COUNCILS ARE KEY

Unlock our Potential

COSLA

Councils are key to...

- health and wellbeing
- good quality affordable housing and preventing homelessness
- the education of our young people
- providing fair work employment opportunities
- addressing poverty
- leading local emergency responses
- providing care and support to communities
- supporting asylum seekers and refugees
- tackling and preventing violence against women and girls
- driving economic development
- the just transition to Net Zero
- ensuring democracy is closest to communities

Local Government is the largest public sector employer with 262,000 employees

Councils support 97% of people to get out of hospital without a delay

Councils supported over 25,000 displaced people from Ukraine, as well as asylum applicants and refugees from across the world

Business Gateway supports 50,000 unique business customers annually

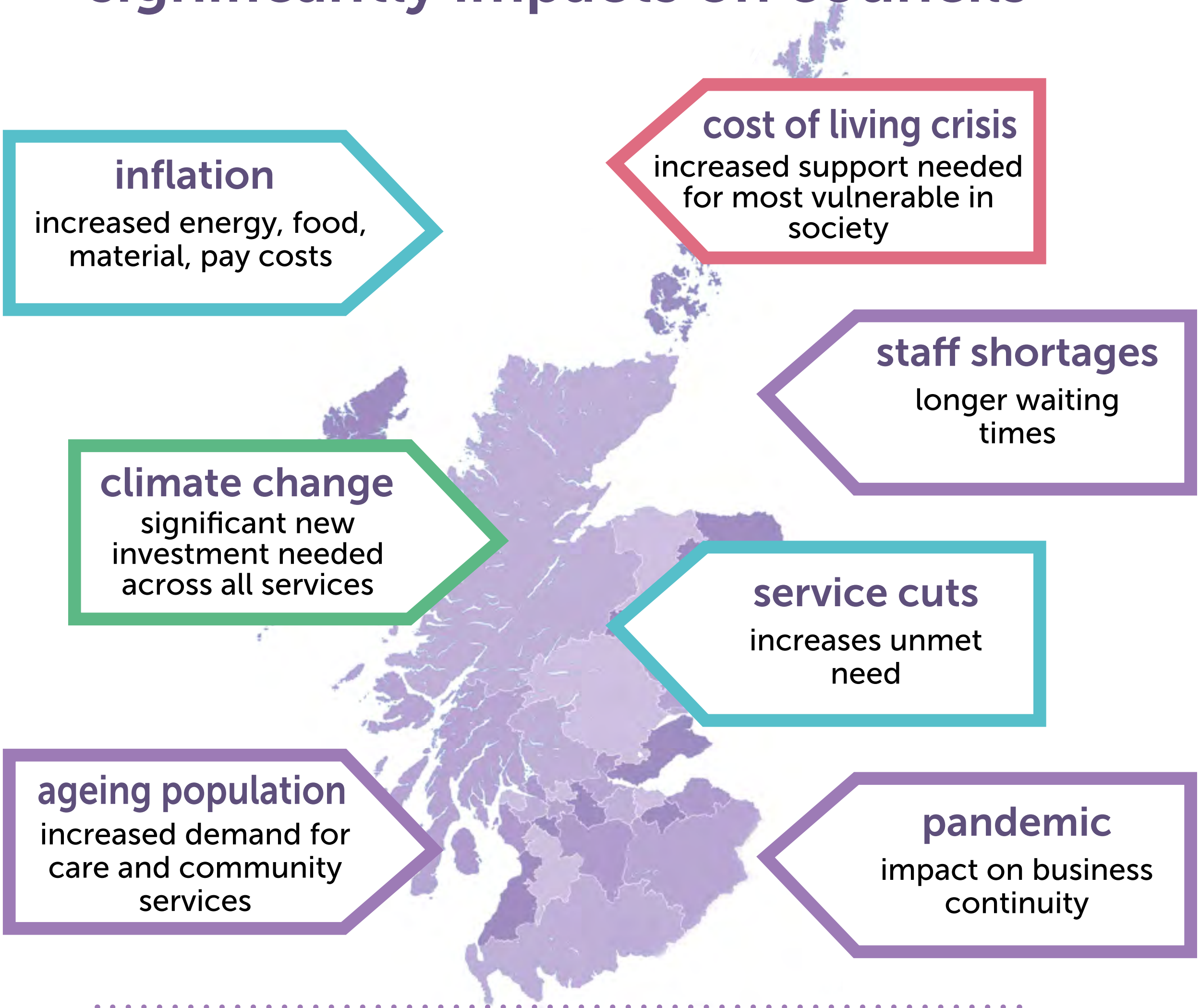
Verity House Agreement

COSLA welcomes the Verity House Agreement, signed in June 2023, which is a commitment to a new, improved and more effective partnership with Scottish Government. This can open up numerous opportunities to help fund essential services:

- **Local by default, National by agreement**
- Default position of no ring-fenced or directed funding
- Early budget engagement with "no surprises"
- New Fiscal Framework
- Incorporation of the **European Charter of Local Self Government**

Cuts put communities under pressure

The current challenging context significantly impacts on councils



Scotland's Accounts Commission highlights that **"councils will need to make increasingly difficult choices in the most difficult budget setting context seen in many years"**. Councils have been asked to do more with less. Years of underfunding have led to drastic deficits in budgets and forced cuts to essential services. Some examples include:

"Highland Council needs 'unprecedented' level of savings with an estimated £62m budget gap in 2024/2025 and a £108m budget gap across the three financial years 2024/25 – 2026/27"

Last year, councils faced a £1 billion funding gap just to keep services going. This year there have been increased costs and greater demand on services, meaning councils have had to prioritise spend, away from libraries, community and leisure centres.

Councils build houses, support providers, lead and shape local responses to homelessness. Quality of housing has a direct impact on people's health and wellbeing, as well as rates of children's educational attainment:

"The City of Edinburgh Council declares housing emergency"

Councils are under unsustainable pressure due to spiralling demand for housing, amplified by the cost of living crisis and a wide range of UK humanitarian programmes, as well as the rising cost of building materials and an increasingly unaffordable private rental market.

Council reserves are to be used for long-term resilience and to provide local emergency responses, however:

"Councils are increasingly relying on reserves to balance books"

Reserves are being used to bridge funding gaps and fund vital services. Reserves can only be used once, therefore, if Councils are being forced to use reserves for day-to-day service delivery there will be no means to respond to a crisis. 2% of unallocated reserves only equates to a week of running costs.

South of the border, council deficits are growing so large that extreme measures are being seen with the increased announcement of section 114 notices, signifying that councils are not able to balance their budgets.

"Birmingham and Nottingham, two of England's largest local authorities, effectively declared bankrupt"

There is a risk this becomes the reality for Scottish councils if the funding by Scottish Government does not match growing cost pressures.

Locked Out

Councils could be facing even further pressure with the recent "*Council Tax Freeze*" announcement by Scottish Government. Fraser of Allander Institute has estimated the shortfall to be around **£229 million-£417 million** in local revenue raising.

Locked Out

Any Council Tax freeze will mean Scottish Government is taking public funds from elsewhere, ultimately reducing everyone's budget

Scottish Government must recognise the stark financial position councils are now in and provide fair, sustainable funding in the 24/25 Local Government Settlement.

Open the door for those in poverty

REALITY

- Over **1 million** people are living in relative poverty in Scotland
- **69%** of children living in poverty are in households where someone works
- Poverty can lead to negative health outcomes such as increased likelihood of substance misuse, mental health disorders and reduced life expectancy

OPPORTUNITIES

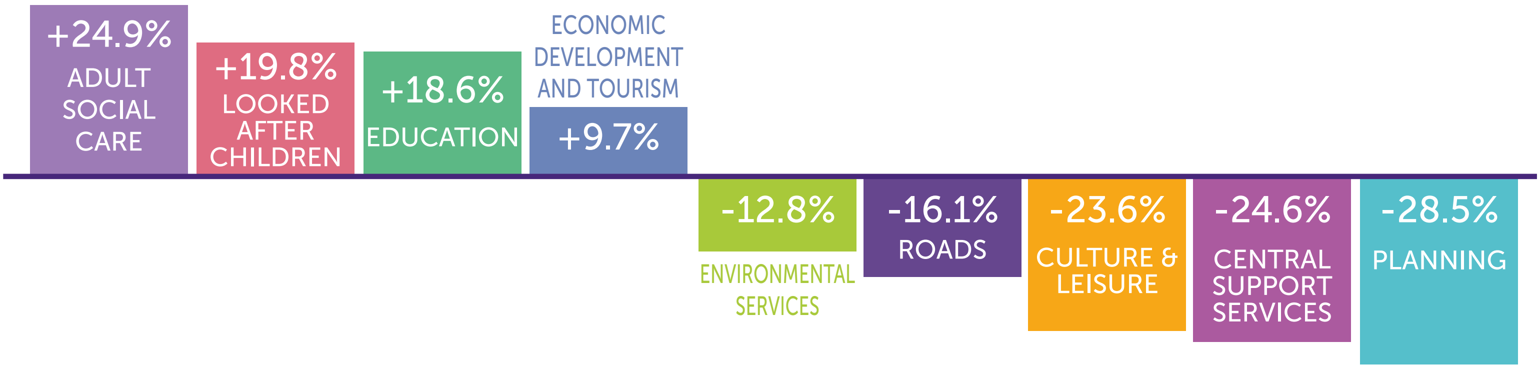
- Councils provide a wide range of services to help tackle poverty, in terms of both prevention and mitigating the effects. This includes: **fuel poverty support; homelessness prevention and housing support; public transport; childcare support; and poverty-related attainment gap.**
- Councils can reduce poverty through economic development and reform of public services.
- In 2022/2023, **17,667** people were supported through the **No One Left Behind strategy** which aims to create new employment opportunities through strengthening employability services, recognising the need for skills development and adapting to changing labour markets.
- **A third** of the prison population comes from the **10% most deprived areas** in Scotland. Councils work with those that have offended by providing social work support, supervision and promoting reintegration back into the community.

Locked Out

Councils have had to make cuts or reprioritise spend which has seen disproportionate cuts to services which are vital to tackle poverty

Locked Out

% Change in Real Term Revenue Expenditure 2010/11 - 2021/22 by Local Government Service Area



Alleviating poverty requires investment in Local Government. The Scottish Budget needs to reflect a far greater focus on prevention and early intervention to support local priorities.

Unlock our potential to **improve health and wellbeing**

REALITY

- Mental Health problems currently cost Scotland an estimated **£8.8 billion** a year (Mental Health Foundation, 2022)
- Scotland's population is ageing, with the 2022 census showing that the 65+ age group has increased by **22.5%** since 2011.
- A growing number of people are becoming economically inactive or facing unemployment due to long-term physical and mental illness.

OPPORTUNITIES

Prevention and early intervention are key

- An ageing population coupled with increasingly complex care needs leads to **greater demand on health and social care services at a time when the fragility of the social care sector is starkly impacting on our workforce and the lives of people in our communities**.
- Mental health services are also under significant pressure due to demand. Poor mental health carries high financial burdens, most of which **do not fall on health care systems**. Investing in prevention services ultimately saves money while promoting positive outcomes for our communities.

Building a stronger health and social care system

- Investment in Local Government is investment in the vital care and support services that help people live independently in their community. Councils deliver and commission the key services that keep people at home and will ultimately support the health system with flow in and out of hospital.
- Local Government in partnership with the Scottish Government is making changes in the system now through the joint statement of intent for adult social care. Investment in our social care and social work workforce is a must.

Innovative digital solutions

Councils are key to scaling up innovative digital solutions, which go a long way in enabling people to live at home for longer.

Digital & proactive telecare: Reduces hospital admissions

Near Me: improves workforce capacity & reducing carbon footprint

Investing in **digital infrastructure** will increase workforce capacity & improve user experience

Reducing health inequalities cannot be achieved by the health service alone. Greater flexibility in funding would allow councils to address local need more effectively.

Councils are key to **improving children's lives**

REALITY

- Around **24%** of children in Scotland are living in poverty (The Poverty Alliance)
- Councils spend around **£6 billion** on education and related services – **50%** of our net revenue expenditure.
- **92,500** children are accessing funded Early Learning and Childcare

OPPORTUNITIES

Councils offer many services that provide opportunities for improved outcomes for children and young people, this includes:

- Free school meals
- Funded ELC and school age education
- Social care
- School counselling
- Youth work
- Clothing grants

- Councils commission a range of third sector services that play a vital role in supporting children, young people and their families.
- Councils are committed to **Keeping the Promise** and are taking forward a wide range of work to transform and improve services for care-experienced young people.
- Councils work to keep children and young people safe and provide support for those in vulnerable situations, such as unaccompanied children seeking safety in the UK.
- In the last half of 2022, **45,000 children, young people and their families** used services delivered through Local Authorities for positive mental wellbeing.
- North Ayrshire Council's "Skills for Life Programme" supports long-term unemployed lone parents into employment, giving them a six-month mentored vocational placement within the council.

Locked Out

Ringfenced and directed funding within children and young people services limits councils' flexibility to deliver services in a way that meets local need.

Locked Out

Investment in Local Government is key to long term positive outcomes for children, young people and their families.

Unlock our potential for a just transition to Net Zero

REALITY

- **The harsh reality is that 2030 is only 72 months away -** many warn that Scotland is not on track to meet our net zero targets
- Councils need significant finance to invest in carbon reduction, especially in transport, heat and buildings. Without new finance, funding cuts to other areas will be unavoidable.
- The scale of this challenge is enormous. One Council estimates that reaching net zero for their own properties alone would cost in excess of £1.2 billion – more than **twenty-five times** the size of that council's 2023/24 General Capital Grant allocation.
- There is no clear route map for how the net zero journey will be financed across Scotland.

OPPORTUNITIES

- Councils drive the net zero journey through planning, transport, education and housing.
- **Councils have a proven track record at carbon reduction but could do more. They have reduced their own carbon emissions by 36.2% over the last 7 years, at more than twice the rate of the whole public sector.**
- Councils have a key role in innovation through:

H_2 Green hydrogen production and use

Community renewable energy projects

District heating networks

- Councils are local leaders and facilitators in the quest to decarbonise their geographical areas, linking businesses, industry, utilities and local communities, stretching influence well beyond their own services.
- When Councils decarbonise and invest in nature, biodiversity and climate resilience, we:
  - boost citizens' health and wellbeing,
  - reduce risks of floods, heatwaves and droughts;
  - reduce geopolitical risk.
- Local Government is investing around £1 million this year in a new Climate Intelligence Service that will help drive down emissions across all sectors in their local areas, with further commitments to come over the next two years.

Scotland will not meet its ambitious targets without a more empowered Local Government and significant capital investment

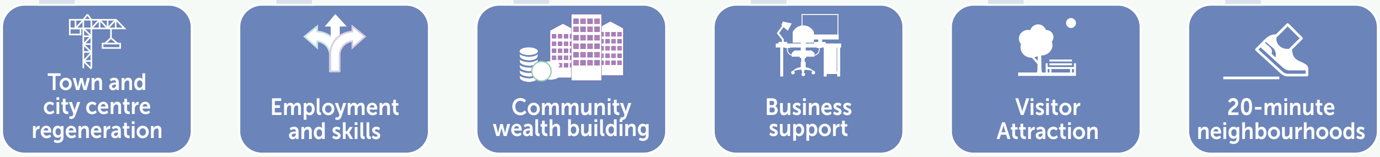
Unlock our potential to grow local economies

REALITY

- Scotland's population is increasing, with 17 councils seeing population growth between 2011 and 2022. **This is increasing demand for housing, social care, transport and educational services.**
- Rural and island communities face unique challenges with depopulation related to workforce recruitment and retention, an increasing ageing population and higher cost of living.
- COVID-19 had an unprecedented impact on our local economies, and new innovative strategies are required to drive economic recovery.
- Smaller councils, whether rural or urban, also have their own unique pressures which impacts on their capacity to deliver and commission services

OPPORTUNITIES

- Councils invest significant capital funding on various local projects to drive economic growth and improve the overall quality of life for our communities:



- As the **largest public sector employer** adequate funding is required to drive fair work, ensuring long term viability and sustainability of employment. This is essential to drive up skills and encourage new investment.
- The **Business Gateway** service provides advice and support to businesses and start-ups. This service creates and safeguards jobs, creates wealth and promotes wellbeing.
- One of Scotland's key City Region Deals, involving six local authorities (covering a 1/4 of Scotland's population) contributes **£36 billion annually** to the Scottish and UK economies.
- Long term financial planning is essential for long term financial gain. Prevention activities need time and adequate funding to produce sustainable, transformative outcomes for our communities.

*in planning, building control, environmental health, trading standards etc

New financial levers will be key in enabling Local Government to invest in local economies.

Local Government needs investment

Councils are facing **rising costs** and **increasing demand**, so it's crucial that the Local Government settlement reflects the **true cost of delivering and commissioning services**.

The UK Autumn statement presents Scottish Government with **tough choices** when setting its own budget. Every pound invested in Local Government has the potential to generate savings elsewhere across the public sector, for example in health and criminal justice.

Councils are key to preventing problems occurring – the settlement needs to reflect this.

2023/24 Revenue Settlement + Policy Commitments

£13,445m*

Inflation

is currently at 4.7%.
This amounts to

£632m

The Council Tax Freeze

could cost as much as

£300m

Unless all the pieces of the puzzle are fully funded, there will be service cuts and job losses.

This means Local Government requires

£14,377m

to stand still

Local Government has the potential to raise its own revenue. We should be empowered and trusted to get on with this now.

*3/23 Local Government Finance Circular £12,650m + £795m policy commitments

2023/24 Capital Settlement + Policy Commitments

£738m*

Inflation

in construction in the last two years has been 13.6%. This amounts to

£100.4m

£838m

to achieve buying power of 2021

Locked Out

This amounts to only **£154** per person in Scotland

Locked Out

This is simply not enough to address current pressures and allow investment towards achieving net zero targets.

Local Government can reclaim VAT on building projects – we can be a key enabler for projects that provide integrated public services

*3/23 Local Government Finance Circular £829m – £120.6m capital for pay + £29.5m policy commitments

Without adequate and sustainable funding for Local Government, Scotland will:

- **not** be able to tackle poverty (especially child poverty)
- **not** be able to support a just transition to net zero
- **not** provide sustainable public services

Invest in and empower Local Government to enable people to live well locally

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