

Local Government Settlement

#BUDGETREALITY



There have been various presentations and misrepresentations of the local government budget which COSLA feels is not only confusing to communities but also significantly damaging to the role of local government.

The 2017/18 budget will result in extremely difficult local decisions being taken to manage the budget gaps being faced by all councils. This is on the back of difficult settlements in the past including a £350m cut in 2016/17. The 1 year, short term, nature of the budget is making it even harder to plan and manage the cuts.

This briefing looks to break through the confusion and present the facts and figures of the budget reality for councils.

CONTEXT OF SCOTTISH GOVERNMENT BUDGET

- Revenue cash **increase** of 2.2%
- Capital cash **increase** of 10.3%
- Plus additional borrowing power of £450m

*source – SPICE Financial scrutiny unit briefing 19 December 2016



REALITY FOR LOCAL GOVERNMENT

Revenue - **£350m cut:**

- Revenue 2016/17 settlement – £9,693m
 - Less £350m (3.6%) cut
 - Plus £120m ring-fenced grant for attainment (to go direct to schools)
 - Plus £33m for additional funding (includes new policy areas/requirements and largely devolved funding from UK Government)

Revenue settlement 2017/18 - £9,496m

*source of figures Local Government Finance Circular 9/201

- LG revenue funding as a share of SG funding has decreased by 3.7% (£1bn) between 2010/11 and 2017/18

*source Fraser or Allander Scottish Budget 2017/18 and beyond

Capital - **Flat cash:**

- There is no capital increase for local government this year.
- In the budget it looks like there is a £150m increase. This is purely presentational as the 2016/17 figure is deflated due to an agreement between Scottish Government and local government around reprofiling of cash in 2016/17. This was promised to be repaid over the following three years but nothing was included in 2017/18.
- All of the above is extremely disappointing in the context of the Scottish Government receiving a 10.3% capital increase and additional borrowing power of £450m.

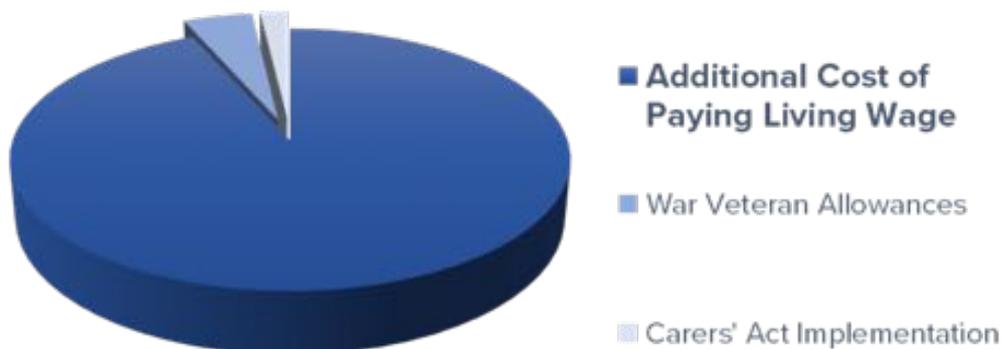


REALITY OF FUNDING OUT-WITH THE LG SETTLEMENT

The focus for budget comparisons has always been on the Local Government settlement coming from Scottish Government. However, this year, Scottish Government, in its calculation that Local Government received an increase, drew on funding sources from elsewhere: health and social care and council tax. These are clarified below.

HEALTH AND SOCIAL CARE

- **No additional money in the system to meet demand.** The £107m increase to health and social care, routed through the NHS, is to implement only the living wage and new requirements as detailed below.
- There is simply not enough money in the system already to support demographics and the scale of demand and Scottish Government has put in no additional funding to meet this significant pressure.
- The £107m is made up of:
 - £100m to pay for the additional cost of the living wage in procured adult social care services (care homes and care at home) – will all go on wages
 - £5m to increase war veteran allowances
 - £2m for Carers' Act Implementation



COUNCIL TAX

- Scottish Government changes to council tax will yield an estimated additional £111m. More affluent areas will benefit more from this increase than areas with lower value properties
- Discretion for councils to increase council tax by 3% - estimated to be valued at £70m but this is not additional resource from Scottish Government
- There is more and more central control over what is a local tax

SCOTTISH GOVERNMENT'S PRESENTATION

Significant confusion has arisen because of the Scottish Government's presentation of the budget. This is explained below:

To show the increase Scottish Government has added in the following against last year's budget:

- × £120m for attainment grant (ring-fenced grant with new requirements for LG)
- × £111m for council tax reforms (money raised from local taxation not government grant)
- × £70m for potential to raise council tax by 3% (again potential to raise from local taxation)
- × £107m for health and social care (as stated to deliver new requirements for living wage etc. and going to Integrated Authorities via the NHS)
- × £150m notional figure for capital reprofiling (not a real increase)

Total = £558m

It is **inaccurate** to offset a real **£350m revenue cut** against a **notional increase** of £558m to give an overall increase of £208m.

IMPACT ON BUDGET

- A revenue cut of this magnitude will undoubtedly impact on local services.
- The media has highlighted the significant budget savings that individual councils are having to make.
- Budget gaps are not only made up of the settlement cut but also include: wage and price inflation and rising demand for services.
- Large parts of the budget are ringfenced including: £120m attainment and education as a result of maintaining pupil/teacher ratio

WHAT COSLA IS ASKING FOR FROM A REVISED BUDGET

- ✓ **A reduction to the level of revenue cut to protect local services.**
- ✓ **More capital funding to invest in local infrastructure.**
- ✓ **Additional investment in Health and Social Care in recognition of the rising demand.**
- ✓ **A continued investment in Education but one which genuinely recognises that improved attainment requires a 'whole system' approach, not ringfenced and solely focussed on teacher numbers.**
- ✓ **Fundamental reform of local taxation.**
- ✓ **Constitutional protection for local government.**