



LOCAL GOVERNMENT AND REGENERATION COMMITTEE

AGENDA

17th Meeting, 2013 (Session 4)

Wednesday 29 May 2013

The Committee will meet at 9.30 am in Committee Room 1.

1. **Decision on taking business in private:** The Committee will decide whether to take item 5 in private.
2. **Budget Strategy Phase 2014-15:** The Committee will take evidence at the Budget Strategy Phase 2014-15 from—

John Baillie, Chair, and Gordon Smail, Portfolio Manager, Best Value and Scrutiny Improvement, Accounts Commission for Scotland;

Antony Clark, Assistant Director, Audit Scotland;

and then from—

Professor David Bell, Professor of Economics, University of Stirling;

Professor Richard Kerley, Professor of Management, Queen Margaret University;

and then from—

Kate Higgins, Policy and Communications Manager, Children 1st;

Nancy Fancott, Policy and Development Officer, Coalition of Care and Support Providers in Scotland;

Rachel Stewart, Policy and Campaigns Manager, Scottish Association for Mental Health;

John Downie, Director of Public Affairs, Scottish Council for Voluntary Organisations;

Fraser Kelly, Chief Executive, Social Enterprise Scotland;

Calum Irving, Chief Executive, Voluntary Action Scotland.

3. **Budget Strategy Phase 2014-15 (in private):** The Committee will consider the evidence received.
4. **Public services reform and local government: strand 3 - developing new ways of delivering services (in private):** The Committee will consider a revised draft report.
5. **Local government elections in Scotland:** The Committee will receive a report from its Reporters on the inquiry.

David Cullum
Clerk to the Local Government and Regeneration Committee
Room T3.60
The Scottish Parliament
Edinburgh
Tel: 0131 348 5223
Email: david.cullum@scottish.parliament.uk

The papers for this meeting are as follows—

Agenda Item 2

PRIVATE PAPER	LGR/S4/13/17/1 (P)
SPICe Briefing	LGR/S4/13/17/2
Submission from Children 1st	LGR/S4/13/17/3
Submission from CCPS	LGR/S4/13/17/4
Submission from SAMH	LGR/S4/13/17/5
Submission from SCVO	LGR/S4/13/17/6
Submission from Voluntary Action Scotland	LGR/S4/13/17/7

Agenda Item 4

PRIVATE PAPER	LGR/S4/13/17/8 (P)
---------------	--------------------

Agenda Item 5

PRIVATE PAPER	LGR/S4/13/17/9 (P)
---------------	--------------------

SPICe

The Information Centre

Financial Scrutiny Unit Briefing

Local Government finance: facts and figures, 1999-2014

[dd Month 20yy]

[YY/NN]

Allan Campbell

This briefing has been prepared to assist the Local Government and Regeneration Committee in its scrutiny of the Scottish Government's spending plans. It includes key facts and figures on all aspects of local government finance, since devolution. However, it does not disaggregate figures to local authority level.



The Scottish Parliament
Pàrlamaid na h-Alba

CONTENTS

INTRODUCTION	3
LOCAL GOVERNMENT ALLOCATIONS	4
RING-FENCING.....	9
COUNCIL TAX INCOME AND NON-DOMESTIC RATES INCOME.....	10
PFI/PPP/NPD REPAYMENTS	12
SOURCES	15

INTRODUCTION

This briefing contains a range of facts and figures on Local Government Finance, requested by the Local Government and Regeneration Committee, to inform its forthcoming pre-Budget scrutiny work. The information contained in this briefing covers the period 1999-2014, specifically—

- Total Local Government revenue allocation, and percentage of total allocation that comes from the Scottish Government;
- Total Local Government Capital allocations;
- Total local government budget, and percentage of overall Scottish budget.
- Total amount of ring-fenced funding;
- Total Council tax income;
- Total Non-Domestic Rates Income; and
- Total repayments for PFI/PPP/NPD projects.

There are various caveats attached to each set of data, mainly due to problems around comparability, because of changes to the responsibilities of local government and the methodologies involved in calculating the local government settlement. These are explained in detail where appropriate.

Various abbreviations are used throughout this briefing, a key is set out below.

AEF – Aggregated External Finance

DEL – Departmental Expenditure Limit

GRF – General Revenue Fund

LG – Local Government

NDRI – Non-Domestic Rates Income

NPD – Non-Profit Distributing Model

PFI – Private Finance Initiative

PPP – Public/Private Partnership

RSG – Revenue Support Grant

SG – Scottish Government

LOCAL GOVERNMENT ALLOCATIONS

This section of the briefing charts how the local government budget has changed over time, since 1999.

Table 1 shows total Local Government revenue expenditure, and the percentage that comes from central government.

Table 1: Total Local Government revenue allocations and percentage that comes from the Scottish Government

Financial Year	LG Revenue Expenditure (£m)	Central Government Revenue Funding (£m)	CG % of Total LG Revenue Expenditure(%)
1999-2000	6,451.1	5,526.5	85.7
2000-2001	6,671.9	5,643.4	84.6
2001-2002	7,053.6	6,061.9	85.9
2002-2003	7,881.2	6,734.7	85.5
2003-2004	8,599.2	7,294.3	84.8
2004-2005	9,093.0	7,683.5	84.5
2005-2006	9,780.2	8,101.5	82.8
2006-2007	9,744.2	8,327.1	85.5
2007-2008	10,249.3	8,717.7	85.1
2008-2009	11,697.8	10,209.7	87.3
2009-2010	12,380.6	10,788.9	87.1
2010-2011	12,577.8	11,141.0	88.6
2011-2012	12,696.6	10,861.6	85.5
2012-2013		10,915.7	
2013-2014		9,728.5	

Sources and Notes

- Local Government Net Revenue Expenditure figures taken from the relevant annual Local Government Finance Statistics Publication (Scottish Government 2013d)

- The Central Government Revenue Funding figures are taken from the relevant Local Government Finance Circulars and represent Total Revenue Funding (Scottish Government 2013a).
- The revenue figures are broadly comparable between 1999 and 2008 but they are not comparable with the figures post 2008 as over £1 billion of previously ring-fenced grants were added to the local government finance settlement in 2008-09.

Figure 1 shows that there has not been significant variance over time in terms of the percentage of Local Government expenditure that is funded by central government.

Figure 1: Total Local Government revenue allocations and percentage that comes from the Scottish Government

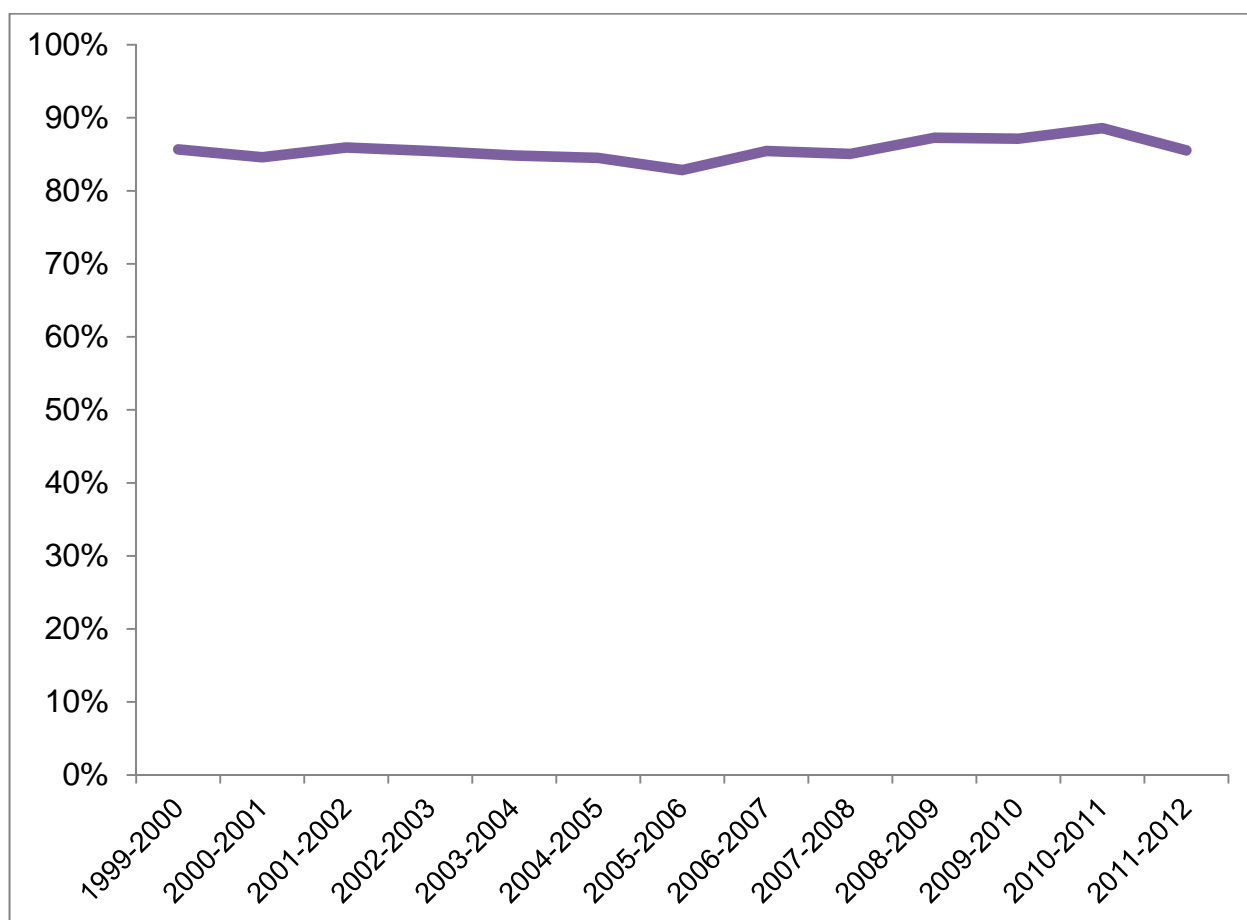


Table 2 below shows the total local government capital allocations from the Scottish Government. However, year on year figures are generally not comparable, as explained below.

Table 2: Local Government capital allocations from the Scottish Government

Financial Year	Central Government Capital Funding (£m)
1999-2000	298.2
2000-2001	300.8
2001-2002	367.9
2002-2003	432.9
2003-2004	509.5
2004-2005	303.8
2005-2006	303.8
2006-2007	297.7
2007-2008	305.2
2008-2009	974.6
2009-2010	1,041.2
2010-2011	843.2
2011-2012	691.8
2012-2013	569.7
2013-2014	552.2

Notes and sources

- The capital figures for 1999-2004 represent only the figures for Capital Consents and only Supported Borrowing for the years up to 2007-08
- The figures for the period 2008-14 represent the original funding allocations and do not include any in-year adjustments.
- Sources: Scottish Government (2013a)

Table 3 below shows total Local Government funding as a percentage of the total Scottish Government DEL (+NDRI money).

Table 3: Total Local Government Funding as a percentage of SG DEL + NDRI

Financial Year	Total LG Funding from SG (£m)	SG Total DEL +NDRI (£m)	LG as % of SG Total (%)
1999-2000	5,513.0	15,247.5	36.2
2000-2001	6,004.5	16,367.7	36.7
2001-2002	6,474.4	17,949.9	36.1
2002-2003	7,687.1	19,376.6	39.7
2003-2004	8,600.4	21,559.1	39.9
2004-2005	9,378.0	23,294.8	40.3
2005-2006	9,856.8	25,245.8	39.0
2006-2007	10,141.2	27,187.8	37.3
2007-2008	10,651.1	28,683.5	37.1
2008-2009	11,133.8	29,964.5	37.2
2009-2010	11,693.1	31,275.0	37.4
2010-2011	11,986.3	31,292.8	38.3
2011-2012	11,548.0	30,177.8	38.3
2012-2013	11,597.7	30,522.8	38.0
2013-2014	11,541.9	30,761.8	37.5

Notes and sources

All figures from relevant SG budget and spending review documents (Scottish Government 2013b), specifically, for LG—

- 1999-00 Plans - Serving Scotland's Needs; 2000-02 Plans - The Scottish Budget 2001; the 1999-2007 figures are outturn taken from the Spending Review 2007
- The 2007-08 figure is a constructed figure agreed with COSLA following the signing of the Concordat.

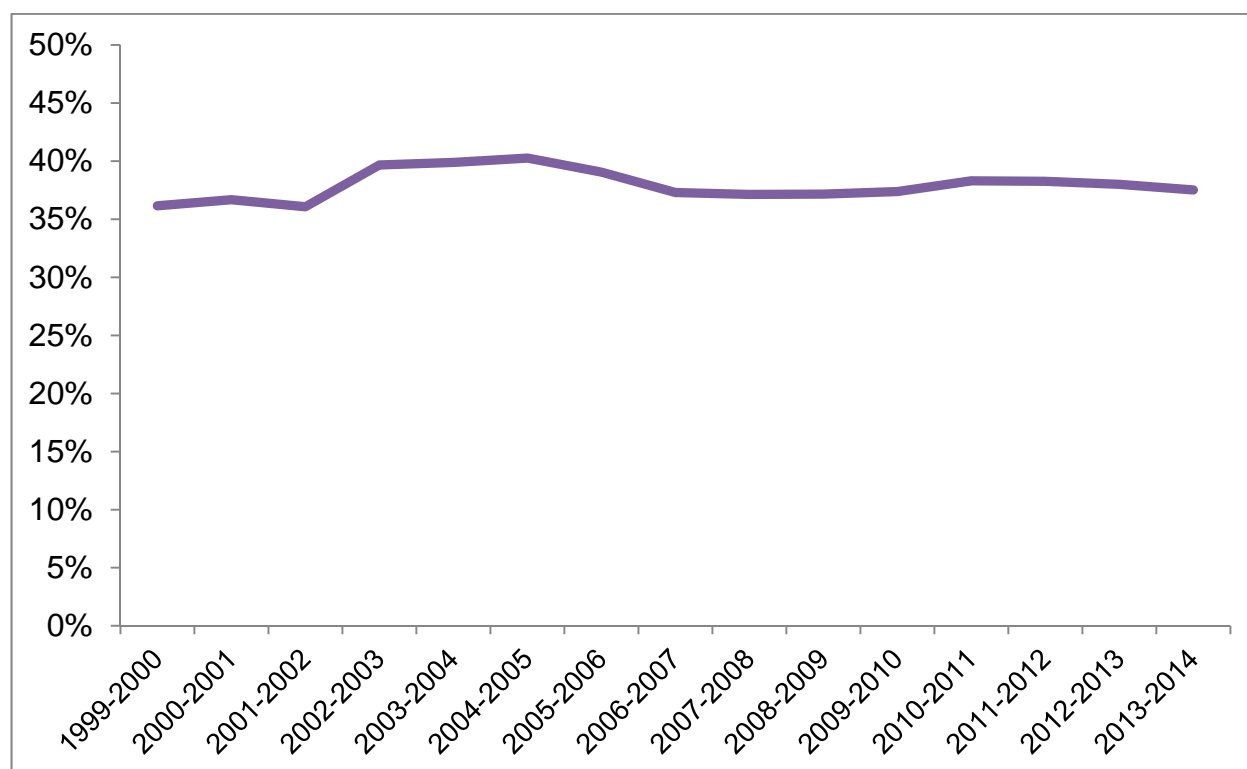
- The 2008-12 figures represent Budget figures and the 2012-14 figures are the Draft Budget figures resulting from Spending Review 2011

And, for SG figures—

- 2011-12 to 2013-14 – SR2011, 2010-11- Draft Budget 2011-12, 2007-08 to 2009-10 – SR07, 2002-03 to 2006-07 – Draft Budget 2007-08, 2000-01 to 2001-02 – Draft Budget 2002-03, 1999-00 – Serving Scotland's Needs.

Figure 2 illustrates the total Local Government Funding as a percentage of SG DEL + NDRI figures over devolution.

Figure 2: Local Government Funding as a percentage of SG DEL + NDRI



RING-FENCING

Table 4 shows the level of ring-fenced funds included in the Local Government settlement. The information is only available from 2007-08 as before that there were ring-fenced grants across the whole Scottish Executive, and the Government does not hold records of the totality of these grants.

Table 4: Local Government budget – ring fenced funds

Financial Year	Revenue (£m)	Capital (£m)	Total (£m)
2007-08			2,700.0
2008-09	2,072.3	278.3	2,350.6
2009-10	906.4	273.4	1,179.7
2010-11	932.6	155.4	1,088.0
2011-12	895.0	130.2	1,025.2
2012-13	904.1	132.4	1,036.5
2013-14	98.9	102.3	201.2

Source: Scottish Government (2013b)

COUNCIL TAX INCOME AND NON-DOMESTIC RATES INCOME

This section of the briefing contains information on the level of income from council tax and non-domestic rates since 1999. Figure 3 below shows the change in income from both sources over time. Table 5 contains the data on council tax and table 5 contains the data on non-domestic rates.

Figure 3: Council tax and Non-Domestic Rates Income

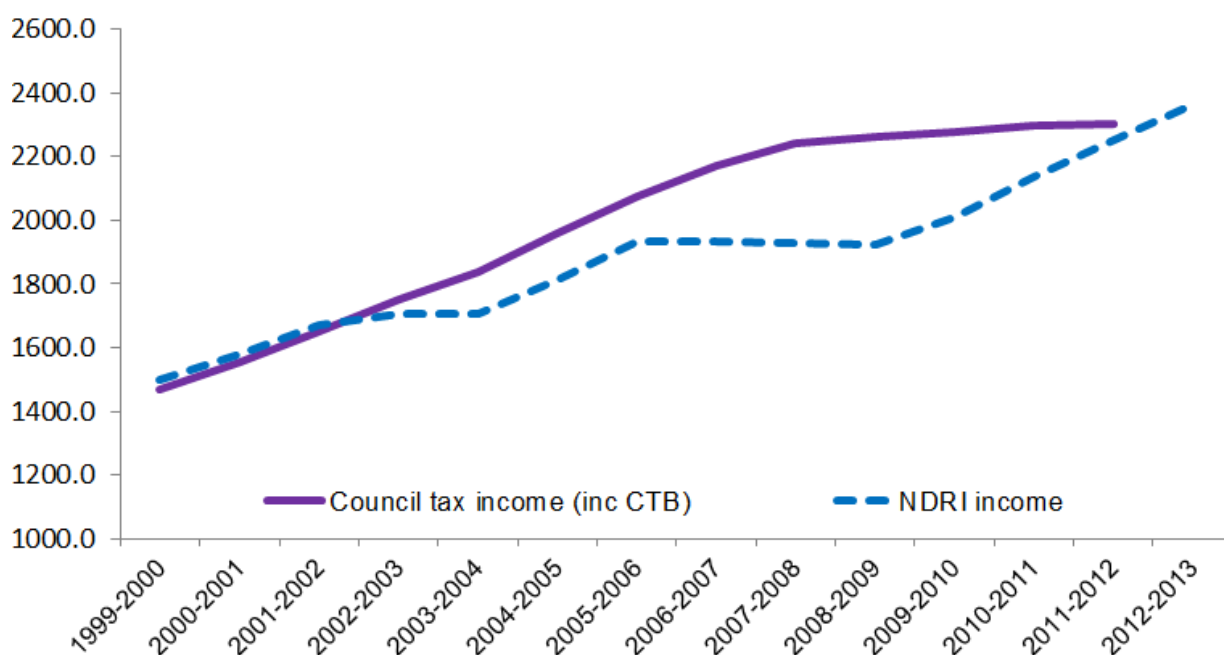


Table 5: Council tax income and Non-Domestic Rates Income

Year	Council tax income (excluding CTB) (£m)	Council tax benefit subsidy (£m)	Council tax income (including CTB) (£m)	NDR Income (Contributable Amount) (£m)
1999-2000	1,194	276	1,469	1,497
2000-01	1,273	279	1,553	1,578
2001-02	1,363	285	1,649	1,671
2002-03	1,459	294	1,753	1,705
2003-04	1,532	308	1,840	1,706
2004-05	1,615	345	1,960	1,813
2005-06	1,720	354	2,074	1,933
2006-07	1,812	359	2,171	1,933
2007-08	1,890	354	2,244	1,928
2008-09	1,909	351	2,260	1,924
2009-10	1,910	368	2,278	2,010
2010-11	1,923	375	2,298	2,138
2011-12	1,926	376	2,302	2,252
2012-13				2,362

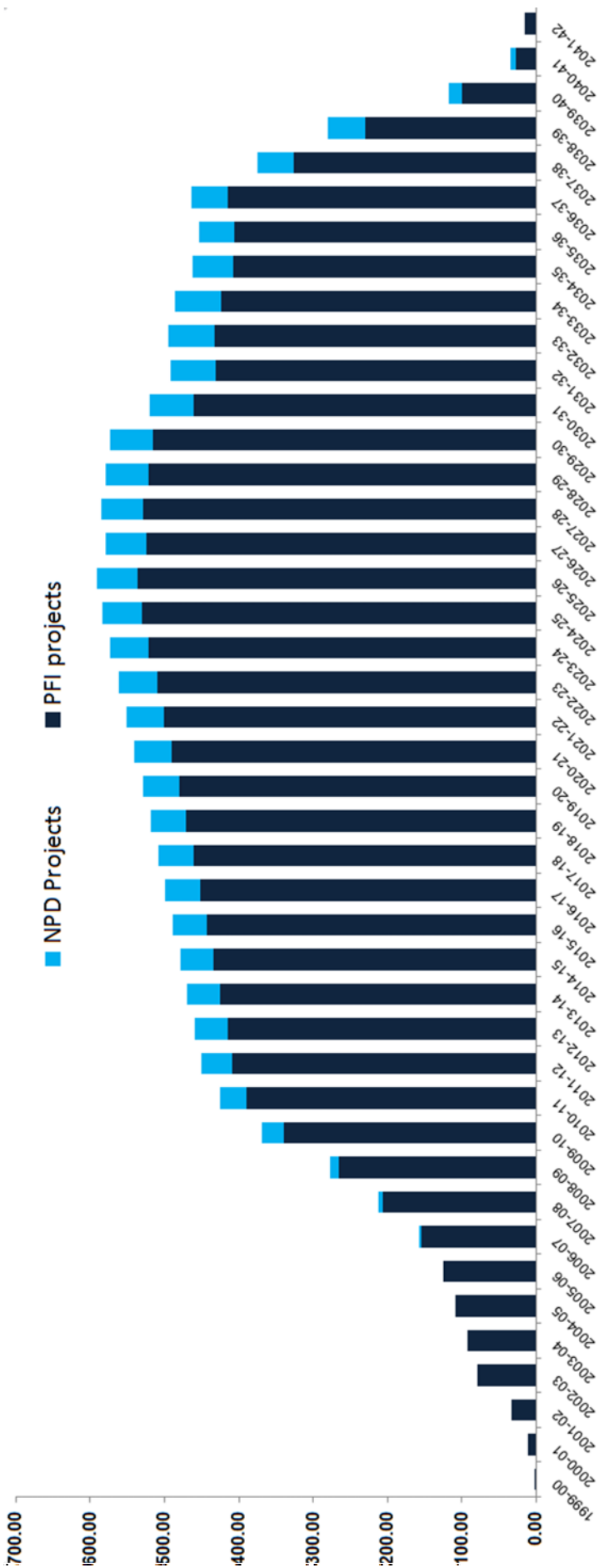
Source: Scottish Government (2013d)

PFI/PPP/NPD REPAYMENTS

This final section of the Briefing provides information on the level of annual unitary charge repayments already made, and still to be made, on PFI/PPP and NPD projects. Information below is based on projects already signed. Given the Scottish Government's plans for additional NPD projects, it is likely that the level of repayments will rise.

This information is drawn from the HM Treasury Signed Projects List (HM Treasury 2012), and the Scottish Government's NPD Signed Projects List (Scottish Government 2012).

Figure 4: PFI and NPD repayments



SOURCES

HM Treasury. (2012) PFI current projects list March 2012. Available at: http://www.hm-treasury.gov.uk/ppp_pfi_stats.htm [Accessed 28 May 2013]

Scottish Government. (2012) *NPD signed projects - unitary payment charges - March 2012*. Available at: <http://www.scotland.gov.uk/Topics/Government/Finance/18232/12308/NPDpaymentfigures> [Accessed 28 May 2013]

Scottish Government. (2013a) *Local Government Finance Circulars*. Available at: <http://www.scotland.gov.uk/Topics/Government/local-government/17999/11203> [Accessed 28 May 2013]

Scottish Government. (2013b) *Personal Communication* [unpublished]

Scottish Government. (2013c) *Scottish Budget – Documents*. Available at: <http://www.scotland.gov.uk/Topics/Government/Finance/18127/Documents> [Accessed 28 May 2013]

Scottish Government. (2013d) *Scottish Local Government Finance Statistics*. Available at: <http://www.scotland.gov.uk/Topics/Statistics/Browse/Local-Government-Finance/PubScottishLGStats> [Accessed 28 May 2013]



SPICe

The Information Centre

Scottish Parliament Information Centre (SPICe) Briefings are compiled for the benefit of the Members of the Parliament and their personal staff. Authors are available to discuss the contents of these papers with MSPs and their staff who should contact Allan Campbell on extension 85459 or email allan.campbell@scottish.parliament.uk. Members of the public or external organisations may comment on this briefing by emailing us at spice@scottish.parliament.uk. However, researchers are unable to enter into personal discussion in relation to SPICe Briefing Papers. If you have any general questions about the work of the Parliament you can email the Parliament's Public Information Service at sp.info@scottish.parliament.uk.

Every effort is made to ensure that the information contained in SPICe briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

www.scottish.parliament.uk

Local Government and Regeneration Committee

17th Meeting, 2013 (Session 4), Wednesday 29 May 2013

Pre-budget scrutiny – Spending Review 2013 and Draft Budget 2014-15

Submission from Children 1st

At CHILDREN 1ST, we listen, we support and we take action to secure a brighter future for Scotland's vulnerable children. Our work is built on over 125 years experience as the RSSPCC. By working together with, and listening to children, young people, their families and communities, and by influencing public policy and opinion; we help to change the lives of vulnerable children and young people for the better. We work to safeguard children and young people, to support them within their families and to help them to recover from abuse, neglect and violence.

CHILDREN 1ST has 46 local services and four national services across Scotland, and we work closely with many local authorities as well as working in partnership with other organisations. All our services are child centred. The children, young people and families we support are key partners in all aspects of our work. We also work in partnership with organisations and through membership networks, like CCPS. We concur with the evidence and comments provided by CCPS to the committee.

Our charity operates a policy of maintaining a funding balance between statutory and fundraised income, so that we are never more than 60 per cent dependent on statutory funding. That means we maintain a strong fundraising function to ensure that we raise considerable income every year to support our work. In recent years, that ratio has grown so that we now raise nearly 50 per cent of our own income from outwith statutory sources.

For more information, please contact CHILDREN 1ST policy team at policy@children1st.org.uk or on 0131 446 2300.

The overall trends in Local Government finance over both the short and medium term – (e.g. allocations from central government, percentage of overall Scottish budget, impact of issues such as welfare reform and police and fire reform, levels of council tax and the impact of the Council Tax freeze, other charges and fees issued by local authorities, and NDRI)

All the modelling and forecasting suggests that we have not yet hit rock bottom in terms of financial cuts to services both at a national budget level and also at local level. There is more pain to come. Given that the first Overview report from the Improvement Service's Benchmarking Framework indicates that costs (and therefore, spend) have already fallen in terms of children's services and that the Scottish Budget 2013-14 for Education and Lifelong Learning contained a cut of 4% from £100.5 m to £96.7m, we can assume that services for children and young people – and in particular, vulnerable children and young people – are at risk of

further budgetary cuts and of services being reduced still further in the next and subsequent budgetary rounds.

If that is to be the case, then transparency is key. CHILDREN 1ST does not agree that children and young people should bear more than their fair share of cuts in the current financial climate, but if that is what others decide, then let's let's be open and provide a rationale for it. But let us also work together to decide what the priorities for children and young people are. If there is less money around, then we need to be clear about where we are spending it and why, and we perhaps need to face up to some hard decisions about shifting spending priorities. If our financial pie is shrinking – or at best, staying the same size – do we need to decide to slice it differently?

All of this would be difficult enough to cope with, without the potential financial impact on some of Scotland's most vulnerable families of welfare reform. CHILDREN 1ST is concerned that we have not used the albeit limited time available to prepare for welfare reform as effectively as we might. For example, we showed, using the DWP's own data, how couples with children in particular were significantly underclaiming housing benefit and council tax benefit. A nationwide income maximisation campaign targeted at such families before the changes in April this year could have brought more money to vulnerable families in Scotland.

Indeed, focusing on income maximisation and also on building families' (and support organisations') capacity to cope should be high on everyone's agenda. We should also be working in a more integrated way both at national and local level to work out how we might divert resources to mitigate against the impact; if we do nothing, then more children and young people in Scotland will grow up in poverty and financial hardship. There is no doubt that everyone is preparing for the potential "tsunami" but we might be better prepared if we were doing so more cohesively and jointly.

Creating an integrated health and social care system for older people might also have unintended consequences for funding of children and young people's services. Currently, many local authorities operate some level of budgetary flexibility across social work functions, with services for families which work with both adults and children in the family, often funded holistically. If the monies currently provided to social work for older people are removed from local authorities to finance the new social care system, this might result in a more finite, limited pot with less flexibility for children and indeed, families' services. While the objective of integrated health and social care is laudable – for all groups – we need to ensure that resources in future budgets are not lost for vital support for vulnerable families and children and young people.

While it is clear that in the current climate, local authorities must do all they can to maximise income and sources of income, it is unhelpful if some of those decisions to increase fees and charges impact on early intervention activity and on preventative spending.

For example, a decision to raise community centre fees might make it unfeasible for a parent-led playgroup to continue, yet that playgroup might have been providing a vital, universal, peer support for some vulnerable families and keeping those families from requiring more intensive support from statutory agencies. A decision to remove free leisure cards for children and from low income families, for example, might prevent such families engaging in sporting and healthy activity, causing stress and

leading to longer term weight and lifestyle issues. Cutting maintenance to playparks makes safe play harder for children to achieve and enjoy, again limiting their ability to learn through play and to form healthy relationships with their peers. What would be helpful is for budgetary decisions to be made with the application of more “rounded value” criteria rather than simply costs.

Moreover, budgets are still often set using historic cost approach, yet local authorities and agencies which have implemented a zero cost budgeting approach have made significant savings. Stirling is a good example of this. Changing how budgets are set and spending decisions are arrived at would help us reach appropriate, proportionate and reasoned decisions about how scarce resources are allocated.

While CHILDREN 1ST welcomes the current focus on early years and is pleased to be contributing at a national and local level to the Early Years Taskforce, its workstreams, the Early Years Collaborative and the delivery of its stretched aims, we remain concerned that the aspirations set in this vital area will not be met without adequate investment and re-provisioning of resources.

The 2013-14 Scottish Government budget provided investment in early years of £16.2 million, a rise of just under £4 million but this was largely achieved by cutting £3.2 million out of the UVSF and EYEA budget lines and trimming the running costs of the Scottish Social Services Council.

The budget of £16.2m included the £14.5 million change fund which is largely committed on initiatives like Bookbug, Play Talk Read, Play and the already announced Families and Communities Fund. In the current year, therefore, there was less than a million (£0.85m) to be allocated on new work or initiatives.

Moreover, the Early Years Change Fund overall amounted to £272 million with £88.5 million to be spent in 2013-14, but much of that funding was earmarked to come from within existing budget allocations to health and local government. Health was expected to contribute £39m and local authorities £35m, yet the latter allocation was made within the context of an overall cut to local government of £200 million. While the Early Years Collaborative is demonstrating a shared commitment to change, it is unclear what realistically can be achieved without adequate resource investment.

How local authorities have dealt with budget reductions in recent years, and what the impact has been on the services provided by councils, in particular on service users, as well as the impact on equality issues for vulnerable groups

As with other voluntary sector service providers, CHILDREN 1ST has been impacted by budget reductions and changes made by local authorities in recent years. While we have lost local services in some areas, it should be noted that local authorities are still commissioning new and different services and we have also been successful at gaining some new services and contracts. While we have had the regrettable task of making a very small number of staff redundant, we have also worked hard to try and redeploy affected staff into new service developments and opportunities, as well as having recruited new staff for such activity. The net impact on our organisation has been minimal of budget reductions, but it is clear that we are working hard to do

better with less – and are increasingly making decisions to continue to provide some services by funding them ourselves.

Some of the services we have lost have been as a result of local authorities moving such services in-house ie that they have decided to provide a service themselves, or indeed, by tendering for new providers or from re-provisioning and re-shaping their service priorities. What has been regrettable is that some of the decision-making around budget-setting time in this regard has been last minute: a greater openness to discussing in advance the options and the financial circumstances within which we all know local authorities are operating might lead to different decisions being taken.

We are unclear on the impact generally on vulnerable families of such service changes. We know that we work very hard to make transition from services we have lost as seamless (where there is an alternative service being provided) or as painless as we can make it. But we know anecdotally that change of any sort still does have an impact, particularly where a relationship of trust over a period of time might have been established. We take very seriously our responsibility to minimise the impact of service change on vulnerable families we have been working with and do all that we can to make this happen.

From the limited scrutiny we have undertaken of some budget-setting processes which involve service change, it is not clear what equality impact assessments are being undertaken to inform such decision-making.

Looking forward, what the main challenges and pressures are going to be on local government budgets in the immediate term, and further into the future, and how can these best be addressed, both in terms of short and long term planning for local government funding, as well as the wider public services reform agenda.

CHILDREN 1ST is concerned that public service reform and the shared commitment to shift spending towards preventative, early intervention activity is not happening fast enough. For example, we have now been trying to implement the Getting It Right for Every Child agenda since 2006 and are now resorting to legislation to ensure that some of its basic principles happen.

Moreover, we are still struggling to pin down how to measure impact and outcomes effectively rather than inputs and outputs, as the Improvement Service's Benchmarking Framework demonstrates.

CHILDREN 1ST is absolutely committed to an evidence-based approach, particularly when resources are scarce, but we also need to trust our instincts and what we know works, as well as allow for innovation and development. For example, we know that vulnerable children benefit from positive role models, from having stable and healthy relationships with their peers and also with adults. Befriending is an early intervention activity and model which has been implemented in countries all over the world and has been evaluated as having good outcomes. It is also cost-effective if built around a volunteer model, with an investment of £50,000 by a local authority able to deliver a pool of trained volunteers matched with between ten and fifteen children and young people.

That investment can result in a child staying in school when previously at risk of exclusion, and improve their attainment as well as reduce the child's vulnerability to high risk activity such as petty offending and substance misuse. The cost benefit ratio from that initial investment in the short, medium and long term is therefore potentially considerable, not just for vulnerable children and young people but also for adults and the wider community which benefits from the added value of having such trained volunteers in its midst. Yet, these are the kind of services disappearing from our communities.

Another example of cost-effective, early intervention activity is to use Family Group Conferencing (FGC) to involve families in decision making about children at risk of moving into care or becoming accommodated. The average cost of resourcing an FGC to take place is approximately £2,000; if that FGC results in a child not moving into foster or residential care, then the savings are immediate and continue to grow in the medium and long term. These are the kind of early intervention services which prevent spending further down the line and which must start to feature more heavily in budgeting decisions in future years.

Local Government and Regeneration Committee

17th Meeting, 2013 (Session 4), Wednesday 29 May 2013

Pre-budget scrutiny – Spending Review 2013 and Draft Budget 2014-15

Submission from CCPS

CCPS welcomes the committee's pre-budget scrutiny and is pleased to be able to contribute to the Committee's consideration of local authority budget reductions and future challenges and pressures on local authority finances and services.

About CCPS

CCPS is the coalition of care and support providers in Scotland. Its membership comprises more than 70 of the most substantial third sector providers of care and support, supporting approximately 300,000 people and their families, employing over 45,000 staff, and managing a combined total annual income in 2010-2011 of over £1.3 billion, of which an average of 73% per member organisation relates to publicly funded service provision. The great majority of public funding for care and support in the third sector comes from local government.

The comments we have provided below primarily address the Committee's second and third question themes. We argue that voluntary sector care and support service providers have been at the sharp end of local authority budget cuts, with competitive tendering, price caps, and across-the-board budget cuts having a disproportionate impact on voluntary sector organisations and the services they provide. The impact is felt most acutely by the care and support workforce, which has experienced a steady decline in terms and conditions, to the point where there is growing concern that quality of support may be endangered.

We wholeheartedly support the Christie Commission principles of doing things differently in order to improve outcomes for people and to manage the considerable challenge of increasing demand in the context of austerity. However, the experience of providers is that they are being asked to do more of the same for less. This is not what Christie envisioned and is unsustainable in the medium to long term (some will say in the short term too).

How local authorities have dealt with budget reductions in recent years, and what the impact has been on the services provided by councils, in particular on service users, as well as the impact on equality issues for vulnerable groups

Provider Optimism Surveys

CCPS conducts a survey twice yearly to map the trends in levels of activity and organisational wellbeing of its members. The survey includes questions about local government funding cuts and the impact on providers and services. The most recent survey which looked at the second half of 2012 reflects a continuation of several trends over the past three years:

- a significant majority (76%) of respondents reported budget cuts from local authorities (with some of those budget cuts as high as 25-30% for individual services);
- 25% reported an increase in number of services operating at a deficit; and
- 30% reported a reduction in staff terms and conditions.

Overall levels of optimism about the general business situation continue to reflect low morale in a significant proportion of the sector, with 40% feeling less optimistic. These findings are consonant with information available from the Office of the Scottish Charity Regulator (OSCR) online database which shows that over half of the 61 CCPS members whose financial data was available for the last complete financial year, have seen their income drop by up to 10%.

Members reported struggling with the impact of continuing downward price pressure on staff terms and conditions and staff morale, and frustration that difficult public spending decisions are being taken by local authorities without sufficient regard to the consequences for service quality, the stability of provider organisations, and individual outcomes. These comments from respondents give a flavour for the impact of cuts within their organisations:

- “Reduced surplus, increased deficits, focus on cost cutting and reduction through weakening of terms and conditions of employment rather than focus on quality of service.’
- and with specific reference to workforce: ‘Loss of staff morale, uncertainty about viability, services feeling threatened; Resulted in redundancies and changes in terms and conditions. Considerable workforce unease’.

Concerns about the decision making process within local authorities was an issue also identified by Audit Scotland in its February 2010 report: Improving Public Sector Efficiency: “...we found that baselines were in place for costs, but not for activity and quality; performance measures were not routinely being used; and reporting of efficiency savings was not supported by performance information on the quantity and quality of services provided... There is therefore a risk that reported efficiency savings might actually be cuts in service because it is not clear if they have resulted in fewer or poorer quality services being provided.”

FOI Request re Hourly Rates

In response to the trend in downward pressure on hourly rates for care and support provided by CCPS members, we conducted an FOI exercise and published our findings in June 2012. The main trigger was a tendering exercise in which a local authority had set an extremely low price cap. CCPS wished to establish the extent to which this was a reflection of a wider trend across Scotland and how rates paid to the voluntary sector compared with in-house rates.

In its 2012 report on social care commissioning, Audit Scotland noted that councils do not have “sufficient information to make informed decisions... in particular they do not have a full understanding of how much social care services cost and their value for money.”¹

¹ Audit Scotland, Commissioning Social Care, March 2012:

The results of the FOI exercise reinforced Audit Scotland's findings, and confirmed, in particular, the fact that many councils are not in a position to identify accurate information about service type and cost. It also confirmed fears about the trend towards diminishing hourly rates and the tendency for rates to be clustered at the lower end of the range

In our view, the lowest rates (and in some authorities, even the median rate) paid by councils were highly unlikely to cover all the costs necessary for providers to successfully offer good quality support, especially for people with complex support needs, and in particular, will seriously affect providers' ability to attract and retain appropriately skilled and experienced staff.

The Audit Scotland report states that it did not find any examples of commissioning strategies that included information about the quality and costs of both in-house and external provision; noted the need for more consistent data and much greater transparency in this respect; and recommended that commissioning strategies set out an analysis of costs and budgets for services, both in-house and externally provided. The FOI exercise bears out Audit Scotland's findings and serves to support its recommendations.

Increasing Trend toward Capped Rates

Since completing the FOI exercise, we have noted an increasing trend in procurement processes to include a cap on hourly rates. CCPS has taken up the issue with individual local authorities, raising concerns about the process and the rate itself. In most, if not all cases, the given price cap has been imposed apparently arbitrarily on external providers without any prior negotiation or discussion. In some cases local authorities have brought in private sector companies to assist with an exercise in establishing a 'market rate', without any discussion with local providers and without any evidence that the rate is a fair reflection of the inputs required in order to provide a quality service.

And unsurprisingly the capped rates are low - in some cases significantly lower than the current rates being paid. They are placing severe pressure on providers, resulting in further deterioration in workforce terms and conditions and staff morale and may ultimately affect quality of service, as evidenced in the responses to our optimism surveys and other research. Our principal concern is that this practice is a far cry from the strategic commissioning approach advocated by the Scottish Government and a long way from the collaborative partnership approach to tackling austerity and public service reform advocated by the Christie Commission.

The reality of decreasing hourly rates also threatens the wider adoption of the living wage, a theme that the Local Government Committee has previously taken an interest in and on which CCPS provided evidence in December 2011. Despite the increasing numbers of local authorities who have embraced the policy in relation to their own employees, we continue to see price caps and funding decisions that are making the living wage difficult or impossible to pay in the voluntary sector care and support workforce.

Looking forward, what the main challenges and pressures are going to be on local government budgets in the immediate term, and further into the future, and how can these best be addressed, both in terms of short and long term planning for local government funding, as well as the wider public services reform agenda.

Impact of Self Directed Support

The Christie Commission vision of transformative change emphasises the importance of outcomes-focused, person-centred public services, that maximise the talents and resources of people and recognises that effective services must be designed with and for people, and not in a top-down manner dictated by administrative interests.

The self-directed support (SDS) agenda and recent legislation is a potentially great leap forward in this direction. Giving people choice and control in the design and delivery of their care and support is a powerful tool for improving outcomes. But in recognition of the risks of introducing this new policy in a time of austerity, in its Stage 1 report on the SDS bill, the Health and Sport Committee warned that 'self-directed support must not be, or be seen to be, a cover for cuts.'

Unfortunately, early signs from the implementation of 'personalisation' by some local authorities point to confusion between the aim of SDS policy and the aim of some local authorities to deal with the financial constraints they are facing.

The [Providers & Personalisation Programme](#) recently published a research report with Strathclyde University looking at the impact of 'personalisation' implementation to date in 5 different local authorities in an era of austerity. The findings demonstrate the difficulties local authorities are having in achieving the positive benefits of personalisation if the focus is on cost cutting. The report found that local authority efforts to introduce personalisation and the voluntary sector responses to this were shaped significantly by financial pressures, coming in the context of current austerity measures, retendering processes and cumulative tight funding settlements.

The research highlights the same workforce issues that come out of the provider optimism surveys and the FOI research. Changes to pay and conditions, and insecurity within the workforce were linked primarily to austerity measures taken by local authorities and not to personalisation per se. One of the biggest concerns is the worry that cuts in services will reduce service user choice. The goals of transformative change advocated by Christie will not be realised through SDS if a person is given control over a budget but has no choice in how they can direct it.

The impact of Welfare Reform

The Housing Support and Enabling Unit (HSEU) with partner organisations have recently completed research² into the impact of welfare reform on supported housing support. The aim of the research was to gather information about the extent to which supported accommodation in Scotland falls under the Department of Work and Pensions (DWP) definition of Supported Exempt Accommodation (SEA). This has become an important question because the DWP intends to exempt supported housing from certain aspects of the changes being made to the welfare benefits system and is relying on the definition of SEA to identify supported housing; and in addition, the DWP is gathering information from local authorities about current spend on supported housing (as defined by SEA) through the benefits system with a view to taking this element of housing cost out of the benefits system and devolving a budget to Scotland.

The HSEU survey results show that a significant percentage of those organisations surveyed (providers of housing support across all sectors) think some or all of the supported housing services they provide will not meet the criteria for SEA although the majority of supported accommodation places (particularly sheltered housing) are expected to be considered to be SEA. The consequences of not being considered to be SEA is already causing a great deal of concern particularly in relation to the 'bedroom tax' and the impact it may have on vulnerable people of working age.

Most types of supported housing appeared to fall outside the definition of SEA to some extent. Supported housing aimed at people with mental health problems; people with learning disabilities; people with physical disabilities and homeless resettlement projects appear most likely not to meet the criteria for SEA. Without an amendment to the official definition of SEA, the future funding of a broad range of services provided to a diverse range of vulnerable people is at risk. The loss of this kind of 'preventive' level of support is likely to increase demand on local authority homelessness services, further intensifying the financial pressures on budgets and services.

How to Address These Challenges

We refer back to the principles of Christie and prioritising preventative measures to reduce demand and lessen inequalities. We need to be taking demand out of the system rather than feeding services that keep people in the system and this requires a shift in resources.

We made related points to the Health and Sport Committee during their scrutiny of the draft budget for 2012-13. That budget had been described during evidence to the Committee as a 'budget for health' with health spending relatively well protected whilst social care spending was more vulnerable because of the comparatively tough budget settlement given to local authorities.

The integration of local health and social care budgets will be the subject of forthcoming legislation, however our concern is that social care funding will continue to reduce in the

² <http://www.ccpScotland.org/hseu/information/Welfare-Reform#supported-exempt-accommodation-survey-report-march-2013>

interim. Given what we know about the contribution that social care makes and the impact that it has on overall health spend, that is an area of significant concern and cannot be squared with the Christie Commission recommendation for taking demand out of the system.

CCPS strongly supports the adoption of joint strategic commissioning as an effective way to tackle the challenge of doing things differently, make public service planning more inclusive and reflective of community needs, assets and aspirations, and ensure that those needs and priorities are the basis for decisions about resource allocation and investment.

It goes without saying that strategic commissioning also needs to look at the complete range of services being provided, leaving nothing off the table. Difficult decisions about disinvestment must be made but made collaboratively, and informed by the necessary evidence about inputs and outcomes. At present, our concern is budgets for voluntary sector services are being reviewed (and cut) outwith the context of strategic commissioning and largely without examination of their relative value in terms of quality and outcomes.

CCPS May 2013

Local Government and Regeneration Committee

17th Meeting, 2013 (Session 4), Wednesday 29 May 2013

Pre-budget scrutiny – Spending Review 2013 and Draft Budget 2014-15

Submission from SAMH

Local Government and Regeneration Committee – Information on the 2014-15 pre-budget scrutiny evidence session from SAMH.

- **The overall trends in Local Government finance over both the short and medium term – (e.g. allocations from central government, percentage of overall Scottish budget, impact of issues such as welfare reform and police and fire reform, levels of council tax and the impact of the Council Tax freeze, other charges and fees issued by local authorities, and NDRI);**
- On this point, SAMH will restrict itself to commenting on charges and fees issued by local authorities and the impact of welfare reform on our service users. We provide over 60 social care services to 18 local authorities across Scotland. These services range from care home accommodation and supported tenancies, homelessness services, all working with people with complex needs and often chaotic lifestyles. We also provide employability services funded by DWP, NHS and others in partnership with social work teams in LA areas. SAMH is a member of the Scottish Campaign on Welfare Reform (SCoWR).
- Local authorities have a duty to provide services to people with mental health problems in their local communities under the Mental Health (Care and Treatment) (Scotland) Act 2003. However, in recent years SAMH has seen a reduction in the amount of spend on such services, despite austerity policies generally leading to a decline in general mental health of the population; and a higher rate of reduction (up to 30 per cent in some cases) than has been passed to local authorities by the Scottish Government.
- SAMH has provided specialist support to people with complex mental health problems for many years. Some local authorities are now asking SAMH to provide a reduced and more generalised service, which will not meet the needs of all the people who need our support. We believe that support provision is being reduced with the intention of reducing costs, as there are lower staff and training costs, but SAMH believes that this is a false economy – service users will need additional care to meet their needs from the NHS if they cannot receive it in the community.
- **In terms of charges and fees:** in 2011-12, SAMH attempted to scope the various charges issued by LAs to service users for SAMH services; however, there was such a wide range within and between authorities that it was impossible to ascertain whether such charges were applied

consistently. Certainly, service users in different areas were being charged different fees for a similar type of service. Some services which were previously free to service users now incur a charge.

- Some SAMH contracts with local authorities are being delivered to SAMH net of the service user contribution; SAMH's staff are then put in the position of collecting the payment that the Local Authority has deemed the service user can afford, based on a review of that person's benefits. Support workers report that they feel like 'rent collectors', and that their relationships with vulnerable service users are being adversely affected.
- Despite the apparent means-testing of service users before applying a charge, we know anecdotally that the application and increase of charges/fees by some local authorities to SAMH service users led to some service users withdrawing from the service because they could not afford to pay for the support; this was despite continuing to be unwell.
- **On welfare reform:** SAMH is currently undertaking a survey of our 2,500 service users, to determine how the changes to the social security system are affecting them; how they are seeking support, from SAMH, the NHS and from other institutions; and what impact the changes are having on our services (to determine whether staff are being asked to help service users with claims, if people dropping out of the service due to lack of funds, etc).
- Anecdotally, we are aware that many of our service users may face multiple reductions in their benefits; people with mental, cognitive and behavioural disorders are amongst the highest proportion of people found 'fit for work' in assessments for Employment and Support Allowance (ESA), and make up the highest proportion of current recipients of Incapacity Benefit and new applicants to ESA; so potentially large numbers will be transferred to Jobseekers Allowance and the Work Programme. The problems with the Work Capability Assessments for ESA are well known, and despite some improvement in the accuracy of the assessment, too many people continue to be found 'fit for work' when they are unwell. On 22 May 2013, it was determined by a judge that the Work Capability Assessment places people with mental health problems, autism and learning disabilities at a disadvantage and the DWP should make reasonable adjustments for these groups. In the meantime, appeals to overturn an incorrect decision take several months, with the claimant receiving a reduced benefit, and there are long waiting lists for advocacy.
- The 12 month time-limit to receiving contributory ESA in the Work Related Activity Group (WRAG) means that people who are not considered 'fit for work' at the time of their assessment will be moved to JSA within that fixed period, regardless of whether they have recovered from their illness, if they do not qualify for income based ESA. Moving to Jobseekers Allowance, before they are ready, would be detrimental to both their recovery and their financial situation. SAMH is concerned that these people may be sanctioned if they are too unwell to meet their obligations under the

jobseekers agreement; this is compounded by apparent DWP targets to sanction jobseekers.

- Regulations for the Personal Independence Payment, the successor to Disability Living Allowance, have focused on more severe physical disabilities, which may make it harder to qualify for mental health problems. Many SAMH service users qualify for a lower care rate of DLA, so may be less likely to qualify for PIP (which does not have an equivalent 'lower' level of care) when they are reassessed. DLA is often used as a passport to other services, such as leisure and mobility services. The change will mean that people will lose out not only on the money, but on other services and benefits provided by local authorities.
 - Finally, many of our service users who receive housing support have their own tenancy in a council-provided accommodation. Recent changes to Housing Benefit mean that they may face a reduction if seen to be 'over-occupying' their home. However, a lack of appropriate housing stock to meet their needs means that they will lose money, or be forced to move to cheaper accommodation, further away from their support networks and SAMH services. We have also seen problems in some local authority areas whereby there is no suitable accommodation for service users to move to from care homes, which means that people in hospital do not have care homes to move to, leading to 'bed blocking' and a regression in terms of recovery. Other housing benefit reforms, such as the direct monthly payment to the tenant rather than the landlord, may also lead to rent arrears and debt.
- how local authorities have dealt with budget reductions in recent years, and what the impact has been on the services provided by councils, in particular on service users, as well as the impact on equality issues for vulnerable groups; and**
- SAMH assisted the UN Committee on Economic, Social and Cultural Rights to monitor implementation of the ICESCR in the UK; submitting evidence to the UN Committee and attending a UN hearing in May 2009. The Concluding Observations make a number of specific references to Scotland which now need to be progressed. In particular, the Committee urged the UK to *'take immediate steps to address, as a matter of priority, the poor health conditions for persons with mental disabilities, as well as the regressive measures taken in funding mental health services'*.
 - Pressure has been placed on SAMH by several local authorities to reduce the cost of their services. In the tendering process, there has been a move to zero hours contracts, and a focus on cost rather than quality. As noted above, previously specialist services are being told to offer a less specialist, more generalist approach, for less money. There has been a 'take it or leave it' stance from many local authorities, rendering negotiation impossible.

- Despite many local authorities signing up to the Living Wage, and providing this to their employees, many proposed contracts with SAMH (and presumably other third sector organisations) preclude SAMH from extending the same living wage to our support workers – we would be operating at a deficit. In the last 6 months, SAMH has withdrawn from 4 contracts because we would not be able to provide the quality service we expect for the rate of pay offered.
- SAMH has a skilled workforce and we believe in promoting our staff, providing a decent wage and training and development; these actions by local authorities leave us with the choice of either reducing our staff's terms and conditions, or walking away from providing the contract, to the detriment of people with mental health problems in these areas as well as our employees.
- SAMH has been forced to make staff redundant because services were reduced by a changed contract, or if we have withdrawn from the contract altogether – again, this contrasts with the Scottish Government's public sector policy of no compulsory redundancies. This leads to a loss of expertise and less effective care for people with mental health problems.
- SAMH works to shield our service users from the impact of these cuts and continue to provide a quality service. Indeed, our Care Inspectorate scores for the past year have seen improvements, with homelessness and care home scores receiving 5s and 6s, despite the difficult economic conditions. Our staff have worked exceptionally hard in difficult situations, but this is not sustainable in the longer term. Insecurity for service users due to increasing rates of staff turnover and cluster working can hinder their recovery journey. The reduced income and changes to contracts of established services could mean reduced provision of support, or force SAMH to charge service users for the service – both of these will lead to stress and increase the time towards recovery. This can reduce the overall number of people SAMH is able to support and means that the NHS will be required to continue to support people who may be well enough to leave hospital, against the long-standing Scottish Government policy to support people in the community.
- From an equality point of view, the UK Government's welfare cuts have been shown to be impacting disproportionately on disabled people. Increased charges from local authorities for social care services at a time when benefits are being reduced will hit service users doubly hard.
- The UN OHCHR produced guiding principles for policy guidelines focusing specifically on the human rights of people living in poverty. The UK Government is a signatory since September 2012 and therefore local

authorities should be implementing these standards in Scotland. All human rights apply to and should be equally enjoyed by persons living in poverty. Therefore, attention is paid in the Guidelines to some specific rights whose enjoyment by persons living in poverty is particularly limited and obstructed, and in relation to which State policies are often inadequate or counterproductive. Guidance is provided on how to respect, protect and fulfil these rights for those living in poverty. Amongst others, this includes the:

- Right to equal protection before the law, access to justice and effective remedies
 - Right to an adequate standard of living
 - Right to adequate food and nutrition
 - Right to adequate housing, security of tenure and prohibition of forced eviction
 - Right to the highest attainable standard of physical and mental health
 - Right to work and rights at work
 - Right to social security
- Governments, both local and national, should have due regard to these rights and ensure that their policies are not harming the human rights of their constituents.
 - Local authorities should therefore provide appropriate services which help their constituents attain the highest attainable standard of mental health; this would be a change from the current, 'generalist', direction of travel to more specialist services for adults with complex mental health problems.
- **looking forward, what the main challenges and pressures are going to be on local government budgets in the immediate term, and further into the future, and how can these best be addressed, both in terms of short and long term planning for local government funding, as well as the wider public services reform agenda.**
 - The Mental Health Strategy for Scotland 2012-15 has the following commitment, which will have an impact on the work of local authorities in regard to mental health, and may lead to the requirement for a larger budget share in this area as a result:

Commitment 35: We will work with COSLA to establish a local government mental health forum to focus on those areas of work where local government has a key role, including employability, community assets and support and services for older people, and

make effective linkages with the work to integrate health and social care.

- Consequently there should be an increased focus on local government services and an awareness that mental health is not simply about social care services, but employability as well. SAMH supports this commitment and believes that this move will improve the health and wellbeing of people with mental health problems, and help them to make a recovery and participate more fully in society. Compounded with this are the welfare changes, with more people being found 'fit for work' and requiring support towards employment after a potentially long period of illness. This shift will require greater investment in the short term, which will be more beneficial in the medium to long terms.
- Regarding the forthcoming integration of adult health and social care services, SAMH has a serious concern regarding the intention that the integrated resource should lose its identity in the integrated budget – so that where money comes from, be it "health" or "social care", is no longer of consequence. Specifically, we do not know that proper consideration has been given as to how this may impact on the implementation of personalisation and self-directed support. Elsewhere in the UK, where health and social care services have been well integrated with pooled budgets, there have been resultant difficulties in providing direct payments to people experiencing mental health problems. This is largely due to difficulties disentangling pooled NHS or social care funds into separate personal social care budgets and funding for NHS services.^[1] While all services provided by the NHS are free at the point of access, as has been noted above, some social care services are charged for on an individual basis. If health and social care services are to be seen as contributing to joint outcomes, it may be an appropriate time to reconsider and clarify what exactly constitutes 'health' and 'social' care and what services people should be expected to pay for.
- SAMH believes that health and social care integration is not necessarily incompatible with self-directed support but there is clearly an urgent need to consider how these two approaches can be progressed together, especially given that such significant changes are being progressed at the same time.
- As highlighted above, SAMH is concerned that cuts to benefits may lead to greater cost to Government through the impact on the health of service users, leading to inability to take on work and pay council tax; and requiring healthcare which will be more expensive than social care in a

community setting. As a provider of homelessness services, SAMH is extremely concerned that benefit cuts may result in increased rates of poverty and homelessness; the mental health of our service users is likely to be affected and they may require a higher level of support than a more 'general' social care approach.

- Access to benefits will increasingly be required to take place online. Local authorities will have to provide access to computers across Scotland to help people from disadvantaged communities, who would not otherwise have internet or computer access, to demonstrate that they are actively seeking work and qualify for benefits.
- SAMH would like to see the people affected by the social security changes to be consulted and involved in monitoring the reforms, so that local authorities can learn from their experiences and take measures to improve service provision.
- There is a broad range of human rights standards, principles and legislation which are relevant to the provision of benefits and social security. Local authorities should commit to take a human rights based approach to their service provision.
- Finally, SAMH believes that if the third sector is to retain our expertise and continue to provide high quality care on behalf of local authorities, we need to be treated as a partner. We are not being treated as such at the moment.

Local Government and Regeneration Committee

17th Meeting, 2013 (Session 4), Wednesday 29 May 2013

Pre-budget scrutiny – Spending Review 2013 and Draft Budget 2014-15

Submission from SCVO

Summary

- SCVO would like to thank the LGRC for the opportunity to input evidence into their pre-budget scrutiny for the 2014/2015 budgets
- It is important to note that as the committee takes this evidence it marks roughly two years since the conclusion of the Christie Commission and the publication of the report on *the future delivery of public services*. **It is fair to say however that the implementation of the recommendations made by the Commission have been slow and unsatisfactory.**
- Despite the existence of the *Joint Statement: on the relationship at local level between Government and the Third Sector* and CoSLA's signature to that Statement **local authorities hide behind "dwindling budgets" as an excuse not to offer multi-year funding to third sector organisations**
- It is very clear to SCVO that the UK Government's Welfare changes are having a major impact on third sector service users and vulnerable groups
- **72% of survey respondents believed that demand for support and services provided by third sector organisations had already increased** as a result of welfare reform, and 88% of organisations expected demand to increase in the coming months.
- **The work that the Scottish Government and local authorities have undertaken to imbed the principle of prevention is under threat** as budgets tighten and local authorities are forced in to reactive measures and short-term-ism to cope with demand in services and needs.

Our response

It is important to note that as the committee takes this evidence it marks roughly two years since the conclusion of the Christie Commission and the publication of the report on *the future delivery of public services*.

It is fair to say however that the implementation of the recommendations made by the Commission have been slow and unsatisfactory. We need a more aggressive pace of reform right across Scotland.

SCVO encourages all members of the Committee to consider how budgetary provision will facilitate a move towards the principles laid out by the Commission.

Budget reductions in recent years

The current landscape of local authority funding is well known, it is reported on every day and all decisions are made in the context of ever reducing budgets. However these reductions have seen repercussions beyond the doors of our local authorities.

Long-term funding:

In a recent debate in the Scottish Parliament it was highlighted that the third sector in Scotland suffers from a lack of long-term, strategic funding.

Despite the existence of the *Joint Statement: on the relationship at local level between Government and the Third Sector* and CoSLA's signature to that Statement **local authorities hide behind "dwindling budgets" and "we only get one-year budgets" as an excuse not to offer multi-year funding to third sector organisations** despite handing out long-term contracts to private sector organisations at the same time.

"Claw-back":

Claw-back is a phenomenon that has been reported in recent years where local authorities ask third sector organisations to return profits made on service delivery or return a lump sum of 5-10% of the contract.

This is unacceptable behaviour and needs to be addressed. Many third sector organisations feel they have no option but to return money as they fear it will impact their opportunities to win contracts with the local authorities in the future.

It is also worth noting that this occurrence does not happen with the private sector. It is time for local authorities to keep their word on "parity of sectors" and "respectful relationship" mentioned in the *Joint Statement*

Impact on service users:

Persistent annual funding breeds uncertainty in a service delivery organisation but most importantly it prevents that organisation providing a stable service for the service users they work with.

Many third sector organisations work with Scotland's most vulnerable communities and providing them with annual services that are not guaranteed long-term it impacts on the organisations ability to retain staff, delivery a high quality service and more

importantly strategically plan services and maximise positive outcomes for the service users.

Whilst long-term funding is an issue for third sector organisations it is not simply a process of filling a bank account; they want long-term funding because it is what is required for them to help those who need their support and services. Long-term funding of organisations leads to sustainable, strategic services that achieve long-term benefits.

Non-compulsory redundancies –

The current policy of non-compulsory redundancies by local authorities has resulted in local authority bringing more services “in-house” effectively passing on the redundancies to the service providers in the private and third sector.

Local Government might also wish to look at wage ratios – as many essential services are facing cuts, ensuring that the highest paid staff member is not paid more than ten times the lowest can help to bring a greater sense of fairness to both staff and the public in these difficult times.

Main challenges and pressures

Apart from dwindling budgets there are a number of challenges for Scotland’s local authorities on the horizon.

Welfare Reforms:

It is very clear to SCVO that the UK Government’s Welfare changes are having a major impact on third sector service users and vulnerable groups. SCVO’s Welfare Reform mapping report reflected on research carried out amongst third sector organisations between November 2012 and February 2013, before the bulk of the changes came into force.

72% of survey respondents believed that demand for support and services provided by third sector organisations had already increased as a result of welfare reform, and 88% of organisations expected demand to increase in the coming months. This was true of all types of organisations across all areas of Scotland. **SCVO believes, therefore, that it is essential for Local Governments to continue to support frontline organisations of all kinds, working in partnership with the sector to help mitigate the reforms.**

In terms of funding, over 40% of respondents cited a lack of long-term funding and inability to plan ahead as a critical issue for them, something that **Local Government could alleviate if they offered longer contracts to third sector organisations.**

Organisations also reported gaps in local service provision already exist and that they do not have the resources to fill them. **If Local Government plans now to ensure that gaps are filled, vulnerable groups and service users will be supported now and into the future.**

Prevention, personalisation and self-directed support:

As budgets begin to tighten and welfare reforms bite in to local authorities budgets it will be important not to let the principles of Christie Commission be lost in an attempt to save money.

SCVO is concerned there is a risk that prevention becomes a token gesture.

The work that the Scottish Government and local authorities have undertaken to imbed the principle of prevention is under threat as budgets tighten and local authorities are forced in to reactive measures and short-term-ism to cope with demand in services and needs.

As part of a move to prevention, personalisation, and self-directed support through the Christie public sector reform agenda, **it is essential that Local Government supports and promotes upstream, personal, local interventions. Local Government must look to work strategically with third sector organisations** – many of whom have years of experience in prevention – to ensure that this agenda moves forward for the benefit of service users across the country. Local Government should also look to ensure that this agenda does not get bound up in a drive to cut costs.

Taking local personalisation slightly further, we also suggest **that Local Government uses this opportunity of change to look again at the benefits of community and participatory budgeting.** With money expected to be tight in the short to medium term, and the expected upward pressure on public services, participatory or community budgeting can enable citizens to understand the pressures faced by local government, open local government up to innovative suggestions they may not have come up with themselves, and give communities a greater say in their communities and budgetary priorities.

Ageing Demographic:

The Finance Committee recently took evidence on the Ageing Demographic of Scotland and this will be a major challenge to our local authorities right across the country.

[You may be interested in our submission and it can be found here](#)

Regulatory Environment at Local Level

If third sector organisations are to assume a greater role in reforming public services they will need a strong financial and regulatory platform which provides support for them to be creative and deliver added value. Unfortunately a combination of budget cuts from local authorities and rising costs has damaged the financial health of the sector and affected its ability to deliver its objectives

Increasing costs:

In addition to tackling the funding constraints outlined above, consideration must also be given to the rising costs of utilities and other bills and charges and the effect this is having on the ability of third sector organisations to operate. Third sector organisations experience the same upturn in costs as other organisations but are often constrained by the financial restrictions of grant and contract arrangements.

For third sector organisations that are delivering public services there is reduced funding in many areas as local authority budgets and funding to the sector is cut.

Rising utilities and increases to other bills mean organisations facing the choice between using dwindling reserves or cutting back services . This can cause an organisation to make up the shortfall in funding of a public service through its own raised income. This situation is unsustainable and must be tackled to ensure the continuing viability of these organisations and their contribution to society.

It is important that the reductions and exemptions available for third sector organisations are maintained in areas such as business and water rates. These benefits are vital for charities budgets and are particularly effective in maintaining the financial health of the smallest organisations. Changes to legislation on public entertainment licences have also caused financial problems for third sector organisations as charges have been introduced where they were not previously required.

Public Sector Equality Duty

The Public Sector Equality Duty is an essential piece of legislation to help protect the most disadvantaged and vulnerable people in society from the potentially negative and disproportionate impact of public sector decision making. As budgets come under increasing pressure the duties can ensure public sector bodies do fully review policies, service development and service changes mindful of their impact on the most excluded and vulnerable groups in society .

Conclusion

Once again SCVO would like to thank the Committee to for the opportunity to provide evidence at this point of their local authority budget scrutiny.

Following the evidence above SCVO would like to pose some questions for consideration of the committee:

1. How will local authorities use budgets to improve services not just maintain or protect them?
2. What impact will budgets have on empowering front-line staff and how will it hinder/empower them in achieving their outcomes?
3. What impact will budgets have on local authorities in supporting the most vulnerable communities in Scotland?
4. How can local authorities truly move towards a Co-production method for services? Will budgets have an impact on local authorities ability to listen to communities and the outcomes they desire?
5. What impact will budgets have on local authorities ability/willingness to build cross sectorial coalitions to deliver better outcomes?

Local Government and Regeneration Committee

17th Meeting, 2013 (Session 4), Wednesday 29 May 2013

Pre-budget scrutiny – Spending Review 2013 and Draft Budget 2014-15

Submission from Voluntary Action Scotland

Voluntary Action Scotland (VAS) is the umbrella body for Scotland's network of 32 Third Sector Interfaces (TSIs). We work with TSIs (unitary agencies and partnerships of Centres for Voluntary Service, Volunteer Centres and Social Enterprise Networks) around three key themes; advocating on their behalf, supporting practice development and co-ordinating with them to help deliver stronger and more resilient communities. An important aspect of the role of VAS is to better inform the Scottish Parliament, Scottish Government and the statutory sector of the challenges and opportunities TSIs, the local third sector and local communities face. We aim to work with stakeholders to ensure that TSIs can play their role in supporting communities and deliver a consistent and valued impact across Scotland.

VAS welcomes the opportunity to contribute to the pre-budget scrutiny process and believe it is important that the voice of TSIs and third sector partners are being listened to at this early stage in budget considerations

VAS believes that TSIs have a vital role to play in ensuring effective local delivery of services and that TSIs can work as a much valued, and complementary, partner to local authorities. TSIs have a wide range of expertise and skills which can add value to the services delivered at a local level. However, this must not be mistaken for the third sector replacing local government services, but building partnerships which maximise the potential of shared resources at the local level to deliver social value. TSIs themselves play an important role in areas such as volunteering; in the year 2011/12 TSIs handled almost 60,000 volunteering enquiries, had 22,141 registered volunteers and arranged 12,190 volunteer placements.

Budgetary Context

In the 2013/14 budget the third sector has been allocated £24.5million in funding, this is in cash terms a funding freeze from both the 2011/12 and 2012/13 budgets although in real terms a reduction due to inflation. It is important to note that this settlement is significantly below the £36.1million allocated to the third sector in 2010/11, thus demonstrating that the third sector has already been affected by a disproportionate cash terms reduction in funding allocation from the Scottish Government of 32% since 2010/11¹.

It is noted that the 2013/14 budget indicates future spending plans for the third sector to remain frozen in cash terms at £24.5million for the year 2014/15. Whilst it is to be

¹ <http://www.scotland.gov.uk/Publications/2012/09/7829/20>

welcomed that there is to be no cash terms cut in current spending plans, Voluntary Action Scotland is concerned that for a fourth year running there will be a cash terms freeze in the third sector budget at a time when the Scottish Government's ambition is for a greater role for the third sector as a partner in decision making and as partner in provision. Ambitions which VAS very much supports.

Of the £24.5million that the third sector received in this year's budget one third, £8million, is allocated to the 32 Third Sector Interfaces including VAS itself. This represents an average of £242,000 for each TSI to;

- Provide development support locally to social enterprises
- Provide development support locally to voluntary organisations
- Develop volunteering opportunities locally (including a major youth volunteering accreditation scheme)
- Engage the third sector in community planning and directly participate in an extensive range of community planning structures
- Engage the third sector in major public service reform activity (change funds and preventative agenda) and engage with an increasing array of forums and activity
- Act proactively in brokering third sector activity locally to maximise impact on emerging topics such as welfare reform mitigation and health and social care integration

The third sector, including TSIs, throughout this period has seen an increased demand for its services and has had to deal with this demand without additional resources brought about by an improved funding settlement. It is potentially the case that reduced funding for local authorities could place additional pressure and expectation on the third sector to provide services previously delivered by local authorities. Added to this is the increased demand for services caused by an ageing population, spikes in unemployment and welfare reform.

Despite the budget freeze and significant real terms cuts experienced by the third sector, the sector as a whole has demonstrated resilience in terms of service provision and has shown itself to be a vital agent in getting the Scottish economy moving. The recently published Annual Population Survey 2012 showed the third sector to be the only sector which demonstrated employment growth since the 2008 financial crash, an 11% increase across this period (10,800 jobs)². The third sector now accounts for 3.5% of all employment in Scotland (84,700 jobs) and displays a strong equalities agenda through the availability of flexible working, 39% of those working in the third sector are employed part-time, and providing opportunities for people with disabilities, 24% of those employed in the third sector have a disability.

As previously noted, as part of the third sector budget TSIs currently receive around £8million core funding annually from the Scottish Government. If we take North Lanarkshire as an example the local TSI, Voluntary Action North Lanarkshire

² <http://www.scotland.gov.uk/Publications/2013/05/6728/2>

(VANL), receives £253,000 annually to run its services to serve a population of around 327,000³. We believe that organisations such as VANL have demonstrated an ability to work effectively within an incredibly modest budget and that if they were to be more adequately resourced financially their impact would be even greater, helping improve the lives of many more people within the community and providing greater opportunities and potentially saving money by brokering high impact local activity that bridges across the sectors. Additional resources would also allow TSIs to make a better impact as part of Community Planning Partnerships which under community planning reform offer the prospect of better partnership working locally.

LGR Committee Key Themes

The Committee has asked VAS to comment on key themes relating to Local Government finance. These are around trends in local government finance, how local authorities have dealt with budget reductions and the impact this had had on services, and what the main challenges and pressures are going to be on local government budgets in the short and long term and how these can be addressed, particularly in relation to the public service reform agenda.

VAS believes that the current local government funding settlement presents many challenges for local authorities and has required significant changes in the way services are delivered both in the short term and the long term. In order to deal with current and future changes it is vital that local authorities engage with their local TSIs and see them as a partner in service delivery and a potential route to creating partnerships with the third sector more widely.

TSIs have a wealth of knowledge and expertise, particularly around community engagement that is already being tapped into through the public service reform agenda. The third sector, as a whole, has a long history of effective service delivery at a local level and it is important that this is fully recognised by both the Scottish Government and local authorities. Many of the challenges being faced by local government can be helped by further meaningful engagement with TSIs.

If, as seems likely, the budget for local government continues to face reductions due to the cuts to the block grant that the Scottish Government receives from UK Government, it is inevitable that there will be a continued impact on service delivery at a local level. In order to mitigate the worst of these reductions and protect the most vulnerable in society the third sector must be in a position to provide complimentary services. This can partly be achieved by increasing the resource pool for TSIs and third sector partners, it is useful to note that for the year 2013/14 core funding for the third sector from the Scottish Government equated to 0.0025% of the equivalent local government budget⁴. Due to the make-up and effectiveness of the third sector at a local level it is well placed to utilise marginal increases in budgets to help mitigate the worst excesses of public service cuts.

³ <http://www.scvo.org.uk/tfn/news/scotland%E2%80%99s-32-third-sector-interfaces-win-8m-in-funding/>

⁴ <http://www.scotland.gov.uk/Publications/2012/09/7829/20>

The pressures on local government finances will be amplified by welfare reform. This agenda has increased demand upon advice services within local authorities and the third sector at a time when funding has been reduced. This leads to the potential for the most vulnerable in our society being unable to access the advice they require and as such 'falling through the cracks'. With the welfare reform agenda continuing unabated it is highly likely that this problem will be exacerbated further in the coming years and that without additional resources the services will be unable to cope, despite creative and pro-active approaches locally across the third sector.

The third sector and TSIs are also well placed to address public sector reform via the change fund programmes and provide the link between local government and communities, potentially saving money for local authorities who will not need to duplicate services already provided by the third sector. VAS supports the Scottish Governments plans around the change fund and preventative spend agendas. In order for them to be successful there needs to be an acknowledgement at a strategic level of how far reaching a programme such as Reshaping Care for Older People is and the appropriate resources need to be made available to local authorities, NHS and the third sector to help implement this programme and reduce costs to society further down the line. An example of this being a recognition at Scottish Government level of the role Community Transport plays in reducing isolation and ensuring older people can remain in their homes for longer, reducing the cost to the tax payer of care home residence and hospital stays. This RCOP agenda, along with the other change funds, need to be resourced appropriately and consideration needs to be given to the funding for local government and the third sector in relation to these areas in the 2013/14 budget. At the same time though the expectation needs to be continually re-emphasised that resources locally should be shared more pro-actively to achieve better local outcomes and that 'territorialism' will not meet the needs of our communities.

VAS would like to thank the Local Government and Regeneration Committee for the opportunity to contribute to this debate at an early stage and believes that Scotland's TSI network is well placed to work as a partner to local government and the Scottish Government during this challenging period and can play an increasingly important role in enhancing social value in our communities.