

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB-COMMITTEE		Subject: SCOTTISH GOVERNMENT CONSULTATION ON DRAFT BUDGET 2014/2015
From: HEAD OF FINANCIAL SERVICES		
Date: 23 OCTOBER 2013	Ref: AC/PH/EK	

**1. Purpose of Report**

1.1. The purpose of this report is to seek homologation for the Council's response to the Scottish Parliament's Local Government and Regeneration Committee regarding the Scottish Government's 2014/2015 Draft Budget.

**2. Background**

2.1. On 8<sup>th</sup> July 2013, the Scottish Parliament's Local Government and Regeneration Committee invited all interested parties to comment on the 2014/2015 draft budget. The invitation was issued prior to the publication of the 2014/2015 budget however only one question specifically related to the detail of the budget therefore a response could be prepared in advance. The deadline for receipt of responses was 27<sup>th</sup> September 2013.

2.2. The call for evidence took a "two pronged" approach for the scrutiny of the 2014/2015 budget, firstly looking at the impact on finances as a result of the 2011 Spending Review and secondly looking forward to the next two years of the 2013 Spending Review.

2.3. North Lanarkshire Council was one of 10 Councils to respond. The response is attached as an appendix to this report.

**3. Summary of Consultation**

3.1. The first 4 questions surrounded what impact the 2011 Spending Review has had on local authorities and their ability to meet objectives. Detail of the questions are provided in the appendix with a summary of main points highlighted in the Council's response provided below:

- The Council has an excellent track record in delivering joint priorities and statutory duties
- Due to increases in service demands and significant resource pressures the Council has been forced to make significant savings
- The implementation of savings has impacted on the delivery of services despite the Council's attempt to protect front line services as far as possible
- Proactive research and preparation of briefing notes to senior management and elected members of financial issues, are used to inform the Council's budget and financial plans
- North Lanarkshire Partnership's Community Plan (Single Outcome Agreement) 2013 to 2018 have been signed off by the Scottish Government and details the direction of the partnership in relation to national outcomes
- The Council has made a significant contribution to the Government's Purpose and National Outcomes i.e. investing in the building of new schools, town centre's upgrade and regeneration

3.2. The final 6 questions concentrated on the new Spending Review they focus on whether sufficient resources are being provided to allow local authorities to deliver their agreed priorities and what challenges and pressures they have been faced with:

- The Council has developed a savings plan, up to 2015/2016 which aims to continue to meet statutory duties
- The impact of demographic change remains an area of increasing demand and cost pressure for the Council of approximately £38m
- Welfare Reform gives serious concern to the Council over the remaining period of the Spending Review with £9m identified this financial year to assist hard pressed residents. It is not clear at this stage how the Council can continue this level of support over the remaining period of the Spending Review
- The Council's ten year financial plan is continually reviewed and updated to reflect changes that could impact on future years' financial plans
- The Council's Low Carbon Strategy provides an approach to reducing carbon emissions in line with the Government's Climate Change Declaration
- In the coming year the Council will develop the SOLACE Benchmarking indicator set and raise awareness Council wide to help promote opportunities for improvement and sharing of best practice
- Certain aspects of the public service reform agenda will provide benefits which will only appear in the long term, rather than during the next budget settlement. For example, the switch to preventative spend will result in the Council investing more in specific services in the short term with benefits not being realised until much later
- The Council continues to seek opportunities for partnership working

#### **4. Recommendations**

4.1. Committee is asked to homologate the attached response issued to the Scottish Parliament's Local Government and Regeneration Committee on behalf of the Council.



**Head of Financial Services**

## The Scottish Parliament

### Local Government and Regeneration Committee

#### Scottish Government Draft Budget 2014-15

##### Submission by North Lanarkshire Council

The Council welcomes the opportunity to respond to the invitation of the Local Government and Regeneration Committee on the impacts on local authority finances of Spending Review 2011 and looking forward towards Scotland's Draft Budget for 2014/15.

#### **1. Over the period of the 2011 Spending Review, to what extent have the resources provided to local government been sufficient to deliver on the joint priorities agreed between COSLA and the Scottish Government, and to deliver local government's statutory duties?**

The Council continues to deliver on joint priorities and statutory duties.

The Council has an excellent track record in delivering joint priorities and statutory duties, for example the Council offers all eligible children early years education in accordance with statutory requirements. In addition to the statutory requirements, the Council offers free nursery provision to parents/carers with children below the age of 3, if a placement is supported by a referral from a partner agency such as social work.

The Council continues to offer nutritious free school meals to all eligible pupils and has also undertaken several initiatives to promote the uptake of free school meals such as the ongoing roll out of cashless payment systems and promotion of healthy eating programmes within schools and the wider community.

The Council has been a pro-active supporter of the national probationer teacher programme and has identified a training place for every candidate who wished to train in North Lanarkshire. In order to continue to achieve this, however, there have been reductions in elements of the school budget such as a diminution in the deprivation allocation for additional teaching staff.

With the increase in Service demand and significant resource pressures, most notably a changing demographic, the Council have been forced to make savings in non statutory areas in order to continue to deliver statutory services and invest in areas such as housing and essential school estate improvement.

The Council continues to strive to improve the effective and efficient provision of services to the public. However, given the extent of the financial and demographic challenges ahead, this is no longer sufficient to address this. Looking ahead, the Council has identified a savings package of £62.4m between 2013/14 and 2015/16. This has required some hard choices to be made including the cessation of areas of service provision and the curtailment of others. In total, this will involve a planned reduction in the workforce of 744 FTE posts. This is in addition to those already actioned since 2011/12 of 757 FTE posts.

Savings have required to be made within all services of the Council due to budgetary pressures. In the Learning and Leisure Service, provision for additional support needs has decreased, a school rationalisation process has been required to be undertaken and school swimming pools have been forced to close.

Moreover, there has been a revision of management structures and support staff within school with reductions in psychologists, technicians, librarians and headships. The number of children who are able to access alternative course such as Skillforce has also been reduced.

Within the Housing and Social Work Service, savings have impacted upon the number of places available in residential schools, support for young adults requiring intervention from social work and the number of trainee social worker posts which affects succession planning and service delivery.

The Council have also had to boost income due to budget pressures. This has led to increases in charges for areas such as cemetery services and blue badge fees. In addition the Council have had to cease schemes such as the annual Christmas Gift for the elderly.

The financial challenges facing the Council have required, and will require, some difficult decisions to be made on service prioritisation to best align resources with the Council's strategic aims. To date, this has been achieved via the Service and People First Transformation Programme.

## **2. Overall, how have local authorities dealt with the 'flat cash' revenue settlement, and what has been the impact on the delivery of services?**

Over the period of Spending Review 2011, the Council has been required to make savings of £66m. With the 'flat cash' settlement projected to continue beyond the next Spending Review, the Council has announced it will be making further savings of £20.386m in 2015/16. Although the Council has a history of restricting council tax increases, the freeze on council tax limits the Council's flexibility to react to local issues.

Implementing these savings has made an impact on the delivery of services and whilst the Council has sought to make efficiencies as far as possible and to protect front line services, the strain on Council current funding has resulted in cuts to certain services and expenditure lines, such as in staffing, which inevitably impacts on the delivery of services.

Additionally, service demand has increased in this period due to issues such as an increased elderly demographic and welfare reform. Whilst the Scottish Government has made additional funding available for certain aspects which cause increased demand, the Council have still been required to meet significant elements of the increased costs within a budget decreasing in real terms.

## **3. Are there particular examples of good and bad practice across local authorities in dealing with the budget settlement? How is good practice shared and disseminated and how is bad practice addressed?**

Research is undertaken in the weeks leading up to the Budget to allow officers to build a picture of what announcements may be made. On the day of the Budget, a briefing note is produced informing Senior Officers and Councillors of the main issues contained within the Budget and potential impacts on local government and specifically the Council. If appropriate, as with Spending Review 2011, formal reports are then presented to the Council providing further information and background. This information is used when compiling the Council's individual Budget and for financial plans.

Additionally, the Council produces a fortnightly Finance Bulletin which includes details which may affect the Council's budget process.

Utilising the aforementioned information sources, the Council re-assess and updates, where appropriate, existing financial models, financial plans and cost pressure/income projections which informs its annual budget. This assists the Council in producing a balanced budget.

Good practice is shared via forums such as SOLACE, Corporate Management Team meetings with other West of Scotland councils, COSLA groups, CIPFA Director of Finance Group and joint meetings with Directors of Finance from the Health Service.

## **4. What has been local government's contribution to the delivery of the Scottish Government's Purpose, and its 16 National Outcomes, and how is this captured and measured?**

The North Lanarkshire Partnership's Community Plan (Single Outcome Agreement) 2013 to 2018 has recently been signed off by the Scottish Government and details the strategic direction of the Partnership in relation to the national outcomes. The Council is the lead organisation within the partnership and plays an active role in the delivery of the national objectives through a series of themed partnership groups which are linked to the national objectives. In addition the Council has a Corporate Plan which clearly sets out the Council's contribution to the Community Plan (Single Outcome Agreement) for the period 2013 to 2018. Again the corporate plan sets out key themes, linked to the national objectives set out by the Scottish Government.

Services then produce a Service Plan, linked to the Council's strategic objectives, on an annual basis which outlines the key strategic and operational improvements. Performance against these targets is reported to the Council on a quarterly basis, by exception, culminating in the annual Service Plan Performance Report and an overall Council Performance Report.

Performance against set targets is housed in the performance management software Perform NL. This tool is utilised by Executive Directors, Heads of Service, elected members and officers to record performance and enable monitoring to take place.

The Council has contributed to the delivery of the Government's Purpose and National Outcomes in many different areas as detailed in the Council's Single Outcome Agreement Annual Report. These include:

- Providing support to new and existing business
- Providing over 5,000 people with training, advice and support via North Lanarkshire's Working
- Investing in the building of new schools via the Schools and Centres 21 programme
- Investing £150m in the aim to build 1,000 new council houses by 2020 and improving the Council's current housing stock
- Upgrade and regeneration of North Lanarkshire's main town centres including the continued investment in the Ravenscraig area.

**5. Over the years of the new Spending Review, are the resources being provided to local government sufficient to deliver on currently agreed priorities, and other statutory duties?**

Despite the continued squeeze on local government finance, the Council has developed a savings plan, up to 2015/16, which aims to continue to meet statutory duties. The Council has achieved this by re-prioritising services to concentrate on statutory requirements or those that have the greatest benefit and impact on the quality of life for residents and service users.

However, despite the Council's robust financial planning arrangements and its efforts to recognise the impact of demographic change, this remains an area of increasing demand and cost pressure. Over the remaining two years of the new Spending Review period, the Council faces growing cost pressures in excess of £38m. This includes £8m in recognition of a growing elderly population which is anticipated to increase 2% annually, reaching 20% increase by 2020 and 48% by 2031. This requires the increase in demand for high-cost services such as supported living, home care and residential care, In addition there is a clear continuation of an increasing number of vulnerable children within the Council area requiring services such as assisted personal care, supported living or looked-after placements. Over the next two years this will require a further £2.7m alone. Over and above this the Council faces inflationary and contractual increases in many areas which are unavoidable.

More recently the impact of Welfare Reform has, even in these initial stages, given serious concerns to the Council which has already reacted in identifying up to £9m this financial year to assist hard pressed residents. It is not clear at this stage how the Council can continue this level of support over the remaining period of the Spending Review.

Moreover, if the proposals contained in the Children and Young People Bill, if enacted, are not fully funded then the resource implications for the Council are significant in terms of both finance and staff resources. This will require further re-prioritisation and service cuts in other areas.

**6. What are the key challenges and pressures that local authorities face over the period of the new spending review, and what planning has been undertaken?**

The key challenges and pressures facing local government are as follows:

- Continuing to provide better or similar service from a flat cash position
- Increased demand for services
- Cost burdens arising from welfare reforms

- Implications of the bedroom tax
- Significant increase in elderly population
- Additional numbers of children requiring specialist services
- Pension auto-enrolment
- Reduced staffing numbers due to savings
- Continued freeze of the council tax
- Funding of new initiatives such as children and young people bill and homelessness legislation
- Delivery of final stages of Curriculum for Excellence
- Switch to preventative spend
- Preventative resources
- Support for those without work
- Inflationary pressures.

The Council produces a ten year financial plan, currently covering 2012/13 to 2021/22 which details the estimated revenue cost pressures the Council is likely to face over the next decade. The plan provides the framework within which future strategic decisions are taken. This long term plan is reviewed and updated on a regular basis to reflect changes which may occur that could impact on future years' financial plans.

In the shorter term, the Council's Financial Outlook report provides an update to the long term plan and currently covers 2013/14 to 2015/16.

### **7. What initiatives are being undertaken by local authorities to support the coherent delivery of measures to reduce greenhouse gas emissions?**

The Council is developing a Low Carbon Strategy covering the period up to 2018. The strategy will provide a cohesive corporate approach to reducing carbon emissions in line with the Government's Climate Change Declaration.

Initiatives being undertaken by the Council to reduce emissions are as follows:

- Adoption of an ambitious carbon management plan, developed in conjunction with the Carbon Trust, which covers building energy, waste, water and transport that has already recorded a reduction of 18-20% in emissions
- Adoption of various renewable projects including biomass boilers (in schools, country parks and a sports centre), a number of photovoltaic installations on council buildings, a ground source heat pump and the construction and operation of a wood fuel processing facility at Strathclyde Park
- Roll-out of a fleet of pool cars comprising small-engined, low emission, petrol cars and electric vehicles
- Procurement of an electric bus and two street cleaning vehicles
- The refurbishment and re-building of a number of schools which are more energy efficient
- Conversion of a number of oil-fired buildings to gas bringing significant carbon and revenue cost savings
- The ongoing programme of works in council housing stock to improve energy efficiency.

### **8. What further measures are required during the period of the new Spending Review to ensure the delivery of the equalities agenda and support the development of the most vulnerable sections of society?**

All of the Council's savings proposals were subjected to Equality Impact Assessments and, on an ongoing basis, the cumulative impact of the reduction in spend across the range of Council services is assessed and monitored in order to mitigate/minimise the effects on the most vulnerable sections of the community.

Local government is at the centre of the Scottish Government's focus on preventative spending, which can help to reduce inequality across the most vulnerable sections in society. Therefore, the Government should enhance local government's ability to deliver benefits as effectively as possible by focussing on local outcomes and using local government's knowledge of where to target preventative spend.

Continued support is also sought from Government for measures agreed in single outcome agreements.

**9. In what ways will the local government benchmarking framework be used in relation to the budget settlement?**

The benchmarking framework can be used to compare costs with other family councils to ensure the Council is working as efficiently as possible whilst still providing a similar service. The new SOLACE Benchmarking project will help councils to focus on areas of improvement and share best practice with one another in a collective way to drive improvement which can lead to transformational change in terms of efficiency, costs, productivity and outcomes. Benchmarking, however, will only be useful if the Council is able to compare like with like.

One of the Council's key activities in the coming year is to develop the SOLACE Benchmarking indicator set and to raise awareness of the indicator set across the Council.

The Council will also use benchmarking to track its own performance over time and drive continuing improvement.

**10. How will the wider public service reform agenda support local authorities' ability to deal with the consequences of the budget settlement?**

Certain aspects of the public service reform agenda will provide benefits which will only appear in the long term, rather than during the next budget settlement.

The prioritisation of prevention will help support the various Change Funds, set up by the Scottish Government in order to provide a catalyst towards preventative spend. The Council has embraced the Change Funds, contributing £7.5m to 2014/15 towards the Early Years Change Fund and allocated the older adult budget and an element of the management fee budget (representing over £78m in 12/13) from Social Work towards the Reshaping Care for Older People Change Fund. The switch to preventative spend however will result in the Council investing more in these services in the short term, with the benefits only presenting themselves in the long term.

The Scottish Government has sought to improve partnership working by requiring local authorities to engage with the third sector as part of each council's Community Plan. This allows local interests to be taken into account.

The Council continues to seek opportunities for partnership working via the Clyde Valley Waste Programme and the social transport project. Partnership working has also taken place through the South West Hub approach to school projects and the Wishaw Community Hub with NHS Lanarkshire which brings health and Council services under one roof.

Performance is supported by the new benchmarking project. Via the Service and People First Programme, the Council will explore the development of benchmarking by fully utilising the recent information produced by SOLACE and the Improvement Service.

The Council has sought to continuously improve its performance through its transformation programme.