Leaders Item 01

Spending Review Update

Summary and Recommendations

This paper updates Leaders on the actions taken since August to take forward the Spending Review campaign. The paper also sets out the current understanding of the UK and Scottish Budgets, as well as actions relating to the Spending Review which are being progressed around Digital Transformation and the Local Government Benchmarking Framework.

In addition to this paper, a full verbal update will be provided on the Parliamentary evidence session which Councillor Macgregor has been invited to present oral evidence at on the 25th September.

This paper invites Leaders to:

i. Note the update in relation to the UK ‘Spending Plans’ Announcement
ii. Note the actions which have been progressed since August Leaders
iii. Note the summary of work in relation to Digital Transformation with more detail at Item 12 – Digital Transformation
iv. Agree the actions outlined at Paragraph 24 on taking forward and enhancing the Local Government Benchmarking Framework

References

Previous reports:

- August 2019, COSLA Leaders, Spending Review Update, Item 3
- June 2019, COSLA Leaders, Spending Review, Item 4

Lauren Bruce
Chief Officer - Local Government Finance
lauren@cosla.gov.uk
0131 474 9327

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Spending Review Update

Purpose
1. This paper updates Leaders on the actions taken since August to take forward the Spending Review campaign. The paper also sets out the current understanding of the UK and Scottish Budgets, as well as actions relating to the Spending Review which are being progressed around Digital Transformation and the Local Government Benchmarking Framework.

UK ‘Spending Plans’ Announcement
2. The Chancellor of the Exchequer outlined ‘Spending Plans’ at UK level on the 4th September for a one year period. It was unclear until the announcement was made whether UK tax policies and fiscal forecasts by the Office for Budget Responsibility would form part of this announcement – elements that are needed for a full UK Budget. The 4th September announcement did not include these elements and so the level of information fell short of a UK Budget, and therefore short of the information the Scottish Government needs to enable a Scottish Budget to be set.

3. The information set out in the UK ‘Spending Plans’ did give a helpful indication of the level of consequentials which will flow to Scotland as a result. In total, £1.2bn extra funding is expected for Scotland for 2020-21, representing 2.1% real terms growth. Of this, £1.12bn is revenue funding while £88m is capital funding. The consequentials flow from decisions by the UK Government to direct money into areas which are key for Local Government including social care and education, as well as health.

4. The announcement of ‘Spending Plans’ also confirmed that the priorities outlines would not be at the expense of UK Government departments which is positive as it means these consequentials will not be negatively impacted by consequential reductions in core department spending.

5. While this is a welcome indication of funding to flow to Scotland, Leaders will be aware that it remains the position of the Scottish Government that UK consequentials will not be hypothecated in line with UK Government decisions (except in relation to health). These consequentials also come in the context of additional responsibilities which Local Government in Scotland will be expected to deliver in 2020/21 which total £480m.

6. There remains uncertainty about when a Scottish budget may be announced. No date has yet been set for a UK Budget. The earliest this could happen is when Parliament return from the current period of prorogation in the week beginning 14th October. However, at the political meeting held between the COSLA President, Vice President and Resources Spokesperson at the end of August, Mr Mackay indicated that he did not see the timescale for the Scottish Draft budget being later than the mid-December date of previous years.

7. Updates will be provided to COSLA Leaders as more becomes known about the UK Budget and, subsequently, the Scottish Budget.
**Update on Activity**

*Parliamentary Engagement*

8. The written evidence submitted to the Local Government and Communities Committee of the Scottish Parliament on their pre-budget scrutiny topic, the long-term sustainability of Local Government finance, was shared with Leaders following the August meeting. The evidence has also been shared with Committees across the Scottish Parliament in the pre-budget scrutiny they are undertaking with the aim of encouraging issues to be considered in the context of the Local Government Settlement and particularly the impact on non-protected services.

9. COSLA has been invited to the opening oral evidence session of the Local Government and Communities Committee on the 25th September. Councillor Macgregor will be supported at the session by Vicki Bibby (Acting Head of Resources at COSLA) and there will also be representation at the session from SOLACE, Directors of Finance and the Accounts Commission. This will be an important opportunity to discuss the evidence in more detail and make the case for the need to invest in Local Government both now and in the longer term.

10. The COSLA evidence has been widely shared with stakeholders and has been very positively received by Academics, Professional Associations, the Improvement Service, SPICE, Audit Scotland, Unions, the third sector and more.

11. As well as Committees, meetings are also being set up with Parties across the Scottish Parliament at both officer and political level to discuss the upcoming Spending Review.

*Ministerial Engagement*

12. The first Spending Review meeting between COSLA and Mr Mackay took place on 28th August and Leaders were provided with a verbal update at the August meeting. The meeting was constructive, although with the uncertainties around timing and scope of the UK Budget, Mr Mackay was not in a position to offer clarity around the potential timing and scope of a Draft Scottish Budget.

13. In the coming weeks, further political meetings are being planned. While meetings will continue between the COSLA President, Vice President, Resources Spokesperson and Mr Mackay, it is also important that meetings take place with wider Cabinet Ministers whose commitments impact on the Local Government Settlement – vitally in health and wellbeing, and relating to the education portfolio:
   - Mr Mackay, Ms Freemen (Health Minister), the COSLA Resources Spokesperson and the COSLA Health and Wellbeing Spokesperson will meet to discuss the role of Local Government in delivering health and wellbeing outcomes
   - Mr Mackay, the Deputy First Minister, the COSLA Resources Spokesperson and the COSLA Children and Young People Spokesperson will meet to discuss commitments within the education portfolio – particularly around teachers’ pay and pensions.

14. Full updates will be provided to Leaders following these political discussions.
Officer Engagement

15. COSLA Officers continue to engage across the organisation, ensuring the input of all teams to the ongoing work around the Spending Review, as well as with officers from across Local Government. This included a constructive meeting of Professional Associations where discussion was focussed on the four key themes agreed by Leaders: wellbeing, tackling child poverty, addressing climate change and inclusive economic growth.

16. There was a strong, consistent message across all themes about the importance of core Local Government budgets and the impact on non-protected services, including preventative spend, when core budgets are under pressure. There was also a strong message about the intrinsic interrelation of services and the holistic approach which can only be achieved by local authorities on the ground due to the range of interrelated services which Councils deliver. The session drew out some excellent examples of local authority work, as well as the risks to that work when core budgets are under threat. The useful discussion from this session will help to shape the COSLA lobbying document.

Lobbying Document and Communications

17. Work is ongoing to develop the lobbying document for the upcoming Spending Review following the success of the Fair Funding for Essential Services documents over the last two years. The publication will be a high level, accessible and engaging document in complement to the more detailed Local Government and Communities Committee evidence. In the last couple of years, document has been very popular in both the media and the Scottish Parliament, having been quoted directly in the Scottish Parliament Chamber during debates.

18. As above, although we are working to the understanding of a mid-December Draft Budget, the uncertainties around timing mean officers are taking an agile approach to engagement and to the media and communications strategy including the publication of lobbying document. It will be important to have the document ready to publish at a point that impact can be maximised in the media, and then continue work across the Scottish Parliament to ensure the document is again successful with MSPs.

19. As well as developing a national media strategy, COSLA officers have also been liaising with Public Relations Officers (PROs) from across Councils on the media and communications approach which will support the Spending Review campaign after successful engagement last year. This engagement will help to ensure that national and local messages can be in complement.

Digital Transformation

20. As described in detail in Item 12 – Digital Transformation Update, it is important to consider all relevant activity through a digital lens. In relation to the Spending Review, it is well known that digital initiatives progressed by Local Authorities face considerable challenges as a result of the substantial financial pressures facing Local Government. This reality forms the wider context for COSLA’s Spending Review Strategy where these services fall predominantly within non-protected budgets and therefore absorb the widest impacts of any cuts to the core Local Government Settlement.
21. As set out in the accompanying paper before Leaders today, the digital transformation agenda represents a key area of where cuts to the Local Government Settlement would have direct implications for the ambitions of Local Government and the Scottish Government. It is vital that capacity in the system is maintained as a priority in moving forward and this message will not be lost as the Spending Review campaign progresses.

**Local Government Benchmarking Framework**

22. The Local Government Benchmarking Framework¹ (LGBF) is a high-level benchmarking tool designed to support senior management teams and elected members when asking questions about key council services. It reflects a commitment by COSLA and SOLACE (Scotland) to develop better measurement and comparable data as a catalyst for improving services, targeting resources to areas of greatest impact and enhancing public accountability.

23. A key product of the work around the Local Government Benchmarking Framework (LGBF) is the annual LGBF Overview Report which includes key national messages about the improvements to performance that have been achieved by councils. This report is widely welcomed by Councils themselves, as well as wider stakeholders and Local Government commentators. These key messages, as well as the supporting data, could be extremely useful in informing the approach to the Local Government Settlement. However, while the LGBF has proven to be a highly successful tool for local authorities who utilise data in many ways at Council level, current timing and publication arrangements have made drawing on the most recent data for the purpose of the Spending Reivew challenging.

24. In order to further enhance the LGBF and to strengthen relationships with wider stakeholders, the LGBF Strategic Plan has identified a number of areas for improvement which the Project Board would like to progress, including a specific action relating to ‘Improving Elected Members engagement with the framework’. Following engagement at officer level, it was agreed that the following suggested actions be shared with COSLA Leaders with a view to agreeing them as the way forward:

- Hold a workshop on the LGBF as part of the March 2020 COSLA Convention.
- Provide Leaders meetings with sight of annual LGBF Overview reports and data at earliest opportunity.
- Present more detail to COSLA Policy Boards through relevant sections of the LGBF Overview report and Thematic reports as they are produced.
- Secure discussions on the LGBF with COSLA’s Policy Spokespersons.
- Produce and distribute a LGBF for elected members entitled ‘Good engagement with the LGBF’².
- Ensure messaging from LGBF Board and COSLA is coordinated to best effect for local government through advanced briefings to inform discussion and shared understanding of views and implications in relation to publication of the LGBF Overview and other reports.
- Use the framework to demonstrate/evidence the ongoing commitment COSLA and Local Government has to performance management, for example through promotion of the I/S report *How Councils are using the Local Government*

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² Improvement Service paper & webinar scheduled for 30th October.
Benchmarking Framework\textsuperscript{3} and the case studies\textsuperscript{4} that are available on the I/S website.

- Hold a series of presentation/discussion sessions for COSLA Policy teams on the LGBF, its approach, data and messages.
- Provide access and increase awareness and use, by COSLA, of all LGBF data tools and highlight how they could be used for the COSLA priorities.

25. As part of the work outlined above, we would explore how best to secure earlier access to the data and messages that will comprise future LGBF Overview Reports and inform our Spending Review Strategy going forward, as well as Strategies across wider policy teams.

26. It will be important to establish a joint leadership role for COSLA within progressing these actions, and towards that a meeting between COSLA’s Vice President, Chief Executive, SOLACE (Scotland) Chair and lead officers from COSLA and the Improvement Service is being arranged. In addition, COSLA’s Acting Head of Resources will attend the next LGBF Project Board meeting on 27 September 2019.

27. Leaders will be updated and provided with reports as outlined in the actions above.

\textbf{September 2019}

\textsuperscript{3} \url{http://www.improvementservice.org.uk/documents/benchmarking/using-the-LGBF-supplement-may-2019.pdf}
\textsuperscript{4} \url{http://www.improvementservice.org.uk/benchmarking/what-does-the-data-tell-us.html}