foreseeable future. Non-protected services such as Roads and

Infrastructure and local Regulation will be at particular risk at the point they are likely to be important to Scotland's post Brexit offer.

The debate between local priority setting and national priority setting and conditionalities is perhaps misplaced. The focal debate should be about raising more or doing less, particularly given demand driven by demographic change. Reviewing local governance without enabling the fiscal capacity to make choices in response to local circumstances and preferences would mean a missed opportunity to enable the fiscal capacity that would make truly local decision making possible.