

**To:** Finance, Resources and Customer Services Policy Board

**On:** 8 November 2017

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**Report by:** Director of Finance & Resources

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**Heading:** Scottish Parliament Local Government and Communities Committee call for evidence on Draft Budget 2018-19 – Consultation response

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1. **Summary**

- 1.1 The Local Government and Communities Committee of the Scottish Parliament issued a call for evidence on the Draft Budget 2018-19. The Committee recognised that the time for the Committee to hear views and take evidence would be limited given the timescales for Budget scrutiny, and had therefore agreed to undertake pre-budget scrutiny.
- 1.2 The closing date for submissions was 23 October, therefore the attached response was submitted to the Committee by the closing date in agreement with the Convener, thereafter to be homologated by the Policy Board.
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2. **Recommendations**

- 2.1 It is recommended the Board agree to homologate the response to the Local Government and Communities Committee call for evidence which is attached at Appendix 1.

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## Implications of the Report

1. **Financial** – the Scottish Government budget as agreed may have significant implications for the Council's financial position and plans; and the submission suggests that early sight of the local government settlement; along with multi-year settlements, would be helpful.
2. **HR & Organisational Development** - *none*
3. **Community Planning** – *none*
4. **Legal** - *none*
5. **Property/Assets** - *none*
6. **Information Technology** - *none*
7. **Equality & Human Rights** - The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** - *none*
9. **Procurement** – *none*
10. **Risk** - *none*
11. **Privacy Impact** - *none*
12. **Cosla Policy Position** – *none*

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## List of Background Papers

- (a) none

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### Local Government and Communities Committee

#### Scrutiny of Draft Budget 2018 – 19

#### Submission from Renfrewshire Council

Renfrewshire Council welcomes the opportunity to comment on the draft budget in support of the Committee's scrutiny.

*As part of UK-wide reductions in public sector budgets, the Scottish Local Government revenue budget has fallen significantly in real terms in recent years, and there have been changes to the income that local authorities can source through other means, for instance the end of the Council Tax freeze. Since its peak in 2009-10, total like for like (revenue support) local government funding from the Scottish Government has fallen by around 10% in real terms. See the SPICe Briefing on historic local government finance for more information and context. Local authorities have therefore been making savings for many years. The future shape of the local government settlement is unclear, but local authorities are preparing for further real terms reductions in their resources.*

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

The allocation and prioritisation of resource is made in the context of support to both the Council and Community Plans. These provide an overarching framework within which the Community's priorities are set out in agreement with our community planning partners, with the Council Plan detailing how the Council will give effect to achieving the priorities outlined in both plans. The Council also has a focus on ensuring service pressures are mitigated where possible through innovative service redesign, early intervention and prevention. The Council has a clear focus on demand mitigation measures and on those activities that support economic growth which in the longer term will reduce reactive demand for council services.

Budget decisions are taken with a view to both enabling service redesign, protecting as far as possible front line and priority services and ensuring Council service provision remains financially stable in the short term and sustainable in the longer term. Renfrewshire has undertaken significant service redesign through our Better Council programme, involving innovative use of technology, encouraging a "digital first" approach to customer service, and through process redesign and automation where this is practical. As a public service however we also need to ensure we remain accessible to all residents and businesses, therefore costs remain in terms of ensuring ease of access to services. This approach supports the work undertaken by the Council through the Tackling Poverty strategy.

Renfrewshire recently was the subject of a Best Value audit, with the findings clearly demonstrating that the Council has a clear vision for our community, is working well with partners and is effectively managing the financial position. The report highlighted that the Council's redesign programmes have produced significant savings eg spend to save energy efficiency projects; creation of a corporate business support function to improve and make more efficient support services; and improved use of all our assets (buildings, land, equipment and technology).

It is important to recognise however, that while councils will continue to be innovative and will redesign services to ensure improved efficiency, there is a point where the contribution efficiencies make simply does not match the reduction in resources councils are facing and have already managed to date. Faced with the prospect of a reduction in resources at a similar scale to recent years coupled with the impact of significant year on year cost growth at 4% - 5% per annum from a wide range of factors such as demographic pressures, it is inevitable that negative impacts will emerge on key priority services and that affording protection of such areas through efficiency and change will become an increasingly difficult task to achieve.

**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.**

Renfrewshire has a financial planning approach which considers all income sources in order to make a judgement as to the total funds available to provide council services – we do not “hypothecate” any particular income source to a particular service (unless this income is in the form of a specific grant). Therefore, we cannot say that additional income from the banding changes introduced in 17/18 was or will be allocated to a particular service – budgets will be prioritised in line with the Community and Council Plan as outlined above – even after taking account of the additional income raised from this source, the Council was required to make around £15 million of savings just to balance the budget for 2017/18

The approach over recent years whereby an increasing proportion of the Council's grant settlement is in effect ringfenced is unhelpful in supporting an approach to financial planning which supports our Community and Council Plans, and limits the ability of the Council to manage resources to meet the needs of our local communities.

Adjusting for the impact of new statutory burdens and responsibilities, the underlying cut to the government grant for the Council has been over 20% in real terms since 2011/12. This significantly increases the scale of pressure on existing core services to meet identified saving requirements. In addition, at the same time associated conditions linked to the financial settlement around for example teacher numbers, treatment of funds for adult social care and living wage etc has further squeezed the burden of delivering required budget savings to a smaller and smaller scope of services. Consequently, community based service functions and corporate support functions have shouldered the greatest burden to deliver savings as well as a range of corporate financing savings arising from for example savings on debt charges. Opportunities however to continue to deliver savings from such areas at a similar scale are diminishing without material consequences for service levels.

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

Recognising the impact that fees and charges have for service users; a significant proportion of whom have little alternative but to access these services in order to support their requirements, the Council has taken an approach in recent years whereby increases in fees and charges have been minimal. In many instances however, the Council continues to subsidise key services even where charges are applied eg school meals and day centre attendances, leisure attendances.

Increasingly the Council is also experiencing a reduction in fees income from business related services eg commercial waste owing to market conditions and increasing competition from private suppliers of these services. The Council continually examines the level of fees and benchmarks these to ensure a balance of cost recovery and avoiding setting fees at a level which simply reduces the overall "take" as customers find alternatives.

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

As outlined above, much of the service redesign undertaken by the Council has been focussed on more efficient processes in administrative and support functions, therefore there is no material impact on any one demographic.

The Council has in recent years focused on measures to intervene earlier and support prevention of poverty; measures underpinned by our tackling poverty strategy. These measures locally and regionally through the City Deal aim to engender economic growth and employment opportunities, particularly youth employment.

Again as outlined above, increased charges have not featured to any great degree in terms of the Council's financial strategy.

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

As we outlined in our submission last year, and was reinforced in evidence provided at the Committee hearing on 9 November 2016, the Council maintains General Fund balances in order to support our medium term financial plans and delivery of strategic objectives, to enable change and modernisation of services over this period, and to mitigate against financial risks which may impact on service delivery. Unallocated general fund balances are held at a minimal level (less than 2 % of net cost of services) and it continues to be the position that the Council does not allocate reserves to support short term budget strategies. The Council's effective use of balances as part of medium term financial planning and how these were aligned to strategic objectives was noted by Audit Scotland in their recent best value audit of the Council.

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

The Council would agree with the Committee findings that greater transparency is required, and that the current allocation methodology and layout is very difficult to follow. The establishment of Integrated Joint Boards delivering health and social care, while they do not receive a direct allocation of funding from the Scottish Government but rather are funded by way of the health and local government settlement, adds further complexity to the national and local budget position.

We would support the recommendations of the Budget Process Review Group, in particular recommendation 44 where it states “...there needs to be clarity regarding the relationship between budget allocations and available funding..... All aspects of Scottish Government expenditure should be separately identified within the document on a consistent basis. Where allocations to individual organisations are derived from different budget portfolios this needs to be set out consistently and transparently.” While the recommendations relate specifically to the Scottish Budget document, the principles apply equally to the local government settlement.

The Council would also support the findings of the Fraser of Allander Institute as outlined in their report “Fiscal Issues facing local government in Scotland”, published in March 2017, where they also conclude:

“The local government settlement is inevitably complex, involving a number of funding streams from a variety of different sources – and including discretionary as well as specific grants. Nonetheless, and as noted by the Scottish Parliament’s Local Government Committee in its scrutiny of the Draft 2017/18 Budget, the way that the settlement is presented does not aid analysis or scrutiny of the figures. This is particularly the case given the way that slightly different information is contained and presented in the budget relative to the finance circulars.

We would support the Local Government Committee’s recommendation for greater transparency around the local government settlement. There is a strong case for including the relevant finance information in one document, rather than having to read across a number of circulars and budgets. Allied to this is a case for more transparent and accessible data on local government funding over the longer term.”

In the Council’s submission last year we recommended a move to a more outcomes based allocation formula, as has also been recommended by both the Budget Review Panel and the Fraser of Allander Institute. However we do not underestimate the difficulties of achieving this, nor the time period over which this would require to be implemented in order to maintain financial stability across the whole of local government.

The Council would also support the evidence heard by the Committee in 2016 which encouraged the Scottish Government to put multi-year budgets in place in order to better support councils to both

manage their medium to longer term financial planning position and also allow them to develop change programmes with more confidence as to their potential future savings requirements.

*The Scottish Government, in its Programme for Government 2017-18, has made a commitment to bringing forward a Local Democracy Bill in this parliamentary session, as well as committing to work with local authorities to ensure that at least 1% of council spending subject to participatory budgeting. In order to inform both its Draft Budget scrutiny and future work in this area, the Committee is keen to explore the ways in which local government finance may evolve.*

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

The removal of the council tax freeze is welcome in terms of each council again having the ability to make an explicit decision as to its tax raising policies, and we would consider that many councils will seek to make maximum use of this power.

However, what is certain is that many more difficult decisions with regards not just the scale or quality of services being delivered, but whether councils continue to deliver any kind of service over and above that which they are statutorily obliged to deliver, will require to be made.

The enabling of the Community Empowerment Act does provide both obligations and opportunities for councils, and we are actively developing plans to support communities take a more active role in the management of community assets.

*The Committee is interested in housing supply, and the Scottish Government's commitment to deliver at least 50,000 affordable homes over five years (1 April 2016 to 31 March 2021). In June 2017, the Scottish Government announced the indicative three year Resource Planning Assumptions to help local authorities develop their plans for affordable housing in their areas (see Table 1). In 2017-18, RPAs accounted for around 71% of the total Affordable Housing Supply Budget.*

*Table 1: Resource Planning Assumptions 2018-19 to 2020-21*

<b>Year</b>	<b>RPA (£m)</b>
2018-19	532.7
2019-20	591.6
2020-21	630.2

**Question 8: We want to hear your view on the three year RPAs and how this will help local authorities to plan to meet affordable housing needs in local areas and also the Scottish Government's 50,000 affordable homes target.**

While the RPA allowance increases are welcome and the levels are now getting nearer historic levels before the downturn in the financial climate, it is the level of subsidy which councils receive in relation to RSLs which has more of an impact on assisting councils to meet affordable housing needs in local areas. The subsidy councils receive per new build home is £57,000 (increased from £46,000

previously) however RSLs receive £70,000 (increased from £58,000). An increase in subsidy to match that of RSLs could have a significant impact on the level of new build housing councils can deliver.

In addition, while the target delivery of 50,000 affordable homes across Scotland is clear there is limited information on any expectation from the Government on City Region targets. The target is not broken down making it difficult to gauge expected targets for local areas.

The Scottish Government Infrastructure Fund currently on offer allows local authorities to access funding for infrastructure to allow sites to be developed. However it may "de-risk" investment for councils and other parties if this were considered more for inclusion in an increased RPA and subsidy as up front investment.

**Question 9: We want to hear your views on any other aspect of the housing supply budget.**

The Council has no further views on this matter.

*The Local Government and Communities Committee also considers' matters relating to communities, planning and regeneration and other aspects of the housing budget including energy efficiency and housing support.*

**Question 10: We also invite views on any of these aspects of the Local Government and Communities budget 2018-19.**

The Council has no further views on this matter.