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

It would be helpful if written submissions could address the following questions:

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

Fife Council’s revenue grant has decreased by 3.9% between 2013/14 and 2019/20 in real terms despite an increase in funding linked to Scottish Government policy priorities. This has had a detrimental impact on the remaining core budget having to absorb a greater proportion of budget reduction to achieve a balanced budget. This together with further demand and economic pressures as detailed below are putting a significant burden on the financial sustainability of the Fife Council.

Following a recent refresh of both our medium- and long-term financial plan, the Council is forecasting a further budget gap of circa. £52m by 2022-23 despite making over £74m of savings from 2017.

Although there is growing pressure on all areas of our budget, below is some specific areas of concern:

- Continuing complexity and demand for social care services arising from an ageing demographic;
- Continuing complexity and demand for purchased care placements for vulnerable young people;
- Pay Inflation, continued payment of the increasing Scottish Local Government Living Wage whilst no corresponding increase in core funding;
- Non-Pay Inflation including contractual inflationary increases such as care at home contracts, care home contracts and PPI/PPP contracts— as above;
- Restricted ability to maintain and invest in spend to save schemes to reduce future demand;
- Lack of funding to invest in assets to meet future demand and service delivery requirements;
- Responding to pressures, particularly in Fife with high levels of SIMD, to the effects of welfare reform; and
- Reduced level of reserves which decrease ability to deal with shocks.

Core funding needs to increase in order that previously funded policies e.g Teacher Pay, do not make an unrealistic pressure on Councils’ already restricted resources.

The increase in funding for specific Government policies e.g. expansion of ELC, PEF and Social Care funding for IJBs is adding significant pressure to a diminishing core budget resulting in less resource for the delivery of other
services. The cumulative effect of reducing core budgets now means that areas of service provision will need to reduce or stop to make the necessary savings to deliver a balanced budget. This can be evidenced in the proposal coming forward from Services to balance their budgets as we are now into very challenging territory.

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

Fife Council has previously delivered a balanced budget due to the delivery of savings however a real strain can now be seen in the system due to the erosion of savings opportunities and the continued increase in service demand. It will be very difficult to deliver a balanced budget from 2020/21 without the use of reserves. The level of uncommitted reserves held as a proportion of annual expenditure has fallen considerably from 4.13% in 2016-17 to 1.53% in 2018-19. Clearly this is of real concern and financial sustainability is a key consideration in actions we are taking.

The conditions imposed on Councils to protect specific areas of spend need to be removed to allow Councils to make local spending decision which best meet local needs.

Greater autonomy should be given to Councils around local tax raising powers. Councils should be able to use these revenue generating powers to create resources to mitigate other pressures arising from reducing funding and increasing demand.

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 the council answering this question, it would be helpful if you could clarity if you practice medium and long-term financial planning and outline briefly what form this takes.**

Investment in prevention is key to responding/reducing service demand effectively. This can be achieved through investing in spend to save initiatives. This requires a move from short-term saving initiatives to long-term transformation change programmes which will deliver savings to all Councils to operate on a sustainable basis.

Long-term financial planning has been more challenging than necessary due to the continuation of one-year settlements in recent years. A three-year settlement is necessary to provide greater certainty in financial planning.

Fife Council adopt a strategic approach to medium and long-term financial planning. This planning is critical in the strategic approach adopted by the Council in identifying council priorities and future resource allocation.

Both the medium- and long-term plans are based upon a robust financial model. The model identifies key cost and demand drivers and provides financial
forecasts based upon the statistical relationship between the two. Data from a plethora of sources is used to populate the model.

Fife Council has 10-year Capital and Revenue Plans in place.

These financial plans inform Service Changes Plans which provides detailed information on change activity within services.

Alongside these plans, regular exercises are undertaken to review financial risks and to quantify these together with the associated likelihood/impact. The integration of financial risk into the Planning and Performance framework is key.

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?**

Given the scale of the challenge, all options for service delivery should be considered including opportunities to share services, work in a collaborative basis and to develop alternative delivery models given the scale of the challenge.

Services delivered by the Council must be examined to ensure local authorities are the most effective/efficient body to deliver these services.

Whilst it is recognised that alternative methods of planning and delivering Council services are required, investment will be required in the short term to implement these changes.

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?**

As financial pressures on Councils continue to grow and the ability for Councils to identify savings opportunities to meet rising cost and demand pressures diminishes, the ability to produce balanced future budgets is becoming increasingly problematic.

Councils play a key role in talking inequalities in our local communities and are a key employer, driving economic activity in our local area. A sufficient level of funding is required to deliver services to our local communities.

**Fife Council**

2 September 2019