

FALKIRK COUNCIL

Subject : LOCAL GOVERNMENT FINANCE SETTLEMENT 2014/15
Meeting : EXECUTIVE
Date: 14 January 2014
Author : CHIEF FINANCE OFFICER

1. INTRODUCTION

- 1.1 On 11 December 2013, the Scottish Government issued Finance Circular No. 6/2013 which provides local authorities with details of their provisional revenue and capital allocations for 2014/15. It also includes an update on grant changes for 2013/14 and these are reflected in the financial position report elsewhere on the agenda. In addition, the Circular provides figures at national level only for 2015/16. These figures are provisional and are subject to debate by the Scottish Parliament in February 2014.
- 1.2 The Circular also provides details of the increase in business rates poundage levels and confirmation of the relief thresholds.

2. BACKGROUND

- 2.1 The Cabinet Secretary for Finance, Employment and Sustainable Growth wrote to COSLA on 11 September 2013 reaffirming the terms of the settlement to be provided to local government in return for the provisional funding allocations set out in this Circular.
- 2.2 The terms of the settlement included specific commitments and my report of 8 October 2013 to this Committee outlined these commitments which are shown below:
- Maintain the Council Tax Freeze over the 3 years of the Spending Review period (2012/13 – 2014/15)
 - Maintain teacher numbers in line with pupil numbers and secure places for all probationers who require one, under the teacher induction scheme
- 2.3 The previous “sign-off” arrangements have been retained in that only those Councils who do not intend to take up the offer and agree the full package of measures outlined above are required to write to the Cabinet Secretary setting out the reasons why they do not wish to comply, by no later than 10 March 2014. The Leader of the Council has indicated that Falkirk Council intends to continue to deliver these commitments and as such will not be writing to the Cabinet Secretary.

3. REVENUE FUNDING

3.1 The amount of all-Scotland local government funding is set out in the following table.

	<u>2014/15</u> <u>£'m</u>	<u>2015/16</u>
Total Revenue Funding	9,804.911	9,800,601
Less: Teachers Induction Scheme	27.600	37.600
Criminal Justice Social Work	86.450	86.450
Council Tax Reduction Scheme	343.000	343.000
Council Tax Reduction Scheme Admin	7.050	-
Scottish Welfare Fund (SWF)	-	-
Discretionary Housing Payments	20.000	-
Changes to AME Grants	(0.247)	-
Distributed Revenue Funding	9,321.058	
Distributed as:		
General Revenue Funding	6,643.576	
Non-Domestic Rates	2,664.000	
Ring-Fenced Grants	13.482	
	9,321.058	

3.2 The distribution of the indicative allocations for 2015/16 are the subject of ongoing consideration following COLSA Leaders' decision that the allocations for 2014/15 should be rolled forward for 2015/16. An update on the 2015/16 allocations will be provided once these considerations have concluded. In addition, no totals are shown for the 2015/16 allocation as the figures contained in the Circular did not add up. I am still awaiting confirmation on the position from the Scottish Government.

3.3 The Scottish Government has held back distribution of the Scottish Welfare Fund monies as they were aware that COSLA would be making a pitch for additional administration funding and there was a need to utilise the 2013/14 underspend. Following the issue of Circular 6/2013, COSLA has now agreed with the Scottish Government that the allocation previously advised for 2013/14 can be regarded as a minimum allocation for 2014/15 as follows:-

	<u>National</u> <u>£'m</u>	<u>Falkirk</u> <u>£'m</u>
Community Care Grants	23.000	0.634
Crisis Grants	9.995	0.293
Administration	4.459	0.126
	<u>37.454</u>	<u>1.053</u>

Discussions will continue between the Scottish Government and COSLA regarding additional funding for administration costs.

4. REVENUE FUNDING – FALKIRK COUNCIL

- 4.1 Falkirk Council's grant allocation for 2014/15 is £266.111m and is in line with the anticipated sum as part of the settlement announced last year. It is analysed as follows:-

	<u>2014/15</u>
	<u>£'m</u>
General Revenue Funding	191.386
Non-Domestic Rates	74.713
Ring-Fenced Grants	0.012
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	266.111

This sum is c£0.300m more than had been anticipated in the Council's Medium Term Financial Plan due to the decrease in funding for the Council Tax Reduction Scheme not being as severe as anticipated.

5. CAPITAL FUNDING

- 5.1 The Scotland wide figures shown below reflect the reprofiling previously reported to Members with £120m being deducted in 2012/13 and a further £100m in 2013/14; this being repaid over the subsequent 2 years £120m in 2014/15 and £100m in 2015/16. Falkirk Council's funding allocation for 2014/15 is £9.728m.

- 5.2 The all Scotland figures are noted below.

	<u>2014/15</u>	<u>2015/16</u>
	<u>£'m</u>	<u>£'m</u>
General Capital Grant	622.975	672.200
Specific Capital Grants	127.722	123.200
Distribution for SPT	22.524	21.900
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	773.221	817.300

- 5.3 As is the case with the Revenue Budget, the Scottish Government has not allocated the 2015/16 budget to individual Council level as they are the subject of further consideration. There is the prospect that Falkirk may receive a more benign allocation than was anticipated.

- 5.4 Falkirk Council's share of the 2014/15 funding is in line with expectations and is analysed below:-

	<u>2014/15</u>
	<u>£'m</u>
General Capital Grant	9.564
Specific Capital Grant	0.164
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	9.728

6. NON-DOMESTIC RATES

- 6.1 The Scottish Government has confirmed the increase for the Non-Domestic Rate poundage will be restricted to 2%.
- 6.2 The Scottish Government has also confirmed more assistance for small businesses under the Small Business Bonus Scheme by increasing the upper threshold for businesses with multiple properties from £25,000 to £35,000 for the lifetime of this Parliament. The table below continues the revised 2014/15 thresholds:

Combined Rateable Value (RV) of all Business Properties in Scotland	
	<u>2014/15</u>
Up to £10,000	100%
£10,001 - £12,000	50%
£12,001 - £18,000	25%
£18,001 - £35,000	25% on each individual property with a rateable value not exceeding £18,000 *

* This will allow a business with 2 or more properties with a cumulative RV of under £35,000 to qualify for relief at 25% on individual properties with a RV of up to £18,000.

- 6.3 As announced earlier, the Scottish Government will also expand the Fresh Start rates relief to give 50% relief to businesses who take on even more kinds of long term empty properties to help rejuvenate high streets. This includes additional types of empty premises, including those previously used as pubs, hotels and restaurants. Further guidance will be provided early in the new year when the regulations are finalised.
- 6.4 As previously confirmed, the revised 2012/13 Business Rates Incentivisation Scheme (BRIS) targets are currently under consideration by COSLA and individual local authorities and a final decision will not be taken until the 2012/13 audited returns are available (February 2014). Targets for future years will be considered once the 2012/13 review is complete.

7. SUMMARY

- 7.1 Finance Circular 6/2013 provides details of the provisional financial support which will be made available to Councils for 2014/15. The level of government funding has a very significant impact on the Council's budget and work is continuing to present spending plans for Members' consideration in February 2014.

8. RECOMMENDATION

Members are invited to note the provisional Local Government Finance Settlement 2014/15.

Chief Finance Officer

Date : 13 December 2013

LIST OF BACKGROUND PAPERS

1. Scottish Government Finance Circular No 6/2013
2. Report to Executive Committee by Chief Finance Officer on 8 October 2013

Any person wishing to inspect the above background papers should telephone Falkirk (01324) 506371 and ask for John Flannigan.