

ERC Chief Executive Lorraine McMillan 'testing the waters' for Political Career Post Retirement?

Posted by RM64 - 21 Mar 2023 09:45

21/03/2023

Published Barrhead News On Line

www.barrheadnews.com/news/

East Renfrewshire: Funding for council services is 'insufficient'

20th March

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Local Democracy Reporter

Funding for council services is 'insufficient' and there are 'considerable risks' to long-term delivery, East Renfrewshire's chief executive has said.

Chief executive Lorraine McMillan laid out the financial struggles faced by East Renfrewshire Council in a report to councillors, who have called on COSLA (Convention of Scottish Local Authorities) to lobby the Scottish Government for change.

She said staff morale has dropped and burnout is 'a real concern' as councils deal with budgets which 'have not kept up with inflation'.

Ms McMillan, who will retire in the summer, added it has become 'increasingly difficult' to deal with inflationary pressures.

'For this year alone, an inflationary rise would have added about Â£22m in government grant, rather than the Â£1.5m the council received on a like-for-like basis,' she said.

Her report, presented at the council's budget meeting in early March, added there are now considerable risks to the long-term sustainability of services in all councils.

It stated new Scottish Government initiatives are valued services but the long-term funding is insufficient and can eat into budgets for core services.

For example we now have less money to spend on our core services of roads and refuse collection, but we do have more teachers and staff in nurseries which is very welcome, she said.

Councils' biggest funding source is a general revenue grant from the Scottish Government, while council tax makes up around 18% of East Renfrewshire's local authority's spend.

Ms McMillan stated: Our government grant has increased over the years so it can be difficult to understand why councils are unhappy with their funding.

However, our grant each year includes a list of new responsibilities along with new funding. We must deliver on those new responsibilities which are often backed by legislation or grant conditions.

She explained how when funding is provided for additional services, such as an increase in free early learning and childcare, it is a fixed amount and is usually not inflated in future years to cover cost and salary inflation.

For example, funding of Â£3.2m for additional teachers and support staff given in 2021/22 does not meet the costs of almost Â£3.6m for the same number of staff in 2023/24, her report stated. Yet there is an expectation that the number of teachers will not be reduced, she added.

There is also no allowance for overheads in delivering a new service, such as recruiting staff, accountancy costs and ICT requirements, the report added.

With core council budgets reduced in real terms, funding for statutory services has had to be prioritised. This has left councils with little discretionary funding to meet the needs of local residents and provide extra support for the most vulnerable, above the statutory minimum.

Ms McMillan said education is “a real strength of the area” but it “does have a disproportionate impact on funding for other services if the education budget is protected”.

While “rapid population growth” in East Renfrewshire, particularly families with young children and older people, means many schools “operate at very close to full capacity”, her report explained.

The Scottish Government does reflect the “higher-than-average number of children” at East Renfrewshire schools in the budget, with the council receiving about 20% more funding for education than council areas with similarly sized populations.

However, the chief executive stated this means a higher percentage of the budget is spent on education.

“Given the high share of our budget we already spend on education, we believe that this has had a more significant effect on our budgets for other services, as compared to other council areas,” the report added.

Grants from the Scottish Government take into account population size, but the chief executive’s report stated they have “not increased in line with increasing population numbers or with inflation”.

The need to increase council tax, while service levels have reduced, has been frustrating for residents, the report added, and this has “a major impact on the morale of staff”. Increasing workload has led to “higher levels of stress and illness” while burnout “is a real concern for all councils”.

And, the report stated, cuts to services can have a “fundamental impact on the council’s performance and reputation”, with organisations “which disinvest” eventually becoming “unsustainable”.

Speaking at the budget meeting, council leader Owen O’Donnell, Labour, said the report “brings to light why we are struggling with our finances”.

He added: “There are very specific structural issues, around some of the grants of these awards, which hopefully we can make progress with, and have a genuine partnership with the Scottish Government. At the moment, it certainly doesn’t feel that way.”

Cllr Gordon Wallace, Conservative, said he was delighted the chief executive had been "given the freedom to state where the blame lies for these dreadful cuts we are facing".

He said initiatives, like free school meals, were "every worthy" but the Scottish Government needed to "assess the value of new services against existing services to ensure priorities continue to be funded".

Ms McMillan said she had not "suggested who is responsible" but made a "factual comment on the situation we face".

"There are many complex reasons behind the challenge of funding councils right across the UK," she said, including the 2008 financial crash and Covid-19.

Cllr Tony Buchanan, SNP, said local government "across the UK has suffered significantly" and "primarily it has been the UK Government and an austerity drive that has created that".

Councillors agreed to encourage COSLA to lobby for a change in the way funding for additional services is calculated, including a guaranteed inflationary rise, and for the Scottish Government to "assess the value of new services against existing services to ensure priorities are funded".

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