

**SCOTTISH BORDERS COUNCIL**

**21 December 2017**

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**1 PURPOSE AND SUMMARY**

- 1.1 This report provides an update to members on the contents of the draft local Government settlement for 2018/19 published on the 14 December 2017.**
- 1.2 The paper provides confirmation of the level of grant that the Scottish Government propose to allocate to Scottish Borders Council in 2018/19. It provides details on the main components of the grant settlement, updates funding assumptions made over grant levels, highlights significant movements from the previous grant settlement and provides members with a revised resource total to allow political group to plan for budget allocations in 2018/19.
- 1.3 It highlights that the headline reduction in grant to local government next year will be 1.5%, compared to the 3% grant reduction assumed to date in budget planning totals. The draft settlement reduces the savings required in the budget from £13.46m to £9.663m. The variance is £3.797m when the updated funding position is compared with the 2018/19 draft plan shared with political groups. Corporate Management Team (CMT) will now continue to work with political groups to deliver budget proposals that ensure the Council is planning for longer term sustainability. It should be noted in this regard that any headroom that can be created in the budget through the early delivery of savings will help to meet future projected funding gaps and fund spend to save initiatives particularly in respect to care services for both adults and children where significant future pressures are likely.
- 1.4 The settlement requires Councils to fund various items. These include, new burdens (including the expansion of early years child care), the ongoing process of health and social care integration, and a range of pressures, the most significant of which are pay awards and older peoples demographics. Details of known pressures and required adjustments are included in Section 6 of the report in Table 1.
- 1.5 The capital settlement indicates a reduction in capital resources of £2.4m next year which will have to be funded.

## **2 STATUS OF REPORT**

- 2.1 This report is a late paper as the information only became available on 14 December 2017, following publication of the draft local government finance settlement.

## **3 RECOMMENDATIONS**

### **3.1 It is recommended that Council agrees:-**

- (a) to note the updated information on the revenue and capital budgets for 2018/19 following publication of the draft local government finance settlement and agrees that the figures contained in section 3 of this report be used by political groups in preparing their budgets for 2018/19 pending further information;**
- (b) that Members continue to work with Corporate Management Team to consider those savings measures proposed in budget packs and assess them for inclusion in the budget with a particular focus on the earliest possible realisation of benefits and a focus on spend to save initiatives; and**
- (c) that Members give due consideration to their political service priorities, for both revenue and capital, recognising the overall need to set a balanced budget for 2018/19 that is sustainable in the longer term.**

## 4 BACKGROUND

- 4.1 Each Year in December the Scottish Government publish the Local Government Finance settlement for the forthcoming financial year. This details provisional allocations of revenue and capital grant for each Scottish local authority. The circular covers both revenue and capital funding and provides detail of new burdens, movements in funding from the last settlement, redeterminations of funding that have occurred during the year, and sums held back by government pending subsequent distribution. The circular also details the non-domestic rate poundage for 2018/19 and the application of various reliefs.
- 4.2 The timing of the settlement letter on 14 December 2017, provided following a parliamentary statement by the Finance Minister, comes after several months of work having already been undertaken to develop the Council's forthcoming revenue and capital budgets. This means that much of the budget development work is out of necessity undertaken with a lack of information with regard to the quantum of the overall settlement. The Council was - prior to 14 December - planning for a 3% reduction in general revenue grant in 2018/19. Following the announcement on 14 December, this assumption has been revised to a 1.5% reduction in core general revenue grant after adjusting for ring-fenced and specific grants. Scottish Government has taken this headline reduction and added back funding for new burdens, capital, the assumed income from a 3% rise in Council tax and, having accounted for these sums, has indicated they view the position as a flat cash settlement for local government.

## 5 LOCAL GOVERNMENT SETTLEMENT

- 5.1 In planning the budget, officers assumed that grant of £192.072m would be available next year with a further £7.188m allocation via Health Boards to support health and social care integration. The actual impact of the published settlement is a grant allocation of £199.095m with the further £7.188m being provided to support integration. The headline movement in the Council's settlement is therefore a favourable £7.023m. These resources are however expected to fund a range of additional commitments and policy developments as set out below. Table 1 in paragraph 6.3 summarises the calls on this funding which reduce the overall flexibility provided.

### **Baselined Additional Funding**

- 5.2 The £130m of additional funding provided late in the 2017/18 budget process last year has now been baselined. The assumption prior to the draft 2018/19 settlement was that this funding was one-off. Baselining means this funding has been included in the settlement on a recurrent basis.

### **Early Years**

- 5.3 £52.2m of revenue has been made available to support the implementation of the expansion of early years provision to 1,040 hours. This however has not been distributed in the settlement at this stage. The SBC assumed share of this funding is £1.2m. The funding covers the transition to new delivery models including the revenue costs of free school lunches and the graduate commitment from August 2018.

### **Teacher Pay**

- 5.4 An additional £24m has been provided to fund the teachers' pay award from December 2017/18. The full year effect including changes to payments for supply cover is estimated at £0.825m. Teachers pay is now therefore budgeted at 3% in 2018/19, costing an additional £0.825m per annum beyond the 2% assumption previously included in the base budget for 2018/19.

### **Teacher Numbers**

- 5.5 The Finance Minister, Derek Mackay, has now written to local authority Chief Executives setting out Scottish Government's expectations with regards to teacher numbers in 2018/19. £88m has been provided in the settlement comprising £51m to maintain teacher numbers and £37m to fund the teacher induction scheme. This latter funding is not included within the settlement at this point in line with normal practice. In the settlement, Scottish Government has signalled the expectation that the pupil/teacher ratio will be maintained at 13.7 pupils per teacher. Authorities are also asked to ensure that places are provided for all probationers who require a placement under the teacher induction scheme. The pupil equity fund will continue; however the sum to be allocated to the Borders has reduced to £1.749m in 2018/19 from £1.841m in 2017/18.

### **SJC Staff Pay**

- 5.6 Following the removal of the cap on public sector pay, Scottish Government has now indicated a desire to see staff paid up to £30,000 per annum receive a 3% wage award next year, staff paid between £30,000 and £80,000 receive 2% and those staff paid above £80,000 should have any wage award capped at a maximum of £1,600. The financial implication of any such pay settlement has to be agreed by employers and be funded by Councils within the settlement.

### **Social Care**

- 5.7 Scottish Government has provided £66m nationally to support additional investment in social care in recognition of the range of pressures that Councils are facing. The funding includes the implementation of the Carers Act 2016, the living wage in the care sector (which now includes sleepovers), and an increase in free personal care and nursing payments. The SBC share of this funding is confirmed at £1.537m.

### **Transfers from Health**

- 5.8 The settlement letter confirms that the £355m baseline transfer from Health Boards to Councils transferred in previous years will continue. The figure for 2018/19 is £7.188m for SBC. This sum is allocated initially through the NHS budgets and forms part of the Health and Social Care Integrated Joint Board (IJB) delegated budget. This funding is to be passed to Councils to support health and social care under direction from the IJB.

### **Council Tax**

- 5.9 The settlement provides flexibility to increase council tax by up to 3% and this is the assumption built into the Council's base budget for 2018/19. Any reduction in this assumption will reduce resources available for other priorities.

## 6 NON DOMESTIC RATES

6.1 The distributable amount coming to SBC per the settlement is £32.67m. The circular highlights a number of changes to the rates regime with the poundage for 2018/19 set at 48p after CPI inflation has been applied. The large business supplement for 2018/19 that applies to properties with a rateable value over £51,000 per annum is set at 2.6p. Small business bonus scheme provides relief at 100% for all properties up to £15,000. Proposals for fresh start relief are to be expanded to cover all types of non-domestic property; a new business growth accelerator is proposed from April 2018 that will delay an increase in rates liability associated with the improvement or expansion of property for 12 months; new build property will only be rated when it is occupied; and a new relief for day nurseries is proposed. This will provide 100% rates relief for properties wholly or mainly used to provide nursery care for pre-school age children. A new relief will apply to hydro generation properties at 60% up to £5m, and a new relief for broadband fibre infrastructure is to be introduced.

### **Barclay Review of Non-Domestic Rates**

6.2 Following his announcement on 28 November 2017, the Cabinet Secretary for Finance has now written to confirm that charity relief for Council arms-length external organisations (ALEOs) providing sports, culture and leisure facilities will continue; however, it was also noted that future transfers of property to ALEOs will result in a compensatory reduction in general revenue grant to any Councils in question.

6.3 The table overleaf tracks the movements in the settlement highlighting those areas where grant has yet to be distributed, e.g. criminal justice funding, those areas where grant has reduced, e.g. the Pupil Equity Fund, and those areas where pressures have yet to be funded in full e.g. pay awards. All the items can be tracked back to the settlement letter shown in appendix 1. The impact of the settlement reduces the savings required in the budget from £13.46m to £9.663m. The associated movement in the grant allocation is £3.797m. CMT will continue to work with political groups to shape their budget proposals following the settlement announcement. While the flexibility provided by the settlement is welcome members are reminded that the Council should be planning for the longer term and be investing where possible in spend to save initiatives to help with longer term sustainability. Any headroom that can be created in the budget through the early delivery of savings will therefore help to meet future projected funding gaps. The over delivery of savings as early as possible within the 5 year plan could help for example with meeting significant future demands in the care sector for both children and adults.

**TABLE 1**

	<b>£'000</b>
Headline Movement in Settlement	7,023
<b>Add</b>	
Grant still to be distributed – Criminal Justice	1,124
<b>Less</b>	
<b>Pressures to be funded</b>	
Teachers pay at 3%	(825)
SJC staff pay award	(1,000)
Sensory Impairment funding	(7)
Health and Social care £66m	(1,537)
Smoking in cars	(40)
British Sign Language	(11)
Rates pressure from increased poundage	(100)
Pupil Equity reduced funding	92
Temporary Accommodation	(185)
Discretionary Housing Payment admin	(21)
Council tax reduction scheme	(675)
Building Warrant Income	32
1 plus 2 languages	(63)
Council tax reduction scheme admin	(10)
<b>Total</b>	<b>3,797</b>

## **7 BUDGET PROCESS**

- 7.1 CMT has previously provided political groups with an assessment of the reductions in budgets that would have to be made to balance the budget with an assumed 3 % reduction in grant and removal of the one-off funding provided late in the budget process for 2017/18. These savings involve some difficult choices for the Council and political groups have previously been advised to scrutinise and consider these carefully in proposing their budgets for 2018/19.
- 7.2 The actual 2018/19 grant settlement has however been less severe than projected, with the funding totalling £130m nationally in 2017/18 now baselined permanently within the revenue settlement. It is this unanticipated 1.5% benefit plus the baselining of one-off funding which has provided the revenue flexibility noted above. A further area of consideration however is the impact of the Settlement on the capital programme.

## **8 CAPITAL**

- 8.1 While the revenue settlement has been more generous than anticipated, the Council has seen an overall reduction in the level of resources available in capital in 2018/19. General capital grant has reduced next year by £1m

below the level of grant anticipated. The capital settlement assumption has also been affected by the decision to further delay repayment of £150m that was top sliced by Government from the local government capital grant in 2016/17. Re-payment of this grant had been assumed over two years starting in 2018/19. The settlement confirms that this repayment will not now take place till 2019/20, leaving a further £1.4m gap in assumed capital funding in 2018/19.

- 8.2 On a more positive note the capital element of the settlement confirms the continuation of the specific grant provided in previous years for cycling, walking and safer streets, with £0.156m provided for 2018/19, and a further £11.7m for the development of the Hawick flood protection scheme.

## **9 IMPLICATIONS**

### **9.1 Financial**

There are no additional financial implications associated with this report, its content referring specifically to the implications of the draft local government finance settlement 2018/19.

### **9.2 Risk and Mitigations**

- (a) The parliamentary process associated with the budget is not yet concluded. The process has commenced with a statement from the Finance Secretary and the publication of the settlement letter on 14 December 2017. The formal consultation process closes on 15 January 2018. Councils have been asked to respond to Ministers by 19 January 2018 indicating whether they accept the terms of the settlement. Thereafter, the parliamentary debate on the budget is scheduled to take place on 21 February 2018 with approval of the local government order scheduled for the 22nd of that month.
- (b) It should be noted that the SNP minority government will require the support of at least one further political party to approve their budget. It can be anticipated therefore that there may be a degree of movement in the budget figures as political negotiations continue. The Green Party has for example already indicated it would wish to see a further increase in the sums available to local government as a condition of their support.

### **9.3 Equalities**

There are no adverse equality implications arising from this report, its content being solely concerned with the proposed quantum of resources allocated to the Council through the grant distribution process. Equality impact assessments will be conducted on each specific budget proposals and be submitted as a report to inform the Council's budget debate in February 2018.

### **9.4 Acting Sustainably**

There are no economic, social or environmental effects arising directly from this report.

### **9.5 Carbon Management**

There are no direct effects on carbon emissions.

**9.6 Rural Proofing**

There are no implications that would compromise the Council’s rural proofing policy.

**9.7 Changes to Scheme of Administration or Scheme of Delegation**

There are no changes required to either the Scheme of Administration or the Scheme of Delegation.

**10 CONSULTATION**

10.1 The Corporate Management Team, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, and the Clerk to the Council have been consulted and any comments received have been incorporated into the final report.

**Approved by**

**David Robertson**  
**Chief Financial Officer**

**Signature .....**

**Author(s)**

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**Background Papers:**

**Previous Minute Reference:** N/A

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Suzy Douglas can also give information on other language translations as well as providing additional copies.

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