Local Government and Communities Committee
Call for Views on the Long-Term Financial Sustainability of Local Government
Submission from South Lanarkshire Council

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

Response: There are a number of key pressures which are longstanding and continue to have an impact on council’s budgets in the short and long term. There are areas where the council has little ability to control, either as they are relating to increasing demographic pressures, or through national agreements on pay.

South Lanarkshire Council (SLC) is facing an increasing population at both ends of the spectrum, both through children accessing services, and an aging population, placing pressures on demand for social care through the increasing aging population as people live longer. Specifically, for South Lanarkshire, we have seen a movement of 20% in the population over 60 in the last 10 years. Between 2016 and 2026 we are expecting a 22% growth in over 65s increasing to 36% by 2031.

For over 85s we predict growth of 24% between 2016 and 2026 increasing to 43% by 2031.

In addition, SLC is facing increased demand for children with Additional Support Needs and also children within the Social Care system requiring specialist assistance, which although relatively low in number can be very expensive per individual. We have seen increases of 8% in children requiring ASN support in schools in the last 5 years. For children accessing social care services, we have experienced an increase of 188% in referrals to social work in the last 5 years. The total number of looked after children in South Lanarkshire has risen by 33% since 2010.

Other pressures for councils include the return to higher levels of pay award (3% compared to the 1-1.5% experienced over recent years) with unknown settlements beyond the current agreement. A return to inflation or higher pay awards with no additional funding continues to put pressures on council’s budgets.

There have also been recent changes to the costs of pensions for councils, including the contributions payable for Teachers pensions (only some of which was funded), and also potential future costs for Local Government pensions through the outcome of recent legal challenges. There are also uncertainties around other social care costs for free personal care for under 65s, and carers. The impact of the UK leaving Europe is also unknown at this stage.

Councils have been making savings to service expenditure for a number of years, reflecting the gap between grants received, and the increasing costs of delivering services. The ability to continue to make efficiencies without affecting service delivery is reducing.
Question 2: How effectively are councils addressing these challenges? Do councils currently have all the powers they need to do so?

Response: Councils are effective in addressing these challenges, as they have to be through a legal requirement to deliver a balanced budget each year. Councils manage their budget pressures through identifying savings (either efficiencies or service cuts), and also through using other temporary means, such as using reserves. The council actively works with COSLA on distribution and quantum of funding for new initiatives and overall funding for councils.

There are challenges and restrictions that councils are required to work within when identifying where savings can be made in budgets. There is a proportion of councils budgets that are protected to some extent from consideration from savings either through specific ring fencing of government funds (such as for policy outcomes like ELC 1140 expansion), or effectively protected (such as Teacher numbers, and funds delegated to Integrated Health and Social Care Joint Boards). COSLA advise that 60% of council funding is effectively ring fenced. The requirement to manage the savings requirements from areas where we have control (i.e. excluding these ring fenced, or protected areas or statutory areas of service) is increasingly challenging. The requirement to invest in areas of increasing demand (such as social care) increases the challenge.

The ability for councils to increase council tax does provide further flexibility to generate income, and this is welcomed. As other funding to the council is generally outwith councils’ control (grant revenue funding and NDR funding) an ability to continue to increase council tax, without restriction would be welcomed, with consideration over greater control over a larger proportion of funding.

The proposal to move back to multi year grant settlements would enable councils to return to greater certainty around budget planning. Early notification of longer-term settlements would be welcomed.

Best practice dictates that medium and long term strategic planning is essential to the effective operation of the councils. Therefore, the return to a 3-year strategy would go some way to addressing one of the biggest uncertainties in the budget setting process.

Question 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.

Response: It is important that councils undertake both medium and long term planning to ensure that it identifies as many potential pressures and also the affordability of these at as early a stage as possible.

South Lanarkshire Council (SLC) produces both an annual budget Strategy as well as a medium term 3-year Strategy which incorporates a 10 year longer term outlook.
Our Strategy includes estimates of grant funding from the Scottish Government as well as income from Council Tax through the increase in property numbers. It also includes anticipated costs in respect of the key budget pressures based on service specific or available industry information which includes pay, social care demand, utilities, rates, Education growth, and waste services to arrive at a budget gap for the year. It looks to identify any corporate solutions from loan charges or use of reserves and a savings requirement, all of which together will form a balanced budget.

As part of this process SLC undertakes a horizon scanning exercise to identify current issues or potential known future changes that could impact on the Strategy. Considerations around income generation also feature as part of budget planning. It also shares knowledge with other councils through the Directors of Finance forum to ascertain what other councils are experiencing or facing, that could have an impact on the Council.

Our Strategy utilises scenario planning, particularly around the level of anticipated grant funding, which is a major factor in determining the potential budget gap each year.

**Question 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?**

**Response:** Through a drive to be efficient, and also through necessity to reduce the costs of running services, councils have shown many varying ways of planning and delivering services.

With South Lanarkshire Council, a programme of root and branch service reviews over the last 5 years have delivered a programme of activity which has reshaped the way the Council delivers services. These reviews have been Council wide, exploring the majority of council services with improvement at the heart of the reviews. Some example of the work and outcomes of these reviews are provided below.

Areas reviewed which have generated significant savings include support services such as HR, IT and Finance. Support service reviews have focussed on providing services centrally, pulling together departmental teams into a consolidated structure which has rationalised management structures and reduced duplication. Benchmarking has also been used to help identify opportunities for efficiencies.

Front line delivery services have also been subject to review. Within Roads and Fleet services savings have been achieved by review of procurement, fleet utilisation and asset management. As well as achieving operational efficiencies, development of a 10-year fleet strategy has helped to define the Council's demand for fleet and how this may change in the future.

**Waste services** review work has resulted in consideration of alternative service delivery options including the range of services provided, frequency of uplifts, routing and charging.
Key outcomes of the review of the Home Care service include mobile working, and a change in recruitment practices focussed on analysis of demand and service pressures.

A review of Property Services is also ongoing which includes consideration of the Council’s lease portfolio, property services structure and a review of the stores function.

Outcomes from these reviews have included service restructures, improved use of property and equipment, more efficient procurement practices and better, more effective use of technology.

In addition to this Review process, council services out with this process also are challenged to identify efficiencies in how they deliver services. This constant challenge encourages services managers, and staff to be aware of the pressures facing the Council, and how they can play a part in identifying efficiencies.

Over the last couple of years, a process for any member of staff to suggest efficiencies has been adopted, alongside Team Mini Reviews. These initiatives, supported by Unions, also encourage staff to participate in how the council can look to be efficient and avoid cuts to services.

On working with partners, the Council also benefited from the Glasgow City Region deal, in collaboration with 8 councils working together to deliver infrastructure (as well as employability and innovation) projects. For a 14% council contribution, £169m of projects will be delivered around roads infrastructure, and community growth areas (including schools expansion).

Good progress is also being made through Health and Social care integration, with good practice around reinvesting funds from previous health acute budgets back into the community to support community nursing and Home Care. The integration of Health and social care has also attracted some new funding streams (for example telehealth and telecare)

Question 5: Are there any other issues relating to the long-term sustainability of Scottish local government which you wish to bring to the attention of the Committee?

Response: No response

South Lanarkshire Council

23 August 2019