



Scottish Government – Local Government Finance Settlement for 2011/12

To: All Chief Executives, Main Contacts and Email Contacts (Scotland)

CC: All Chief Executives, Main Contacts (England, Northern Ireland and Wales)

This APSE briefing provides information on the Scottish Governments Local Government Finance Settlement for 2011/12. The settlement gives individual Councils details on the revenue and capital resources they will have at their disposal. This briefing needs to be considered alongside previous APSE briefings namely the Independent Budget Review Report and the Scottish Government Spending Plans and Draft Budget for 2011/12

Key issues:

- Provides an overview and update on local government finance settlement for 2011/12.
- Highlights the growing dependency of Scottish local government on central government for funding.
- Identifies significant variations in the grant settlement between Councils – a variation of up to 3% exists.
- The settlement represents an overall reduction of 5.5% in real terms, when inflation is incorporated.
- Councils face “Hobson’s Choice” the offer of a reduction of 2.6% or 6.4% subject to agreeing to deliver particular priorities including Council Tax freeze and other policy priorities as detailed in the Concordat. This approach signals a return to ring fencing significant resources which undermines the autonomy and discretion of local government.

1.0 Background

1.1 The Scottish Government has published the local government finance settlement for 2011/12. This sets out the allocation of Scottish Government grants to each local authority. It is particularly significant given most of Council finance comes from this source. Increasingly, local government is becoming more dependent on central government for most if not all of its funding. Since the Council Tax freeze was introduced this dependency has been increased. In addition, the returns on Councils investments continue to fall given the collapse of the private/public sector investment market. Also there has been a significant reduction in the amount of income collected through fees and charges.

1.2 The settlement announced by the Scottish Government is provisional in nature and is subject to a "final order" that will be debated in Parliament in February 2011.

2.0 Overall Approach

2.1 The settlement confirms the Scottish Governments overall approach to local government funding as set out in the governments draft budget published in November 2010.

2.2 The settlement from the Scottish Government to local government represents a reduction of 5.5% in real terms. Individual Councils have been given a classic Hobson's Choice. A cut of 2.6% (in cash terms) if they accept the Scottish Governments policy priorities, or a 6.4% cut if they choose to ignore them.

2.3 It is down to each individual Council to determine their overall policy position and this needs to be communicated to the Scottish Government by 21st December 2010. If a Council(s) wished to pass up the Scottish Governments offer, they would need to potentially increase their Council Tax levels by 15 – 18%. This is considered not to be a realistic prospect for any Council in Scotland.

2.4 The Scottish Governments priorities that Councils are being encouraged to implement include: -

- A further year of the Council Tax freeze
- Maintaining 1000 additional police officers
- Recruiting and maintaining teaching numbers

3.0 APSE Comment

3.1 The reductions in grants are not spread evenly amongst Councils. The grant has been allocated by an outdated formula which needs an overhaul.

3.2 The reductions in grant vary from 1.5% in East Lothian to 4.5% in Edinburgh. It is difficult to unravel the variances in grant settlement and understand the coherence behind them in both policy and financial terms.

3.3 There is some reference to the formula being influenced by population and its associated movement in particular areas, in general commuter areas where the population is rising have fared better than the Scottish cities however, there are a number of local authority areas which are experiencing depopulation but have still performed relatively well in terms of their grant settlement.

3.4 There is a clear need to review the formula to ensure it becomes more needs driven particularly in relation to concentrated poverty and deprivation. APSE is concerned that the financial impact on frontline services will be significant and potentially greater than the allocation implies. The reductions will damage front line services and local economies many of which are still continuing to struggle in terms of the impact of the current recession. In addition and in many ways the settlement signals a return to ring fencing resources for specific priorities, this in turn undermines the discretion and autonomy of local government.

3.5 The main Scottish Government priority is the Council Tax freeze; this further undermines local government both as an institution and as a provider of services. Councils have little or no discretion on funding services and are often left with no other choice but to raise income through fees and charges which can disproportionately hit low income families.

4.0 Conclusion

4.1 Councils will need to rethink their respective service settlements with their local communities as part of the downward pressure on resources. This downward pressure is not limited to 2011/12 but for the next 10/15 years. As a consequence Councils will need to review their unique role and service responsibilities with a view to managing with fewer resources in both a planned and measured way.

4.2 It follows that using appropriate tools such as the APSE Competitiveness Continuum Model and the APSE Performance Networks structure will become increasingly important and valuable to member Councils.

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