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'An overview of local government in Scotland 2015' – The latest report by the Accounts Commission

To: All Chief Executives, Main Contacts and APSE Contacts in Scotland

For information only to England, Northern Ireland and Wales

Key Issues:

The Accounts Commission is the public spending watchdog for local government, who operate impartially and independently of councils and the Scottish Government.

Their latest report explores:

- Financial and service pressures currently faced in Scotland
- Future pressures that will have an impact on services

1.0   Introduction

The latest Accounts Commission report 'An overview of local government in Scotland 2015' report was recently released online, showing the mounting financial and service related pressures facing Councils as well as the need to move past using savings plans alone to save services.

2.0   Financial and service pressures

Due to population changes (e.g. ageing population, growing population, people living longer), the demand for Council services is increasing at the same time as Scottish budgets are decreasing; between 2010/11 and 2013/14, Scottish Government funding fell by 8.5% with further reductions still to come. These dual service and financial pressures have led to a drop in Council workforces, with £352 million in voluntary severance paid since 2010/11. The report notes that while Councils have managed financial pressures (e.g. impact of welfare reform) well so far and have continued to improve or maintain services, staff

reductions as a lone approach to budget issues is not sustainable and it is crucial that Councils have comprehensive workforce plans and strategies to help manage their impact.

The following are also expected to have an impact on local government finance in the future:

- Expected cuts to UK expenditure affecting the UK Government's budget allocation to Scotland
- Pre-existing commitments such as equal pay claims, policies against compulsory redundancy
- The repayment of long-term Private Finance Initiative/ Non-profit Distributing (PFI/NPD) debts and interest (a further £13.4 billion to be paid between 2014/15 and 2041/42)
- Changes to legislation such as The Welfare Reform Act 2012 and Discretionary Housing Payments and implementing new government priorities, leading to a greater demand on services
- The underspending of budgets – in 2013/14, some Councils had a capital budget underspend rate of around 45% due to unexpected withdrawals/delays, late cancellations of projects; continued underspending can undermine the ability of Councils to deliver services effectively
- The ability of the Council to deal with funding gaps – with some Councils expecting a gap of over £70 million in 2017/18
- The introduction in April 2015 of new taxes on land and buildings transactions and disposing of waste to landfill

The co-existence of this shifting set of 'looming crises' is a major concern for local government.

3.0   Increasing income

In recent years, some Councils have increased or introduced new service charges as a way of generating income with an estimated £1.3 billion raised in 2012/13. In the most recent APSE State of the Market survey for Parks and Green Space services, for example, 83.3% of Scottish respondents intend to increase fees and charges over the next 2-3 years to help meet efficiency pressures. The report notes that authorities should consider the benefits extra income would bring alongside the impact that higher charges would have on service users and the cost of collecting these charges.

The focus on balancing budgets through staff reductions has left many Scottish local authorities with new barriers to income generation - 85.7% of Scottish respondents to our 2015 Parks and Green Space services survey noted that competing priorities (e.g. budget cuts), 'the experience of staff in bringing in new income generating schemes' (42.9%) and 'lack of time' (42.9%) were issues for their authority. While this data is only taken from a single service area, it is indicative of the need for longer term thinking in local government that looks towards more innovative solutions to finance such as preventative services and alternative models of governance, such as APSE's 'Ensuring Council' model, as cutting staff is likely to have a very negative impact on an authority's ability to innovate their way out of financial turmoil.

4.0   APSE Comment

The Accounts Commission report frequently mentions the need for access to quality information that allows for better scrutiny of local government services. APSE provides the UK's largest voluntary public sector benchmarking service in the UK which allows Scottish local authorities to benchmark their services against each other as well as against similarly sized authorities throughout the rest of the UK. Glasgow City Council recently provided a presentation on their use of Performance Networks data for Service Improvement at our APSE Performance Networks seminar in December; the presentation showed how their Land and Environmental Services used performance networks data to health check their service and explained how they use the data to improve their performance (e.g. action plans put in place that monitor progress year on year based on their data, identifying high performing Councils in the same service area and meeting with them to discuss performance differences). APSE would encourage our member authorities to make use of our Performance Networks service in this way.

APSE's 'Municipal Entrepreneurship' publication provides several case studies of local authorities that continue to thrive despite the current fiscal constraints such the three Tayside local authorities in Scotland that formed Tayside Contracts, which has returned £14.5 million to the three authorities since 1996 in the form of surpluses.

APSE also plans to release a new publication entitled 'The future of local government finance' later in the year.

Garry Lee   Louise McMillan

Research and Coordination Officer   Principal Advisor (Scotland