Executive Summary

The Local Government Benchmarking Framework (LGBF) provides evidence of trends in how councils allocate resources, the performance of key council services and levels of public satisfaction with the major services provided and commissioned by councils. The rich data supports evidence-based comparisons between similar councils and over time, providing an essential tool for policy makers and the public.

This year's report introduces data from 2020/21 and provides an evidence-based picture of the impact of the first year of COVID-19 on Local Government services and the lives of the communities it serves. The continuity provided by the LGBF will provide vital intelligence to assist the sector to learn lessons from its response and to strengthen and redesign services around future policy priorities to support recovery and renewal. It will also be critical in helping to track progress against the National Performance Framework (NPF) and in continuing to monitor the role Local Government plays in improving the outcomes in the NPF.

The evidence in this year's LGBF highlights the extraordinary effort and achievements delivered across Local Government during this exceptional period. The workforce has adapted quickly to meet new demands, maintain essential services and implement new ways of working. It will be vital to retain and build on the positive and innovative service and structural redesign which has emerged in response to the pandemic.

However, the evidence also highlights that the impacts of the pandemic on our communities have been, and are likely to continue to be, borne unequally. LGBF data from 2020/21 reveals growing levels of poverty, financial hardship and inequalities. This is evidenced, for example, in the widening attainment gap in literacy and numeracy for primary pupils, and in positive destinations; increasing rent arrears and reducing Council Tax payments; and increasing levels of benefit claimants, particularly in 18-25 year olds.

In 2020/21, councils faced exceptional conditions as a result of COVID-19 which led to significant additional costs, loss of income and undelivered savings. As a result, Scottish Government made additional funding available to councils directly to help mitigate the financial impacts of COVID-19, with funding for the year totalling £1.5 billion, with a significant proportion of this announced late in the financial year.

Total revenue funding for councils in 2020/21 increased by 13% in real terms. However, when non-recurring COVID-19 funding is excluded, the increase in funding is 1.1%. Scottish Government funding has reduced in real terms over the last ten years, falling by 4.2% since 2013/14 and 6.0% since 2010/11 (excluding non-recurring COVID-19 funding).[1]

Prior to COVID-19, funding for councils had not been increasing at a sufficient pace to keep up with demands, including: growing demographic pressures (>2% per annum); increasing costs, including the impact of living wage and pay settlements; additional impacts on demand from increasing levels of poverty; and higher public expectations. Councils have also faced increasing national policy and legislative demands, with a growing proportion of funding which has been ring fenced for these initiatives. This reduces the flexibility councils have for deciding how they plan and prioritise the use of funding to respond to local needs and the impact of new policy commitments. The continuation of single year settlements has also limited the ability to undertake, and the effectiveness of, medium to longer term financial planning.

In 2020/21, Local Government revenue expenditure increased by 3.2% in real terms.[2] Since 2013/14, despite reductions in funding from Scottish Government during this period, Local Government has largely sustained real-terms expenditure levels, however there has been a relative shift of expenditure towards national priorities. Through legislation and Scottish Government policy, expenditure within social care and education continues to be sustained and enhanced. As these areas account for over 70% of the benchmarked expenditure within the LGBF, this therefore has a disproportionate effect on other council services that are

1 Source: SPICE. As a result of the exceptional impact of COVID on inflation in 2020/21, this real-terms analysis uses an average measure of inflation over the period to try and remove the distortion caused by using just one of the particularly volatile years in the comparison.

2 Real terms Local Government expenditure here is based on the SPICE average measure of inflation to allow comparison with Scottish Government funding trends.

not subject to the same legislative or policy requirements. This means they are increasingly in scope to bear a disproportionate share of current and future savings. Since 2010/11, in real terms this has included: 27% reduction in culture and leisure spending; 26% reduction in planning spending; 27% in corporate support service spending; 13% reduction in economic development revenue spending; 25% reduction in roads spending; 34% reduction in trading standards and environmental health spending; and 13% reduction in environmental services spending.

It remains exceptionally challenging to forecast into the future with so many external influences having a material bearing on the economy. The continued uncertainty of the pandemic, limited funding flexibility, real terms reductions in funding at a time of relatively high inflation, lack of certainty over long term funding, and significant public service reform, provide a challenging context for effective planning and decision making on recovery and the required transformational change councils need to plan to provide an efficient, effective longer-term response.

The significant upheaval resulting from the COVID-19 pandemic has introduced new complexity in relation to the 2020/21 LGBF dataset which will be important when interpreting the data and making comparison with previous years; and with other councils. These include the significantly altered delivery and operating landscapes during this period; data timeliness issues; methodological breaks and data gaps; and the impact of COVID-19 related inflation on expenditure patterns.[3]

The national trends across each of the key service areas for 2020/21 are presented below and show the scale of the impact of the pandemic on council services. While the COVID-19 pandemic has had an unprecedented impact on all councils, local areas experienced the impacts of this pandemic differently. Responses to COVID-19 have exemplified the importance of 'local', with local solutions and responses to local needs and issues, varying both between and within authorities. LGBF performance and expenditure data from 2020/21 reveal substantial variation in both the direction and scale of impacts. It is this variation that will provide the essential platform to help councils evaluate their approach during the pandemic and to inform their recovery priorities.

Children's services

1. In 2020/21, education spend has increased in real terms by 0.6% (range: -6.1% to +7.9%). This is driven by a 19.6% increase in pre-school expenditure (range: -2.5% to +84.9%), which relates to the continued roll out of the 1140 hours expansion programme. In the same period, primary and secondary expenditure has fallen by 2.3% (range: -9.7% to +6.7%) and 2.0% (range: -8.7% to +6.7%) respectively, counter to the increasing trend observed in previous years. This counter trend is driven by COVID-19 related inflation experienced during 2020/21, which was significantly higher than in previous years.

2. The percentage of funded early years provision graded 'good or better' has improved slightly in 2020/21, from 90.2% to 90.9% (range: -6.7pp to +6.9pp). This is counter to the declining trend observed in previous years and may reflect the significant change to the Care Inspectorate's approach to inspection under COVID-19, and the recent increase in registration cancellations in services with grades 'less than good'.

3. Pupil attendance rates fell by 1pp to 92% in 2020/21 (range: -1.6pp to +1.1pp), with a larger reduction for those councils serving the most deprived communities. Prior to this, attendance rates had remained at or above 93% since 2010/11, although had been showing a slight decline in recent years.

4. Numeracy and literacy attainment levels for primary pupils decreased in 2020/21, from 79.1% to 74.7% and from 72.3% to 66.9% respectively. This decreasing pattern was true for almost all councils,

3 All cost and spend information throughout this report is adjusted for inflation and presented in real terms to allow meaningful comparison over time. Unless otherwise stated, real terms adjustments use GDP deflators as provided by HMT to provide consistency with our previous approach

although differed in scale. The gap between pupils from the most and least disadvantaged areas has widened from 21pp to 25pp in literacy and from 17pp to 21pp in numeracy between 2018/19 and 2021/21.

5. Senior phase attainment levels across both breadth and depth measures are higher in 2020/21 than in previous years, and at their highest levels since 2011/12. The assessment approaches were different in 2020 and 2021, due to the cancellation of exams and external assessment of coursework in 2020, and the use of the Alternative Certification Model in 2021. These results are therefore not directly comparable with previous and future years, and any change in attainment levels during this time should not be seen as an indication that performance has improved or worsened without further evidence.

6. The average tariff in 2020/21 is 972. Councils range from 771 to 1482, with higher tariff rates reported in councils with lower levels of deprivation. In 2020/21, 67% of pupils achieved 5 or more awards at SCQF level 5 and 41% at level 6. Rates are lower for pupils from the most deprived communities (49% and 23% respectively). During the COVID-19 pandemic, levels of attainment have continued to increase, and at a faster rate for some levels and some groups than observed previously. However, it is not possible to fully determine the extent to which the coronavirus pandemic and, more specifically, the certification methods used in 2020 and 2021 have affected the attainment levels of the 2019/20 and 2020/21 pupil cohorts.

7. Positive destinations for school leavers fell from 95.1% to 93.3% in 2020 (range: -5pp to +4pp), with a sharper reduction for young people in the most deprived SIMD group. The percentage of leavers in employment fell to a record low in 2020, reflecting the impact of COVID-19 on school leavers' choices and opportunities, and while uptake of higher education increased for all SIMD groups, it did so at a faster rate for the least deprived. In 2021 however, destinations recovered to pre-pandemic levels, increasing from 93.3% to 95.6% (range: -0.6pp to +5.1pp). This reflects an increase in the proportion of leavers entering employment in 2021, which returned to 22.6%, on par with pre-pandemic levels. While this pattern is true for all SIMD groups, the increase was largest for pupils in the most deprived areas, resulting in a narrowing of the deprivation gap to its smallest size since 2011/12. The participation rate increased in 2020/21, which was due to an increase in young adults remaining in or re-entering education (particularly school).

8. Expenditure on children who are looked after reduced by 5.2% in 2020/21 (range: -29% to +28%). This trend is counter to previous years and is influenced in part by the exceptional COVID-19 related inflation experienced during this period, but also is evidence of the recent shift away from the use of more expensive external placements in a number of authorities.

9. 2020/21 data is not yet available for some measures and will be included in the LGBF when it becomes available later in 2022. This includes data on child poverty; child protection and services for children who are looked after; developmental milestones; school exclusions; and public satisfaction with schools.

Adult social care

1. Council expenditure on social care increased in real terms by 1.6% in 2020/21 (range: -6.3% to +12.3%), a continuation of the longer-term trend. Spending on care at home for older people rose by 1.3% (range: -21% to +42%) while spending on residential care fell by 7.9% (range: -31% to +29%) during this year.

2. Care at home provision was largely maintained during 2020/21, with hours delivered reducing by 0.1%. While there was an initial reduction in hours provided during the first lockdown period, this was followed by an increase over the rest of the year to the highest levels observed in a number of years.

Patterns in care at home provision reflect the interplay between several factors occurring during the period, including pressures on frontline services and staff; the increase in care and support provided informally by families (which may have been made possible through furlough); and access to care and support via care homes/hospitals. While these elements will have impacted across all local authority areas, the degree and timing may differ (range in care at home hours provided in 2020/21: -16% to + 19%).

3. In 2020/21, the number of residents in care homes reduced from 31,050 to 30,125, a 5.8% decrease. Care homes and their residents have been acutely affected by COVID-19. Residents of care homes for older people experienced a particularly high rate of COVID-19 related deaths. In addition, public health measures to restrict visitors created particular challenges for care home residents, their families and the staff that look after them. A number of other COVID-19 related factors also impacted on care home provision during this time. This includes the transfer of patients from hospitals into care homes; the closure of care homes to new residents; many of those at home remaining at home (with family often providing care and support on an informal basis); and finally staffing absence and recruitment issues. While these elements may be important across all local authority areas, there will be differences in timing and degree.

4. Reflecting these trends in home care and residential care, the overall proportion of those in need of personal care who were cared for at home increased by 1 percentage point in 2020/21, to 62% (range: -5.9pp to +5.1pp). This is a continuation of the longer-term trend which has seen efforts focussed on shifting the balance of care between acute and institutional settings to home or a homely setting.

5. The level of delayed discharges reduced by 37% in 2020/21 (range: -71% to +89%). This reflects significant reductions in non-COVID-19 related hospital admissions during this period, along with concerted efforts to move patients out of hospital to free up hospital capacity and create a better outcome for individuals at risk of acquiring infection in hospital.

6. The rate of readmissions within 28 days increased by 14.7% in 2020/21 (range: -8% to +46%). Importantly, the actual number of readmissions within 28 days fell by almost 20% (range: -40% to +26%) however the rate of readmissions increased due to a 30% reduction in the denominator, the total number of discharges, which reduced largely due to cancelled or delayed elective activity during the COVID-19 pandemic.

7. In 2020/21, the proportion of total social work spend allocated via Direct Payments and Personalised Managed Budgets rose from 7.8% to 8.2%. Supported people in urban authorities remain more likely to opt for personalised managed budgets.

8. The percentage of adult care services graded ‘good’ or better in Care Inspectorate inspections increased from 81.8% to 82.5%, counter to the previous declining trend. The recent upward trend may reflect the significant change to the Care Inspectorate’s approach to inspection under COVID-19, and the recent increase in registration cancellations in services with grades ‘less than good’. Quality gradings remain significantly lower in the most deprived council areas.

Culture and leisure services

1. COVID-19 restrictions have seen visitor numbers significantly impacted across culture and leisure services, reducing by 91.3% for sports and leisure facilities, 68.4% for museums and galleries, and 33.8% for libraries. The growth in virtual visits for libraries and museums, has offset the reduction in physical visits to some extent.

2. Overall gross revenue expenditure on culture and leisure services has fallen by 6% in 2020/21, a continuation of the longer-term trend. This reflects significant reductions in net expenditure for libraries

and museums, by 10% and 8% respectively. In contrast, expenditure on sports and leisure increased by 20.9% during 2020/21 as councils moved to compensate ALEOs/Trusts for loss of income as a result of COVID-19 restrictions. As this compensation for loss of income from COVID-19 cannot be sustained over the medium term, this is an area which will require close monitoring.

3. These trends have seen unit costs for visits to culture and leisure facilities increase by over 1000% for sports, 35% for libraries, and by 191% for museums.

Environmental services

1. Overall spend on environmental services reduced by 4.5% in 2020/21, continuing the longer term trend. This includes expenditure reductions in waste disposal (-1.5%; range: -45% to +39%) and collection (-3.6%; range: -28% to +18%), street cleaning (-7%; range: -37% to +46%) and trading standards and environmental health (-12%; range: -31% to +9%). Unit costs reduced in each of these areas as a result of reduced spend.

2. Recycling rates dropped in 2020/21 by 2.9 percentage points to 42.8% (range: -17pp to +14pp). This is counter to the previous trend and is the lowest rate since 2013/14. This reflects a small increase in residential waste in most areas due to lockdowns keeping families at home and increased homeworking; a drop in recycling due to contamination/capacity issues for households; and the temporary closure of household waste recycling centres due to COVID-19.

3. In 2020/21, 90.1% of streets were assessed as 'clean', a decrease of 1.1 percentage points in the past 12 months (range: -11.1pp to +7.4pp). While this recent reduction is in line with the trend in previous years, it may have been exacerbated by the pause in litter picking, alongside the closure of recycling centres and the reported increase in fly tipping during the most recent year. Urban and more deprived council areas report significantly lower scores compared to rural and more affluent areas (87% in urban compared to 93% in rural; 89% in more deprived areas compared to 95% in more affluent areas).

4. Expenditure on roads reduced by 6.6% in 2020/21 to £9,667 per kilometer (range: -48% to + 188%). This continues the long-term reducing trend in expenditure. Costs remain significantly higher for urban authorities. Meanwhile, there were small improvements in the condition of A, B and C class roads, which largely reflect a change to the methodology during 2020/21. While not yet evident in the data, the impact of the COVID-19 lockdown on roads services has resulted in a reduction in planned work and a reliance on reactive repairs of defects to keep road networks safe, and this will inevitably lead to a backlog of repair work.

Corporate services

1. Expenditure on corporate support services reduced in real terms by 3% in 2020/21 (range: -44% to +15%) continuing the longer-term trend. As a percentage of gross revenue expenditure this represents 4.1%, a slight increase of 0.1pp since 2019/20 (range: -2.2pp to +9.9pp). Rural authorities tend to have higher costs, however, have experienced larger reductions in recent years.

2. Council tax collection rates reduced by 1pp in 2020/21, counter to the previous increasing trend, while the cost of council tax collection continued to fall (-5% in 2020/21). All 32 authorities saw their council tax collection rates reduce in 2020/21, while two thirds saw their costs reduce. During this time, councils purposefully stepped down collection follow-up activities in recognition of the financial challenges facing communities. Councils serving the most deprived communities reported a sharper reduction in collection rates in 2020/21 (-1.2pp compared to -0.9pp in the least deprived communities). The method of payment is important in understanding the pattern of variation, with areas with higher levels of Direct Debit payment less impacted than those more deprived communities with higher levels

of cash payments.

3. Staff absence (non-COVID-19 related) reduced sharply in 2020/21, reducing by 35% for teachers and by 18% for non-teaching staff. Beneath the high-level data, the picture that emerges during this period is one of lower short-term absence (presumably driven by the increased flexibility delivered through home working) but increasing incidence of long-term absence (including mental ill health and stress). It is important to note that during this time, Councils were also having to manage significant levels of COVID-19 related absence.

4. In 2020/21, the gender pay gap widened slightly, by 0.3pp (range: -1.3pp to +3.8pp), counter to the previous narrowing trend. Redeployment strategies, and the sharp growth in the number of cleansing and care staff employed in response to COVID-19 may be important factors in relation to this recent movement.

5. The percentage of invoices paid within 30 days increased by 0.1pp to 91.8% in 2020/21 (range: -16.7% to +20.5%). This is counter to the small dip in performance observed the previous 2 years and may reflect the reduced number of invoices received and paid during 2020/21 as a result of COVID-19.

6. For corporate assets, while the condition of internal floor area continued to improve in 2020/21, the percentage of operational buildings that are suitable for their current use declined very slightly, by 0.2pp. This will be an area to monitor closely to understand what implications the introduction of hybrid working may have for the asset base as we emerge from the pandemic.

Housing

1. The level of rent arrears rose sharply in 2020/21, increasing from 7.3% to 8.2% (range: -0.9pp to +3.4pp). While this may in part be due to the temporary ban on enforcing eviction orders, introduced as part of the COVID-19 response, it also reflects that some people faced a significant loss of income during COVID-19. This may have worsened existing arrears problems, and also potentially resulted in more people finding themselves having problems paying their rent for the first time. Rent arrears rose faster in those councils with lower over-all levels of deprivation (increasing by 2.2pp compared with 0.8pp in those council areas with the highest deprivation levels).

2. Rent lost due to voids increased by 0.3pp to 1.4% in 2020/21 (range: -0.1pp to +2.1pp), the highest recorded level. Meanwhile, the average time taken to complete non-emergency repairs reduced by 0.7% to 7.3 days (range: -45% to 150%) in line with the longer-term trend. While the percentage of energy efficient council dwellings continued to increase, from 84.1% to 86.4% in 2020/21 (range: -5.8pp to +14.3pp), there was a 4.5pp reduction in the percentage of council dwellings which meet the Scottish Housing Quality Standard (SHQS), falling from 94.9% to 90.3% (range: -35.5pp to +3.8pp). The mixed picture evident in housing quality in 2020/21 reflects the impact of the pandemic on landlords ability to deliver core services such as repairing homes, letting empty homes, and the curtailment of planned investment programmes, including those to build new homes and to achieve the SHQS and the Energy Efficiency Standard in Social Housing.

Economic development and planning

1. Economic development and tourism expenditure have reduced by 20% in 2020/21 (range: -86% to + 52%), decreasing from £600 million to £480 million. This represents a 4.7% increase in revenue expenditure (range: -47% to +85%), and a 53% reduction in capital expenditure (range: -833% to + 1191%).

2. In terms of employment services, the percentage of unemployed people supported into work fell from 12.7% to 6.0% in 2020/21, while claimant count rose from 3.3% to 6.1%. Claimant count rose faster

among young people, increasing from 3.9% to 7.2%. 70% of employee job losses between March 2020 and May 2021 in the UK were among under 25s. Much of this disproportionate impact on young people is driven by the fact that under-25s are more likely to work in sectors such as hospitality and retail and leisure which were particularly severely impacted by COVID-19 restrictions.

3. In planning services, there has been a 5.1% reduction in terms of efficiency in processing business and industry planning applications in 2020/21, increasing from 10.5 weeks to 11.1 weeks (range: -57% to +117%). In parallel, there has been a 5.2% reduction in planning expenditure and an 11% reduction in the number of planning applications, resulting in cost per application rising by 6.5% (range: -46% to +63%). Planning application processing was impacted by the move to home working, restrictions on travel and site access, reduced availability of agents and consultees, and staffing and resourcing issues due to the impact of COVID-19.

4. In terms of infrastructure for business, the Business Gateway start-up rate reduced significantly from 16.4 to 11.2 (range: -98% to +49%). This is an acceleration of the previous trend, and reflects increased levels of uncertainty in the economy, labour shortages and disrupted supply chains, and redeployment of council staff to distribute COVID-19 support grants and advice for established businesses.

5. Procurement spend on local enterprises has continued the upward trend in 2020/21, increasing from 28.7% to 29.1% in 2020/21 (range: -9.9pp to +7.4pp). As local authorities spend almost 50% of their total budget annually on procurement, it will provide a key economic lever in local recovery efforts. As councils face increasing costs and shortages in staff and supply chains in the coming period, it will be important to monitor this area closely.

6. Town vacancy rates increased from 11.7%to 12.4% in 2020/21 (range: -6.1pp to +6.1pp), the highest rate since LGBF reporting began. Rates had been relatively stable since 2014/15, but it is expected that business closures due to the impact of COVID-19 will drive town vacancy rates upwards in the medium term. Vacancy rates remain significantly higher in council areas serving more deprived communities.

7. Access to superfast broadband has continued to grow in 2020/21, increasing from 93.3% to 93.8% (range: -0.5pp to +2.6pp). The rate of improvement (0.5pp) has slowed in comparison with previous years as the indicator reaches a ceiling. Digital connectivity is an increasingly important consideration in terms of economic competitiveness and inclusion, as has been so clearly illustrated throughout the COVID-19 pandemic. Rural authorities continue to experience significantly lower rates of access than urban authorities, 81.7% compared to 97.5% respectively.

8. The percentage of people in work earning less than the real living wage reduced in 2020/21 from 16.9% to 15.2% (range: -7.4pp to +5.4pp). This is a continuation of the longer-term trend. However, those councils serving communities with lower overall levels of deprivation, reported an average increase in the proportion of people earning less than the living wage, compared to reducing rates in councils serving more deprived communities (1.9pp increase compared to a 2.8pp decrease). This will be affected by the pattern of furlough during COVID-19, and also the trend which saw lower-paid people at greater risk of losing their jobs, with overall average earnings for those remaining in work increasing as a result of fewer lower paid people in the workforce.

Financial sustainability

1. During 2020/21, overall levels of General Fund Reserves increased markedly, from 16.9% to 23.6% (range: +1.2pp to +15.6pp). This is due to the timing and nature of additional COVID-19 funding which has contributed to a significant carry forward of reserves. It is important to note that most of the funding carried forward is committed for COVID-19 recovery over the medium term, therefore limiting the flexibility with which councils can use these balances.

2. Uncommitted General Fund Balance as a percentage of council annual budgeted net revenue has remained stable at 3.5%, within the approved rate for such balances of 2% to 4%.

3. The proportion of council revenue income being used to service debt has continued to fall, reducing from 7.2% to 6.2% in 2020/21 (range: -3.7pp to +0.7pp). This may reflect the significant reduction in capital investment during 2020/21.

4. Actual outturn as a percentage of budgeted expenditure has reduced from 99.4% to 97.4% in 2020/21 (range: -9.7pp to +6.7pp). This is counter to the previous trend which had shown slight but steady improvement across the period and is now the lowest percentage since LGBF reporting began. This again reflects the timing and nature of additional COVID-19 funding and the significant carry forward of reserves.