

FALKIRK COUNCIL

Subject: SCOTTISH GOVERNMENT DRAFT BUDGET 2014/15
Meeting: EXECUTIVE
Date: 8 October 2013
Author: CHIEF FINANCE OFFICER

1. INTRODUCTION

- 1.1 The Cabinet Secretary for Finance, Employment and Sustainable Growth, Mr Swinney, presented his 2014/15 draft budget to the Scottish Parliament on 11 September. This report outlines the main content in so far as it relates to local government. The opportunity is also taken to relate this to the preparation of Falkirk Council's budget for 2014/15 together with provisional budgets for the subsequent two years.

2. BACKGROUND

- 2.1 The draft Scottish Budget sits within the framework of the 2012/13 -2014/15 Spending Review Period which has previously been reported to Members. An indicative settlement is provided for 2015/16 reflecting the 2015/16 UK Spending Review.
- 2.2 Mr Swinney places his proposals in the context of decisions taken by the UK Government and a focus on delivery of joint (with local government) priorities of growing the economy together with protecting front-line services and the most vulnerable in our society.

3. IMPLICATIONS FOR LOCAL GOVERNMENT

- 3.1 Mr Swinney sets out the position with respect to local government in his letter to the COSLA President a copy of which is appended. Detailed information at the individual Council level will follow in due course. Councils will in return for the settlement, be expected to continue to deliver specific commitments:-

- Maintain the council tax freeze
- Maintain teacher numbers in line with pupil numbers and secure places for all probationers who require one under the teacher induction scheme

As in previous years it is not open to Councils to select elements of the package, it is all or nothing, and severe grant clawback will result if a council fails to accept these terms. In such a case the Council Leader is required to advise the Cabinet Secretary of their council's position.

- 3.2 Some of the other matters covered in the letter are:-

- a) The Scottish Government recognises COSLA's concern over the undue input focus on the teachers' numbers criteria noted above. In consequence, there is a willingness to have a dialogue on the possibility of adopting outcome measures to improve attainment for children and young people.

- b) Provision is made to deliver on the Scottish Government's commitment to fully fund the additional costs of the early learning and childcare proposals.
- c) Continuation of the £23m/£17m split between the Scottish and local governments to maintain the funding for the Council Tax Reduction scheme.
- d) A grant contribution will be made to help finance the application of the new supply teacher pay rates.
- e) An expectation that partnerships working with a preventative approach to the delivery of outcomes will continue. Community Planning Partnerships (CPP's) should deploy resources towards the jointly agreed priorities set out in each CPP's Single Outcome Agreement.
- f) Flowing from e) £100m is available to be allocated to Health Boards in 2015/16 to help drive the shift towards prevention as part of the integration of adult health and social care provision. This replaces the Change Fund for older peoples' services and will be a partnership resource accessible to Councils along with the third and independent sectors.

Other areas of interest to Councils contained in the draft budget are captured in the subsequent paras.

- 3.3 A sum of £20m was announced to increase discretionary housing payments and thus help mitigate the impact of the "bedroom tax" in the current financial year.
- 3.4 The settlement continues to tilt local government's resources away from grant and towards non domestic rate income, albeit the Scottish Government does guarantee the overall support, should the latter not in practice materialise.
- 3.5 The Capital resources are broadly as anticipated and reflect the significant reprofiling of grant previously advised to Members. Some additional capital grant is expected relating to the Childrens and Young Peoples Bill, but a detailed allocation has yet to be received.

4. FALKIRK COUNCIL'S BUDGET POSITION

- 4.1 A separate report on this agenda shows a projected outturn for the current financial year based on the position at August. This is still very early in the financial year and within a multi-service gross budget of £500m there is considerable scope for movement e.g. a severe winter. That report also sets out the position on the Council's reserves. Jointly, these evolving elements will provide a platform for considering the preparation of the Council's budget for 2014/15 and beyond.
- 4.2 Given the expected long-term profile of the austerity regime and with an expectation that the most challenging cuts are yet to come in financial years 2016/17 and beyond, it is appropriate to approach the budget preparation on a three year basis, reflecting the Medium Term Financial Strategy. This is very much an approach most councils are adopting and it is one very much encouraged by Audit Scotland.

- 4.3 The table below shows the current best estimate of the projected budget gap over the next three years.

	2014/15	2015/16	2016/17
	£m	£m	£m
Budget Gap	10.9	10.2	13.9
Cumulative	10.9	21.1	35.0

It is important to appreciate that there are a multiplicity of variables and assumptions which feed into these figures reflecting for example pay awards, different types of inflation and demographics. The most important are pay awards and the level of government grant. In terms of the latter we have a robust position for the next two financial years, but the Spending Review thereafter is likely to be very challenging.

- 4.4 In operational terms we know that the budget preparation will be coloured by a more structured and engaged approach from the Trade Unions who have signalled that they wish to be notified of any budget savings options which relate to staff, and moreover, wish to be able to assess these in the context of savings options in other areas. The process of Equality and Poverty Impact Assessments also require savings options to be explored with impacted parties. It is thus inevitable that a more open and transparent assessment of savings options will be necessary going forward.
- 4.5 Flowing from this it is proposed that an early initial Budget Seminar be arranged for all Members to inform them in more details of the Council's financial position and to consider savings options being investigated by officers.

5. OTHER MATTERS

- 5.1 The Local Government and Regeneration Committee has invited Falkirk Council to give oral evidence at its meeting on 9 October to consider the Scottish Government's 2014/15 draft budget. It is anticipated that the Chief Finance Officer will attend on behalf of the Council.

6. CONCLUSIONS

- 6.1 The first part of this report focused on the Scottish Government's draft Budget which will need to be approved by the Scottish Parliament. Whilst there are not material changes to the fundamentals announced and agreed last year there are some adjustments which are of interest to Councils.
- 6.2 The second part of the report has utilised the Scottish Government's draft Budget as both a backcloth and a trigger for the Council to consider its own financial position and looming budget(s).

7. RECOMMENDATIONS

7.1 Members are invited to note:-

- The Scottish Government's draft Budget for 2014/15 and indicative position for 2015/16.
- The Council's financial position as set out in section 4.

7.2 Agree that a Budget Seminar for all Members be organised consistent with para 4.5

Chief Finance Officer

Date: 17 September 2013

LIST OF BACKGROUND PAPERS

1. Scottish Government Draft Budget 2014/15.

Any person wishing to inspect the background papers listed above should telephone Falkirk 01324 506300 and ask for Bryan Smail.