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# Fair Funding for Essential Services

We all need local government

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# Local Government is Essential

Local government is democratically elected and provides a breadth of essential services to Scotland's communities which:

- support and protect all in our society;
- tackle inequalities;
- promote a fairer Scotland through inclusive growth.

Local government creates opportunities for every citizen which strengthens communities.

Local government is a key economic driver:

- Employing 10% of Scotland's workforce
- Procuring £6.3bn of goods

## How is this done?



**£9,640m**

2017/18 Revenue  
Funding from Scottish  
Government



**£2,075m**

2017/18 Council  
Tax from Citizens



**£787m**

2017/18 Infrastructure  
(Capital) Funding



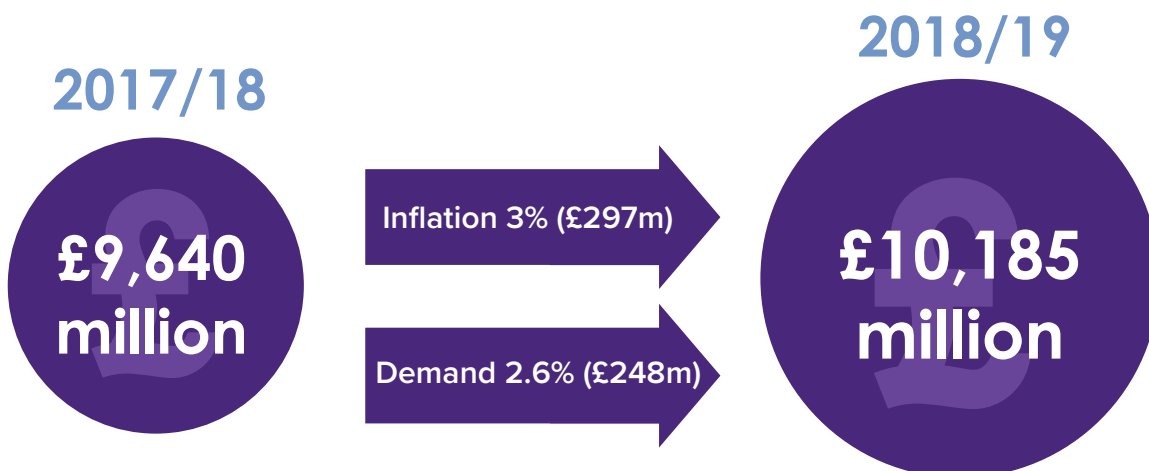
**244,300**

Employees

**In the 2018-19 budget there must be a fair settlement for local government.**

## What local government needs in 2018/19

Just to stand still on current services, local government would need a **revenue increase of £545m, 5.7%** arising from inflation and demand.



Note: 2017/18 Revenue figure taken from the Scottish Government's local government finance circular 1/2017

# Story So Far...

Recent settlements have been very challenging. The Accounts Commission said in their Local Government in Scotland Performance and Challenge 2017 report:

*"Councils have faced significant challenges from a long-term decline in revenue funding and from an ageing population. The scale of these challenges continues to grow. Policy and Legislative changes are also placing additional demands on councils and changing how councils work."*

In 2012, COSLA undertook a significant piece of work recognising the demographic and inflationary pressures, and called for a review of policy. This did not happen.

## Overall funding has gone down

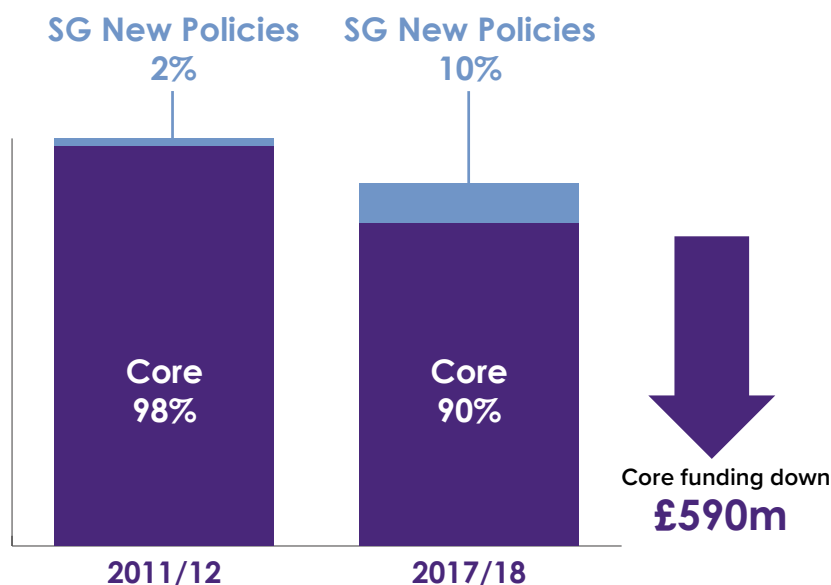
Between 2010-11 and 2017-18:



Source: SPICe Briefing = Local Government Finance: facts and figures 2010-11 to 2017-18

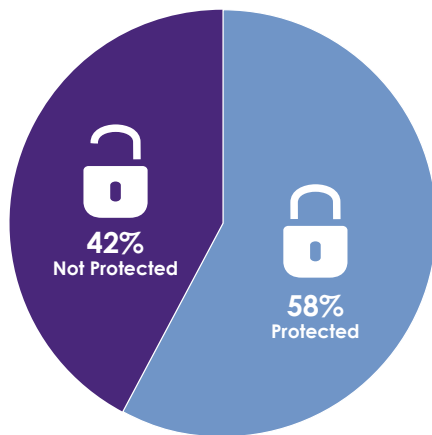
## Changes to core budget

The above shows the global picture for local government, but the reality has been a significant downward shift in funding for core services, with new additional resources being directed towards Scottish Government-led policies such as the extension of early learning and childcare, free school meals and Scottish Welfare Fund. These are valuable policies but undoubtedly create challenges for the rest of the budget.



## Structure of budget

Due to recent Scottish Government budget decisions, 58% of councils' budgets cannot be reduced. That means all of the cuts have to be absorbed by the rest of the budget.



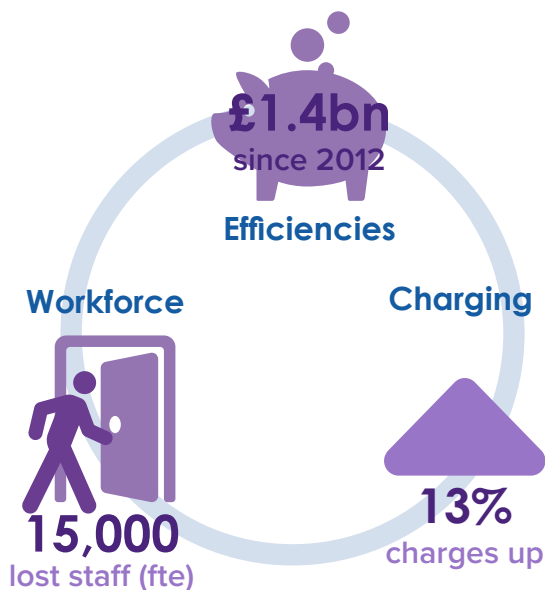
**Result: 8% reduction in overall resources can only be absorbed by 42% of budget = 20% cut in those services only**

However, that is only part of the story. Inflation and demand growth need to also be absorbed into the reduced part of the budget. The result is that vital services such as economic development, employability, public protection and regulatory services, and early intervention initiatives for tackling inequalities are being cut to absorb the funding shortfalls. Cuts are hitting the most vulnerable which is creating further inequalities.

Having so much of local government's budget protected through Scottish Government policy priorities prevents local government responding to local need.

## Managing the cuts

Local Government has risen to the challenge but cannot continue to do so — there is no more room for manoeuvre.



### Efficiencies

- £1.4bn of efficiency savings made since 2012
- Includes collaboration and streamlining of services, smarter procurement and asset management

### Workforce

- 15,000 FTE staff (30,000 people) lost over the last five years
- Pay erosion

### Increased Charging

- On the whole charges have increased by 13% between 2010-11 and 2015-16
- Local authorities can't price citizens out of services that deliver social inclusion, health and well-being, early intervention and prevention, when setting charges. For example, when setting charges for access to leisure and cultural facilities.

The Improvement Service, in their recent National Benchmarking Overview report, recognised this landscape.

*"The absorption of major cuts while improving performance is an impressive achievement and there is a danger it is taken for granted: an assumption that, because savings have been made without a crisis of performance, savings can be continuously required and made. In reality, the trends required an overall reduction in the workforce, staff accepting year-on-year real reductions in wages, and substantial improvements in efficiency, productivity and innovation. If similar savings were necessary again across the next five years, severe issues of capacity, resilience and maintaining performance will need addressed."*

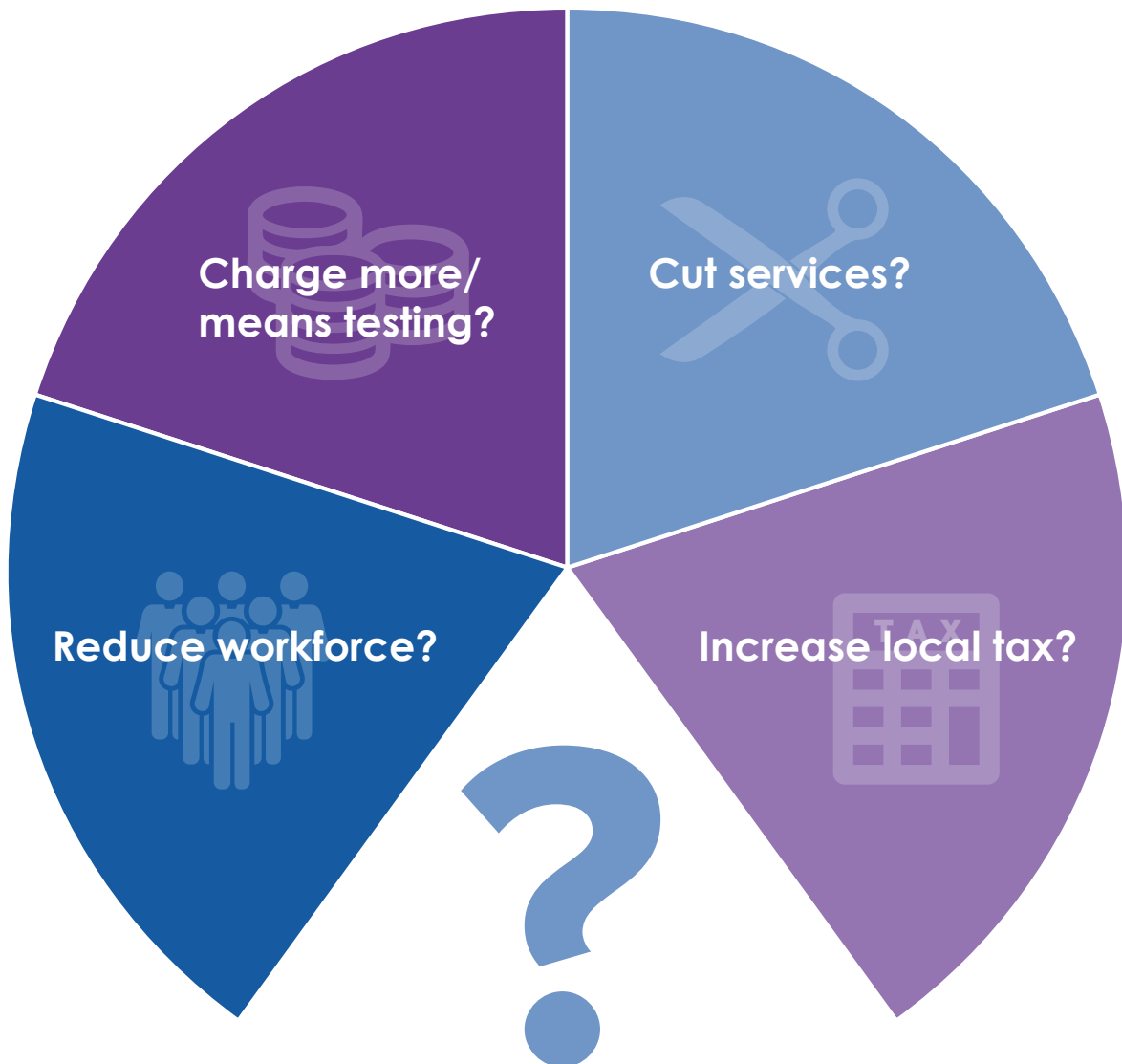
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# So What Happens Next?

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If local government continues to face the same level of grant reduction, there are extremely difficult choices ahead. The consequences and opportunity costs of this must be fully understood.

Responding to this, a number of Councils are already out to budget consultation, highlighting the magnitude and scale of the budget gaps. Councils are having to make hard choices, including:



The other question is, can we continue to do it the way we are doing now without a more fundamental review of how we deliver services? Overall, this current model is not sustainable and we cannot continue to operate from one year budgets, storing up problems for the future.

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# What is Needed from the 2018/19 Budget

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We recognise that tough choices will need to be made across the Scottish budget but we cannot underplay the needs of local government to deliver essential services that are vital to our communities.

Local government therefore needs:

## Revenue Settlement

1. **No more cuts - parity with cash increase for Scottish Government**
2. **Full baselining of £130m funding from the 2016-17 budget agreement**
3. **Allow for proper investment in the local government workforce**  
Every 1% on local government paybill costs £70m  
Every 10p increase in living wage for adult social care providers costs £10m.
4. **Additional investment in Health and Social Care in recognition of the rising demand.**

## Structure of Settlement

1. **Multi-year budgets**
2. **Create flexibility to help deal with pressures.**  
We cannot continue with 58% of the budget being nationally ring-fenced. We need true removal of ring-fencing and central direction through input targets

## Capital

1. Increased capital funding to invest in and attract growth
2. Return of reprofiled capital funding

## Local Taxation

1. **Removal of the 3% cap on Council Tax**
2. **Proper reform of local taxation**
3. **Power to introduce discretionary taxation**

## Funding for Government Policies

1. **Full and transparent funding for new central government initiatives. Specifically:**  
Expansion of early learning and childcare  
Living wage for adult health and social care workers  
Carers Act
2. **If charitable status of ALEOs is withdrawn, then the £45m shortfall in delivery of these services needs to be met.**

## Longer Term

We cannot keep going on like this, storing up problems for the future. Over the long term, linking in with the overall Scottish budget process, we need a fundamental review of Scottish priorities and how services are funded, ultimately with a view of improving outcomes.

# Our Essential Services

## Protection Services



### Children's Services

Councils protect the most vulnerable in society. In 2015-16, 15,300 children were 'looked after' or on the child protection register. This number is **reducing** and it is essential that early intervention investment continues to further drive this number down.

2017



2039



2-3%

£

### Adult Social Care

Adult social work services support and protect vulnerable adults, allowing them to live independent lives and ensuring they have access to the services they need. This area is under significant year on year budgetary pressure, as needs become more complex. The number of people 75+ is expected to double by 2039.

Spending on care for older people has grown in 6% real terms since 2010/11 but not at a pace to keep up with demographic change (another 2-3% needed).

Councils also support those with mental health issues. Healthy lives are as much about mental health as they are about physical wellbeing.



### Support for Carers

Councils provide vital support to adult and young carers, helping them to manage their caring role.



-50%



-70%



-83%

### Youth Justice

By intervening early, Councils have seen offending by young people halved since 2008, with a 70 per cent reduction in the number of under 18s in custody and an 83 per cent reduction in children referred to Children's Hearings System on offence grounds. This has resulted in a significant saving out with local government to the courts system.



50% funded by Councils

### Providing Affordable Housing and Tackling Homelessness

Councils are playing a vital role in the delivery of 50,000 new affordable homes by contributing half the cost of meeting their commitment to this target. Alongside building new homes, Councils are ensuring their existing stock is not only maintained but also meets the highest standards for energy efficiency.



Councils have a vital role in using their duties to tackle homelessness and reducing the number of rough sleepers. Providing debt advice; intervening in cases of domestic abuse; benefit help; and help in managing rent arrears all contribute to this aim.

£241m



total debt



financial gain

## Welfare Advice and Support

Helping deal with debt and the consequences of debt is an important aspect of Councils' work. The total combined debt of all clients who sought advice in 2015-16 was around £241m. The verified client financial gain accruing to users, as a result of intervention by money advice services funded by local authorities across Scotland in 2015-16, was around £55m.



## Human Rights

Local authorities have been integral to the development and delivery of a distinctive Scottish approach to the integration of refugees and asylum seekers in Scotland. All councils have provided excellent leadership in the resettlement of Syrian refugees to Scotland and by the end of 2017 more than 2,000 people will have arrived.

Councils also play a key role in detecting and protecting those affected by human trafficking.

## Regulatory Services

Local government provides a wide range of key regulatory services which protect the public. From ensuring food safety in restaurants and eateries, as well as trading standards enforcement to protect against illicit trade, scams and doorstep crime. Planning, building standards and environmental protection are key services which only too recently have been highlighted as vital areas for protecting the public.



Trading  
Standards  
-20%



Environmental  
Health  
-23%

## Trading Standards and Environmental Health (Includes Building Control)

These services are under significant threat due to cost pressures which have seen budgets reduce significantly. For Trading Standards and Environmental Health Services there has been a sharp decline in the workforce with 20% and 23% reductions in these areas respectively. Both workforces have an ageing demographic and very few new entrants. If this trend continues across the next five years there would be only 350 Environmental health officers and 101 Trading Standards officers in the whole of Scotland. Given the potential of substantial regulatory change, post Brexit, and sharply increased demand from SME's for regulatory advice and support, there is a risk that Scotland is very poorly placed to respond.



## Waste Management and Energy Efficiency

Councils are contributing significantly to protecting the environment through reducing waste, encouraging recycling, improving energy efficiency and tackling fuel poverty. The environment impacts on all parts of communities but can impact more on less advantaged parts. Initiatives to tackle issues such as fly tipping, littering and promoting greener neighbourhoods can reduce anti-social behaviour and foster greater community spirit.



-25%

=



Due to budget pressures, there has been a significant reduction in spend in environmental services, with a 25% reduction in street cleansing. This has been accompanied by a reduction in public satisfaction rates for refuse collection and street cleaning.

## Healthy Lives and Social Inclusion



+16.8%



+29.8%



+36.6%



Councils play an integral role in promoting healthy lives across communities and providing access for all to services which can improve their health and well-being. This includes providing sport facilities, leisure centres, libraries, museums and parks, as well as organising or promoting cultural activities. These services form the fabric of communities and are geared to ensure that those who have least access and are least financially advantaged can use the services. The cultural and social benefits of these services also encourage people come into and participate in their communities and are very often tourist attractions in their own rights, thus helping to grow inclusive local economies.

There have been substantial increases in visitor numbers for sports (16.8%), libraries (29.8%), and museums (36.6%) against a backdrop of a reduction of 12% reduction in net expenditure. However, against this strain, public satisfaction rates for all culture and leisure facilities have fallen in the last 12 months.

## Inclusive Growth and Economic Contribution



### Education

A key contributor to economic growth is ensuring all our children are properly educated and reach their full potential and individual aspirations. Councils spend £5 billion a year on educating children (age 2 to 18), with educational services covering early years as well as school-based and community education. Educational outcomes are a strong predictor of inclusive growth and Scottish Councils are committed to improving these outcomes.

Expansion of early years is a key priority for the Scottish Government, and local government is very supportive of the expansions. However, we are clear that it must be fully resourced, and be truly additional to the current local government settlement, to ensure it is not at the expense of other vital services. We therefore welcome the Scottish Government's commitment to do this.



**10%**  
workforce

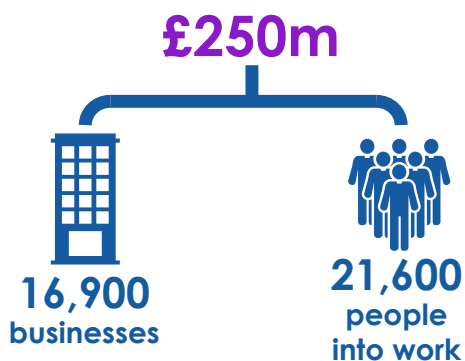


**£6.3bn**  
procurement

### Economic Growth

Councils make a significant and essential contribution towards inclusive economic growth both locally and nationally. Local authorities are major employers and combined directly employ 244,300 people or around 10% of the national workforce. Financial pressures have meant downsizing of workforces across all local authorities.

Councils also contribute to local and national businesses through procurement. Each year councils spend around £6.3 billion on procurement generating significant value and demand for the economy.



Councils invest more than a quarter of a billion pounds a year in promoting economic growth and providing direct support for business. In 2015/16 councils supported around 16,900 businesses and supported 21,600 unemployed people into jobs within their local communities. Critically in supporting economic growth, Councils are equally investing in employment and skills, through modern and craft apprenticeships and probationary teachers, to help equip young people to enter the marketplace. Council services themselves also generate economic benefit.



### Roads and Infrastructure

Despite financial pressures Councils are continuing to maintain roads at a stable level and are providing a wide range of infrastructure to support and sustain communities such as schools, libraries and community centres.



Digital Connectivity is an important area in which Councils are playing their part, particularly in rural areas. Councils recognise that ensuring good digital access throughout the country will ensure communities can prosper. This includes providing greater digital access to Councils' own services.



### Transport

Transport is a major driver for the economy and a lifeline for many people, including those who must travel to access work, education, health care or other amenities. Transport can help people live better, healthier and richer lives. Transport has an important part to play connecting different aspects of people's lives.

For transport policy to be nimble and responsive to the needs of communities, there must be a close and direct connection to the local democratic process. Tying transport policy to the needs of communities up and down Scotland will benefit the whole country. However, local transport services are under significant pressure and have already been reduced. A further reduction will hit communities again.