Local Government and Communities Committee  
Call for Views on the Long-Term Financial Sustainability of Local Government  
Submission from Comhairle nan Eilean Siar

Introduction

The Comhairle welcomes the review of the long-term financial sustainability of local government by the Local Government and Communities Committee.

After a period of growth following devolution the financial crisis funding for Scottish local authorities has reduced by 6% in cash terms since 2010/11.

Alongside this reduction councils have been faced with an increase in ring fenced funding which has effectively reduced the funding available for core services by 11%.

For the Comhairle this has meant a £19m (17%) cash reduction in funding since 2010/11, £21m (19%) if adjusted for ring fenced funding.

To achieve a balanced budget the Comhairle has had to find savings of £39m to cover the combined impact of inflation, demand and reduced funding. This equates to almost two thirds of its 2011/12 budget of £120m.

The Comhairle, like other councils, has had to find efficiencies, redesign services and reduce provision to achieve a balanced budget. Effective financial planning in particular has enabled the Comhairle to use its balances to manage this increasingly difficult challenge.

In this context the Comhairle’s response to the questions posed by the Committee are set out below. The Comhairle would welcome the opportunity to discuss these with the Committee in more detail.

1. What are the big medium-term (5-year) and longer-term (10+ year) financial challenges for Scottish local authorities?

The financial challenges faced by the Comhairle are:

(i) Reduced funding: the Comhairle has worked hard over the past decade to reduce costs and improve efficiency and is presently delivering a transformational change programme aimed at saving £10m. However, not only has the Comhairle reached the stage where services will be cut but the reduction in spend by the Comhairle has a tangible negative impact on an economy strongly dependent on the Public Sector which has already suffered from increased centralisation, including regionalisation, of public services.

(ii) Demographic change: an aging population with increasingly complex care needs, together with a decreasing working age population and a falling school population are a significant challenge. The diseconomies of scale of super sparsity in islands mean
that we have higher unit costs and there is little or no private sector or even third sector or social market provision.

(iii) Aging assets: the Comhairle has identified the replacement of assets as one of its long-term strategic risks. The capital funding available is not sufficient to support the investment needed to maintain and replace infrastructure, notably bridges and causeways, many of which were part funded through ERDF. Inevitably, if maintenance is unsustainable, improvement and enhancement of facilities is not possible.

(iv) Legislation: councils are faced with an ever-increasing burden of legislation that can divert resources from other core services.

(v) Inflation: with no general provision in the base funding for pay and prices or cost pressures around half the Comhairle’s savings since 2011 (£20m) have been to fund demand and cost inflation this represents an ongoing and material financial challenge.

(vi) Brexit: should the UK exit the EU then Councils will be faced with the short-term costs of managing disruption and the medium to long term costs of inflation, staffing and resources as well as any new burdens arising from new regulations. Scotland as a whole may see a fall in business rates and taxation from any downturn in the economy. An increase in requirements for agency and temporary staff is reasonably foreseeable as the workforce changes and reduces.

(vii) Climate Change: this is a long-term challenge for councils that is hindered by the availability of resources to invest for the future.

(viii) Waste Management: where the consequences of national policy, unless properly island-proofed, risk creating irrational solutions that may have a long-term net detriment on the environment.

2. How effectively are councils addressing these challenges? Do councils currently have all the powers they need to do so?

Councils have been remarkably good at delivering the best services they can for the resources they have been allocated and living within their means.

For the Comhairle, whilst real terms savings of £39m have been realised though efficiencies, service reductions and increased income this has had a direct impact on the local economy.

Once our transformation project is complete we expect the only way to realise savings will be through service reductions, or integrated delivery and governance of public services.

The Comhairle has long argued for the devolution of powers to councils and these should include:

(i) greater control of aspects of local taxation;
(ii) the ability to introduce new charges and levies;
(iii) the ability to establish different models of local governance, including a Single
Island Partnership or Authority; and (iv) local control of planning.

3. What practical steps should councils take, and what good practice should councils adopt, to plan for the medium and long-term and to anticipate financial risks? If you are a council answering this question, it would be helpful if you could clarify if you practice medium and long-term financial planning and outline briefly what form this takes.

Councils have well established frameworks in place for short, medium- and long-term financial planning.

Each year the Comhairle sets a detailed budget for the year ahead, a strategy to deliver a balanced budget for the term of the Comhairle and a 10-year outlook.

Planning would be significantly improved if the Scottish Government provided medium- and long-term projections for local government that reflect joint policy objectives.

To provide the best services to the people of Scotland the Scottish Government and COSLA need to work together on new initiatives and funding mechanisms for empowered local government. As COSLA set out in its fair funding document (Fair Funding for Essential Services 2019/20), funding for core services is reducing whilst ring fenced funding for new additional services is being allocated.

For example, the Comhairle this year is seeing cuts including reduced bus services and less economic investment but growth in early years’ education. However, there has been no debate about the relative merits for citizens at a local level.

4. What alternative models of planning for, and delivering, council services (for example, joint working initiatives) could help local authorities make efficiency savings and/or deliver better services?

There remains significant scope to streamline joint working across the public sector on an island, and subisland, basis and the Comhairle is already developing the concept of a Single Island Partnership.

This is particularly important for Island Authorities where collaboration needs to be cross sectoral, place based, rather than between councils.

The Comhairle’s development of an integrated project in Barra, where a new shared campus could not only efficiently replace the health, education and community assets but also new integrated cross sector service delivery, provides a new model for the delivery of public services in collaborating with communities.

Comhairle nan Eilean Siar

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