

**RURAL AFFAIRS AND ENVIRONMENT COMMITTEE**  
**SCOTTISH GOVERNMENT DRAFT BUDGET 2011/12**  
**WRITTEN SUBMISSION FROM COSLA**

**Introduction**

COSLA would like the opportunity to respond to the Rural Affairs and Environment Committee's review of the Draft Budget 2011/12. We acknowledge that the Committee is undertaking this review in parallel with the Local Government and Communities Committee budget scrutiny process. Whilst we understand that a main focus of the Committee, and one which COSLA is keen to draw to the Committee's attention to in this submission, is on the impact on the waste agenda, it is important for the Committee to understand the approach which Local Government has taken around the Spending Review discussions more widely.

Attached as an Appendix to this submission is the evidence which has been prepared by COSLA for the Local Government and Communities Committee review into the Budget 2011/12, and this highlights the key messages which Local Government would wish to be considered as part of the budget scrutiny. We would ask that the Committee consider this evidence alongside the additional key messages which are highlighted below. The appended evidence was submitted before the Cabinet Secretary's budget announcement on 17<sup>th</sup> November but this does not alter the key issues that Cosla would like considered.

**Additional information**

Capital investment

In terms of infrastructure investment the Committee will be aware that the Cabinet Secretary announced a 17.9% reduction in local government's capital funding for 2011/12. Whilst this cut is proportionate to the overall cut to the Scottish capital budget it will have consequences for infrastructure investment. In recognition of the capital cuts ahead Cosla established an Infrastructure Task Group in the latter part of 2009 to consider existing and potential new funding options. The attached submission (paragraph 27) contains the link to the Task Group's final report but in summary concluded that given the reduction in traditional sources of funding, such as capital grant and supported borrowing, and the reduced capacity to borrow prudentially there will not only be a reduction in capital investment going forward but it will be increasingly difficult to fund new infrastructure. The Task Group considered a number of new proposals and whilst recognising that some offered some councils flexibility there was no new silver bullet that would compensate for the reduction in traditional funding methods.

Revenue

The Committee will also be aware that as part of the same announcement local government's revenue funding will be cut by 2.6% for 2011/12 subject to acceptance by Councils of the deal which has been offered by the Scottish Government.

Waste

COSLA welcomes the proposal to increase the Zero Waste budget by £2 million in 2011-12. Scotland's spending plans and Draft Budget for 2011-12 appears to highlight that the proposed increase in the zero waste budget is to support a number of programmes including work to develop market for recyclate use, waste prevention and minimisation, reuse and recycling awareness, support for community recycling groups and support for

local authorities to achieve municipal waste targets in 2011 and beyond. In addition, the budget funds Keep Scotland Beautiful, which carries out anti-litter and anti-flytipping campaigns and promotes environmental education.

We would welcome confirmation about how local authorities can access this enhanced additional resource and now it is proposed this will be distributed between these priority programmes. We had previously been expecting the new Zero Waste Scotland delivery programme to suffer a significant reduction in its funding next year in line with other budgets. Therefore, we welcome any significant real terms increase in budget for 2011-12 but would welcome further information on what this constitutes in terms of distribution within the areas funded from this Level 3 category.

However, given the publication earlier in the year of the SQW's report<sup>1</sup> for the Scottish Government on the cost of delivering municipal waste infrastructure to 2025, this level of funding whilst welcomed is still a small proportion of the investment that SQW's report highlights as required by 2025. The report projects a cost by 2025 ranging between £1 - 1.5 billion over and above current costs of waste collection and disposal depending on the scenario implemented. The key theme through all of the scenarios is that a zero waste Scotland will cost more for local government whatever the scenario pursued.

Local authorities still need access to low cost alternative forms of treatment other than landfill. However, welcome this increase in the zero waste budget is, it is still insignificant to deliver real change on it's own in terms of the infrastructure needed to achievement the goal of a zero waste Scotland.

Local authorities will struggle to access funding internally for waste management infrastructure given the current competing capital demands to deliver other priorities. This leads to a circular situation, where councils continue to be faced with mounting landfill tax bills, limited ability to avoid these costs because there is limited alternative treatment infrastructure that they can access partly because of lack of council funding/anchor tonnage for infrastructure to enable it to be commercially viable and get constructed in the first instance.

The difficulty in funding zero waste infrastructure highlights the need to review how the ambitious targets in the Zero Waste Plan can be achieved in the context of limited funding available overall to local authorities for zero waste infrastructure. Even improvements in landfill diversion/recycling are only cost avoidances in terms of local authority budgets and do not result in savings due to the scale of the current escalator up until 2014 as well as competing priorities. COSLA welcomes the Scottish Government commissioning of a research project<sup>2</sup> on the landfill tax options in the context of Calman recommendations, which perhaps may identify alternative funding mechanisms for this infrastructure in future budgets.

## **Conclusion**

Cosla would like to highlight that the key messages around the 2011/12 budget have been submitted to the Local Government and Communities Committee as part of their consideration of the Draft Scottish Budget for 2011/12. This should be considered alongside the key messages outlined above.

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<sup>1</sup> <http://www.scotland.gov.uk/Resource/Doc/313033/0099103.pdf>

<sup>2</sup> <http://www.scotland.gov.uk/Topics/Research/About/EBAR/research-opportunities/cr201004>

**Evidence to Local Government and Communities Committee**  
**Draft Budget 2011/12**

**Introduction**

1. COSLA welcomes the opportunity to respond to the Local Government and Communities Committee's call for views on the Scottish Government's Draft Budget and the Scottish Spending Review. In particular we welcome the Committee's recognition of the severe financial pressures which Local Government is facing over the next spending review. Local Government has been voicing for many months now that we face unprecedented times and that the much needed services we provide to our communities could be in jeopardy. In developing COSLA's response SOLACE has been consulted and has given its full support to the evidence presented in this submission.
2. Local Government has already acted to address these challenges. The Committee will already be aware that over the last year a group of Chief Executives, Directors of Finance and COSLA officers has undertaken a major financial modelling exercise looking both at the anticipated reduction in resources over the next six years, as well as the increased demand on services over the longer term. The purpose of this modelling work was to provide an evidence based platform for a more fundamental policy review from a Local Government perspective, which would assist in planning for the future delivery of services in a reduced resource environment. We acted early as we wanted to avoid taking ill-thought out last minute responses to cuts and we recognised the scale of the cuts go deep into the core of what we do. Our focus is about how far we can go to protect vital frontline services, however the scale of cuts anticipated means that we need to think fundamentally about the services we can deliver in the future.
3. We have sought throughout to work on a partnership basis with the Scottish Government, recognising the impact the cuts will have right across the public sector, and we are actively in discussion with the Cabinet about the impact on Local Government funding. With the Scottish Budget due to be published shortly much of the focus has been on the short term but we believe it is essential that the longer term is also addressed or else the difficulties we face now will be compounded many times over.
4. In our substantive financial modelling work we have identified a funding gap for Local Government of close to £4bn over the next six years which is driven partly by the reduction in resources but more importantly by increasing demand for our services, particularly for social care. The Independent Budget Review, which COSLA welcomed, also concurred with much of what we have been saying about the need for a longer term approach. We talk later in this submission about some of our key aspirations over the longer term and would like to draw the Committee's attention to these areas.

**One year deal**

5. The Committee will be aware by the time this submission is received that the Scottish Government has decided not to carry out a spending review beyond 2011/12 and that the Scottish Budget will be for one year only. This is a fundamental concern for Local Government which needs greater certainty over the longer term and we had no reason

to expect anything other than a four year spending review following the UK Comprehensive Spending Review. This puts Scottish Local Government at a disadvantage compared with other parts of the UK where Councils will be able to plan ahead knowing the resources which will be available to them. Instead Local Government will have to wait another year for the Commission on Public Sector Reform set up by the Government to feed back its findings.

6. Our modelling work has identified the gap in resources over a six year period and with only a one year deal on the table, Local Government will be forced to make decisions in the dark and this has real impacts on the communities we serve as decisions must be made now which have impacts into future years. What is clear however is that Local Government must plan for the years ahead with or without certainty on funding, to not do so would be an abrogation of our duty to show responsible leadership. Had we been able to see the resources over a longer time frame this would enable Local Government to plan more effectively and perhaps avoid cuts which may hurt our communities unnecessarily.

### **Local Government's Share**

7. First and foremost at the heart of our campaign we have argued for maintaining Local Government's share of the overall Scottish Budget. We consider this to be the most fundamental issue for Local Government on which we need clarity now from the Scottish Government. We have been crystal clear in our discussions that if our settlement is below our current share this will have devastating consequences for the services we deliver and our communities. This does not mean that Local Government is not willing to take its share of the pain of the overall reductions to the Budget, however our chief concern is that any protection of the NHS at Local Government's expense will lead to an imbalance of funding that fails to recognise the inter-dependence of health and social care budgets. Protecting the NHS in isolation will lead to a divergence of shared priorities and a greater likelihood of failing to deliver on national and local policy objectives.
8. One risk of reduced capacity on the social care side would be a sharp increase in the number of older people presenting at A&E and a steep rise in the number of delayed discharges. A consequence of this might mean a significant number of elective procedures being cancelled and NHS waiting times targets being missed. In time this will lead to a severe difficulties for both health and care systems at significant financial and human cost.

This would be bad for local government, it would be bad for the NHS and – more importantly still – it would be bad for the many vulnerable people who rely on the health and social care system to maintain health and well-being.

9. In parallel with maintaining share COSLA has also sought to ensure that there is an absolute moratorium on new policy announcements by the Government that do not have direct funding attached. We feel that with shrinking budgets, precious resources need to be directed at the critical services we currently provide and not to new areas. It is essential that maintaining share therefore does not imply that Local Government needs to meet a host of new commitments.
10. We have also sought to ensure as partners with Government that there is a framework for handling the aftermath of our local decision making so that there is no national shifting of responsibility for painful financial decisions.

## **Priorities**

11. COSLA believes that the Scottish Government's priorities must reflect the wide range of vital services provided by Local Government to our communities. This is not about saying whether education for our children is a higher priority than supporting the elderly or vulnerable people. The services we provide are complementary to each other, take out one service and the burden falls on another. This is not just an issue of reduced funding either as Local Government is facing unprecedented and growing demand on its services.
12. The areas below are not exhaustive but they give the Committee a flavour of the priorities we are discussing with Government to address the funding gap:

### Council Tax

13. Given the financial forecasts one of the obvious areas for Local Government to generate more funding is through the Council Tax. The Committee will be aware that Councils have frozen Council Tax over the last three years as part of an agreement around funding with the Scottish Government. Whilst the Government has signalled a wish to continue with a freeze for 2011/12, COSLA's position is that only individual Councils can decide whether to apply a freeze. With the scale of cuts anticipated the option to increase Council Tax does give us flexibility. However we have indicated to Ministers that Local Government may be able to freeze Council Tax for a further year but we can only do so if the conditions are right. The conditions would include that there are sufficient resources to cover the freeze, that there is clarity over longer term funding and that Government is willing to support flexibility in other ways and not to undermine local democratic decisions in other ways.

### Workforce Planning, Pay and Conditions

14. Council employment is critical to demand, consumption and the strength of local economies across Scotland. Local Government employs circa 250,000 people and around half of all local government budgets are spent on their workforces. Our workforce is diverse, and delivers many of the services that society most values, including those who help our children grow and learn, those who protect our communities and care for the vulnerable, and those providing the essential day-to-day services that allow people to work, live in or visit our communities.
15. Councils are facing unprecedented year on year reductions in their income across the next spending review period and beyond, whilst at the same time facing growth in policy and demographically driven demand. The measures open to them as they seek to continue the provision of essential local services and at the same time balance the books, are limited and profoundly challenging.
16. Planning the local government workforce of the future in this context is therefore one of our greatest challenges. The priority is to protect jobs and services, but this can only be done by delivering material savings to councils' pay bill through a programme of pay restraint, modernisation of workforce terms and conditions, and workforce planning.
17. Many of the decisions that will be needed would not have been contemplated in the past. While there will inevitably be less people working in local government in the

future, councils will ensure their actions are measured and proportionate, and will consider the impact on future service delivery, individual communities, the economy and potential displacement of costs to other service areas. This of course does not mean they are able to shy away from solutions which are radical.

18. The Committee will be aware that Council Leaders recently imposed a three year pay settlement for a large part of its workforce, composed of 0.65% in 2010/11 followed by a two year pay freeze. We will be pressing for a similar arrangement for our remaining workforce, including teachers. Together, these are vital first steps in addressing the funding gap highlighted at the beginning of this submission.
19. Securing a workforce for the future will require investment. For example, councils require upfront investment in voluntary severance schemes in order to realise future benefits. Given the financial constraints ahead this is unaffordable within existing arrangements, and Councils will therefore require flexibility from Government to be able to cope with this added pressure. As an example the Government with Treasury approval could allow Councils to spread the costs of severance payments over more than one year using capitalisation consent. The Committee may wish to echo concerns that a full range of options should be available to Local Government to manage fundamental workforce changes going forward.

#### Charging for services

20. Local Government charges for a wide range of its services, these charges being carefully balanced between fairness to communities especially the most vulnerable and the potential for raising revenue. Local Government has looked at charging including the potential for new charges, however the room for manoeuvre is extremely limited and we must not forget that our primary purpose is to support communities not to extract money from them. Whilst some additional income can be generated this is not significant enough to make any significant impact on the funding gap.
21. When determining their charging policies Councils need to consider what the implications are for outcomes, for example were large-scale increases be applied to leisure charges, the knock on effect on the health of individuals would need to be considered, as would the services they may then need in the future, if they cannot afford to make use of leisure facilities and consequently their health deteriorates.
22. We are continuing to discuss with Government what they can do to assist Councils to extend the scope of charging, given many of the charges are governed by statute, the most notable of which are planning fees which COSLA believes could be increased without any significant adverse impact on communities.

#### Efficiencies

23. Local Government is ahead of the game when it comes to tackling efficiency and has consistently exceeded targets. Between 2005/06 and 2009/10, Local Government reported efficiencies of £1,033m against a Scottish Government target for the four years of £676m. Local Government has prioritised this area but that does mean the capacity for making future efficiencies is reducing and the financial gap going forward cannot be addressed by efficiencies alone.
24. Shared services are not separable from efficiencies. Shared services tend to be very narrowly viewed as full scale re-organisation at one end of the spectrum or specific internal Council transformation projects at the other. The latter will not deliver savings

in anything like the timescales we need to and we cannot afford to squander scarce resources on the former.

25. Equally outsourcing, whilst being an option which Councils have considered and in certain cases have implemented, does not represent a panacea and has to be considered as just one option which requires to be thoroughly tested against other options for delivering efficient services without jeopardising service delivery.

#### Capital spending

26. We know that there will be a substantial decline in the capital resources available in 2011-12 onwards and an approach is therefore needed to deal with this reduction not just in the short term but also in the longer term. Given the financial forecasts and the resulting implications for the revenue budget, Councils are already planning to reign in prudential borrowing and in the short term at least they advise that there is little prospect of recovery in capital receipts, so Councils will not be able to bridge the gap through their own resources.

27. Last year COSLA established an Infrastructure Task Group to look into the future of infrastructure funding for Local Government and they recently advised that there is no silver bullet to address the infrastructure funding gap. All of this suggests there will be extremely limited capital investment by Councils in future which will have wider implications for the public sector and for economic recovery. A copy of the Task Group's report can be found at the link below:

[http://www.cosla.gov.uk/attachments/execgroups/rc/rc10-09-01\\_Infrastructure\\_Final\\_Report.pdf](http://www.cosla.gov.uk/attachments/execgroups/rc/rc10-09-01_Infrastructure_Final_Report.pdf)

28. Some commentators may suggest that Tax Increment Financing is a solution for the future funding of infrastructure. With the Government having now given the green light to the Edinburgh Waterfront TIF Project this is an option to be welcomed, however this should not then be interpreted as providing a wider solution which can cover all of Local Government's infrastructure needs. COSLA's Task Group concluded that TIF can only work under certain conditions such as large-scale urban regeneration schemes where there is a strong prospect of payback through increased business rates and minimal displacement.

29. Additionally it needs to be recognised that there will be a need to meet infrastructure requirements of the Climate Change Act. There are no resources available which Councils can call on to meet these infrastructure requirements, should the burden primarily fall to Local Government to provide these. This is an area which the Committee may feel merits further answers from Government.

#### **Fundamental questions for the longer term**

30. Having identified our priorities over the short term we also and more importantly need to address the longer term. Our modelling has identified the extent of demand pressures into the future and that this is a greater pressure than the reduction in resources. We have already recognised that the focus therefore needs to be on how we can take demand out of the system as far as possible and that this requires a more fundamental review of the services we provide.

31. We believe that moving forward there are some fundamental questions which should be asked, both of ourselves and the wider public sector, which could radically impact

on the way we currently provide services. We would welcome the Committee's recognition that these are indeed the key questions for the future.

- i. Within a reduced allocation of resources, should services be universal or targeted? More and more of the public sector's resources are being tied up in universal provision and this trend is growing as a result of demographic change, such as care for the elderly, and we need to ask ourselves is this the best use of scarce resources? There is a creeping acceptance that universal provision is the norm but carrying on with universal provision is as much a policy choice as not doing so.
- ii. COSLA has found it more difficult to promote a more radical debate about the responsibility of the state, individual and community but in the longer term these responsibilities must be addressed. Communities play their part in a whole range of services provided within their communities and this type of co-production of services needs to be looked at more fully, in particular around how we work with communities to play their part and how they can take greater responsibility, rather than just relying on the public sector to deliver services.
- iii. Another fundamental change would be to seek to use resources differently by engendering transformational change now through early intervention which diminishes the need for reactive services in years to come. This area is further explored below.

### **Transformational change**

32. We feel that there is the big message around transformational change which we would want to bring to the attention of the Committee and we would welcome the Committee's support as we seek to drive forward this change.

### **Early Intervention**

33. COSLA has done much work on the need to redirect resources from reactive services to preventative services. Currently, resources across Local Government and the NHS are heavily weighted towards reactive care and crisis intervention: hospitals account for vast amounts of money within the NHS and most procedures and services tend to be focused on dealing with illnesses and medical emergencies. Equally, if we look at social work services, most provision is still directed at people with critical social care needs, for example individuals and children who have experienced a crisis episode and who require formal social support. In short, we spend large amounts of money dealing with 'negative outcomes'.

34. We need to find a route to redirect resource from crisis intervention to crisis prevention. That means all community planning partners will need to find a means of better supporting preventive services (like housing support, health screening, family support, community policing) and managing reduced services at the acute end (e.g. care home provision, acute hospital provision, prosecution). This implies the need for community planning processes to be strengthened, and in particular, thought given to the alignment and possible integration of some budget lines and the accountability and the governance issues which this raises.

35. Further thought also needs to be given to disinvesting in the services which serve to consolidate the reactive service provision. This will create political challenges insofar as that translates to providing less service in some areas. A carefully constructed narrative will need to be devised to explain why current service models are not addressing social problems at their root, followed by difficult disinvestment decisions.



36. However, whilst there is widespread recognition that a conservative approach to managing budget pressures will make the reform agenda more difficult to progress, the reduction in resources may cause Councils and their partners to fall back on protecting core services rather than delivering this transformational change. To put it starkly, short-term efficiencies could entrench service models that are not sustainable in the longer term and suffocate burgeoning early intervention strategies.

#### Local Government led reviews

37. Local Government has and will continue to be pro-active in reviewing the services it provides and there are well developed examples of where we have done this. A good example for the wider reviews to consider is the work done to review older peoples' care we have worked on in partnership with the Scottish Government and NHS Scotland.
38. Our review has a goal to bring about real aspirational change in the way older people are cared for. This philosophy begins with a view that older people are an asset not a burden and that we should be helping older people remain independent and healthy. Care for older people (and all people) is based on a compact between individuals and their carers, local communities and the state. A mutual care approach is required that supports and enables the compact to achieve the best possible outcomes for the individual requiring care and their unpaid carers. The potential significant contribution of communities alongside unpaid carers and the state should be recognised. What is more, care should be personalised to the needs of the individual and be outcomes focused, through the setting of personal goals. The principles underpinning this approach to care are applicable regardless of the extent of care required; however frail a person is, the aim must always be to help them achieve their best possible quality of life within whatever limitations they face.
39. Our current care system seeks to provide extensive and universal services through the welfare state and formal care and health systems. However, this has arguably built up a dependency culture which can undermine the policy goal of "optimising independence". We want to generate a debate that seeks to promote an "enabling" approach. Helping people to stay out of the formal care system safely is a very positive message.
40. This is one example of the pro-active approach which Local Government takes to the delivery of services, though of course we could mention other examples across the wide range of services we provide.

#### **Moving to an Outcomes based approach**

41. As we go into the next spending review period, we must see a move away from input measures. Inputs such as class sizes and police numbers do not deliver on our outcomes and they become populist shorthand for policy success. If the external world continues to define success in terms of inputs we cannot possibly succeed in delivering quality services with less resource. We would argue that it is far better to judge success by, for example, the numbers who do not re-offend rather than the number of people we have in prison. Equally is it not preferable to judge success by educational attainment of our children rather than the number of teachers?
42. Local Government is leading the way and has worked closely in partnership with the Scottish Government to develop Single Outcome Agreements. These are agreements

about how individual Councils will work to achieve outcomes for their own communities whilst largely aiming to reflect the Scottish Government's national outcomes. It is important to note however that Councils interpret the national outcomes locally and therefore each Council will have differing priorities according to local circumstances.

43. There is more to do here and Parliament has a role to play in acknowledging the very real change which has taken place. All too often Parliament's focus is on measuring performance using input measures and that focus must shift if we are truly going to reap the benefits of an outcomes approach and not operate a dual system. We welcome therefore the Committee's support of an outcomes based approach.

### **Ringfencing**

44. As we approach the next spending review and resources shrink, COSLA would resist any calls to a retreat from our hard won gains, for example, reductions in ring fencing, more flexibility in use of resources, Single Outcome Agreements as the driver of budgets not inputs.
45. During the last Spending Review period Local Government has seen a substantial reduction in the level of funding which is subject to ringfencing from £1.56bn in 2007/08 to £328m in 2010/11. This has freed up officer time due to the significantly reduced bureaucracy and allowed Councils to devote resources more effectively rather than artificial limitations placed on how the money is spent. In turn outcome agreements have been developed which ensure that that is our focus and this includes more flexible responses to protecting the vulnerable.
46. Some parties may be inclined to call for the reintroduction of ringfencing as a means to protect vulnerable groups from the adverse effects of any budget reductions. COSLA is absolutely averse to ringfencing as we firmly believe it diminishes Local Government's flexibility and therefore its capacity to deal with the financial pressures ahead. In fact ringfencing would exacerbate the impact of the financial climate as more and more of the budget would be protected reducing scope to make efficiencies. In an environment of outcome agreements, there should be no requirement for ringfencing.

### **Independent Budget Review**

47. We welcome the findings of the Independent Budget Review and specifically the findings in relation to the need to re-consider the Council Tax Freeze and the findings on the sustainability of retaining universal provision. We also welcomed the IBR's recognition of many of our arguments over the need to address the longer term and not just focus on short term fixes.
48. We had hoped that the findings of the Independent Budget Review would have played a greater part in informing the Government's approach to the financial challenges ahead, however instead we are disappointed that many of the more fundamental findings have been brushed aside by the Government.
49. In conclusion we would ask that the Committee takes on board our comments on the findings of the IBR, as well as the comments contained in our submission, in their consideration of the Draft Scottish Budget for 2011/12.