

FALKIRK COUNCIL

**Subject: SCOTTISH GOVERNMENT BUDGET AND LOCAL
GOVERNMENT SETTLEMENT 2016/17**
Meeting: EXECUTIVE
Date: 12 January 2016
**Author: CHIEF EXECUTIVE & DIRECTOR OF CORPORATE &
HOUSING SERVICES**

1. INTRODUCTION

- 1.1 The Scottish Government draft Budget was announced on 16 December. This would normally have happened in early Autumn but necessarily was moved back to reflect the Chancellor's Spending Review on 25 November. Flowing from this the Local Government Settlement was also announced on 16 December. This report deals with both these important matters.

2. SCOTTISH GOVERNMENT BUDGET 2016/17

- 2.1 The Finance Secretary presented his draft Budget as a Scottish alternative to austerity built around the twin pillars of inclusive growth and protecting and reforming public services. The Budget remains to be approved by the Scottish Parliament in February.
- 2.2 Budget proposals were restricted to 2016/17 only, Mr Swinney pointing out that the lateness of the UK Spending Review and continuing negotiations around the fiscal framework made it impractical to present a multiyear view.
- 2.3 The block grant from Westminster for resource spending will fall by 5% in real terms over the period to 2019/20.
- 2.4 This was the first Budget to set a Scottish Rate of Income Tax. Mr Swinney chose not to deviate from UK rates. Tax raising proposals were made with respect to second homes and buy-to-let property.
- 2.5 Health was the big winner with a 3.3% increase from 15/16, whilst Local Government was the big loser with -3.5% [£350m] reduction in revenue support. A large part of the £400m increase in Health is accounted for by the £250m directed to the new Health & Social Care Partnerships. The Police budget was frozen in real terms.
- 2.6 Capital Grant to Councils will fall by £150m because of re-profiling adjustments and this will be repaid in the next Settlement period [2017-20]. Taking account of this, Local Government capital spending is expected to retain its share of the Scottish Government's capital budget.

- 2.7 The uniform business rate will rise by 0.8% to 48.4p, while the large business supplement is to double to 2.6p. The Small Business Bonus scheme is being retained.
- 2.8 Following the report of the Commission on Local Tax Reform Mr Swinney announced that the Scottish Government would set out its plans for the reform of the council tax in the New Year. In the interim, the council tax would be frozen for a ninth year, with the compounding £70m grant being provided in compensation.

3. LOCAL GOVERNMENT SETTLEMENT 2016/17

- 3.1 As noted above, Local Government was the big loser in the Budget and the national picture converts to a £6m [c3% subject to a more detailed review] reduction in the Council's grant resources. It had been anticipated that 1% would be lost in 2016/17 and 2% in 2017/18. In the event the aggregate i.e. 3% has been rolled into 2016/17. This essentially increases the deficit for 2016/17 by £6m to nearly £25m. Council agreed at its December meeting to proceed with a one year Budget for 2016/17. Fortunately, in preparing the groundwork for a 2017/18 Budget there are already identified a wide range of savings options that can be brought forward to 2016/17.
- 3.2 Particular attention is directed to the £250m allocated in the Budget to the new Health & Social Care Partnerships. It is estimated that the Council's share of this would broadly match the extra £6m loss in grant beyond what was projected in 2016/17. It is still to be clarified as to what access the Council will in fact have to this major resource and what room for manoeuvre there will be for the Council in its Budget setting consideration. Clarification on this fundamental issue is urgently required. Mr Swinney offers the prospect of cash releasing efficiencies delivered through the new Partnership reforms to be retained by local authorities. It remains to be seen whether any such cash efficiencies appear.
- 3.3 There is to be a return to a national agreement to maintain teacher numbers at 2015/16 levels and secure places for all probationers who require one under the teacher induction scheme. A funding package of £88m will support this. The position on teacher numbers is related to the Scottish Government's priority to raise attainment. For 2015/16 there will not be claw back of funding from these councils which failed to meet their teacher number targets. It will, however, only be those Councils, such as Falkirk, which met their target which will be rewarded with a share of the additional £10m grant.
- 3.4 The Settlement continues to provide support to councils to mitigate the impact of UK Welfare Reform, notably in terms of the "bedroom" tax, welfare fund and the council tax reduction scheme.
- 3.5 As in previous years, Mr Swinney in his letter to councils makes clear that the measures set out in the Settlement offer, including the council tax freeze, "must be viewed as a package". Any council not intending to take up the offer is expected to write to Mr Swinney by 22 January setting out their reasons.

- 3.6 Due to re-profiling adjustments noted above, the Council's General Capital grant is £10.6m for 2016/17 which is c15% less than the current financial year. No indications have been given for future years, consequently the grant for 2017/18 and 2018/19 has been estimated at £13.204m based on the 2016/17 allocation before re-profiling.

4. CONCLUSIONS

- 4.1 The Local Government Settlement reflects the cut in the Scottish Government's block grant from Westminster and in turn the former's priorities, notably with respect to Health. It is very challenging for Local Government generally, and Falkirk Council specifically will need to find an extra £6m of savings in 2016/17. And, this will need to be achieved by the end of January.
- 4.2 Clarifying the position with respect to the £250m allocated to Health & Social Care Partnership is crucial. This will be instrumental in informing the Council as to how it may deal with the extra £6m reduced grant.
- 4.3 It is anticipated that the Scottish Government will in its next Budget in the Autumn of 2016, set out the financial position for more than one year. This would be very welcome in informing the Council's medium term financial planning. The fabric of the 2016/17 Budget must be very concerning for councils looking forward beyond 2016/17. It seems that further very significant reductions in local government's grant loom. The Council needs in the immediate term to focus its energies on achieving a balanced 2016/17 Budget. Once this is done, however, the Council needs to stand back and take stock of the forward landscape in a strategic manner. It will not have the resources to provide all the services that it currently does. It will need to be clear what are its priorities and what are not.

5. RECOMMENDATIONS

- 5.1 **Members are invited to note the draft Scottish Government Budget and Local Government Settlement 2016/17.**
- 5.2 **To determine whether a response is required to Mr Swinney in terms of paragraph 3.5.**

Chief Executive

Date: 21 December 2015

Ref: AAB160112 – Scottish Government Budget Local Government Settlement 2016/17

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LIST OF BACKGROUND PAPERS

Nil