

## Update on Local Government Settlement – 31 January 2019

Following the Budget Bill Stage 1 debate in Parliament on the 31<sup>st</sup> January 2019, the Scottish Government announced a package of further measures covering local taxation and local government finance to further support the 2019/20 Local Government Finance Settlement. The package of measures announced follows a period of intense negotiation with the Green party and lobbying by COSLA. The package of measures are set out in a letter from the Cabinet Secretary for Finance to COSLA a copy of which is attached to this briefing. This includes an additional £90m for local government in Scotland in 2019/20 and a restatement of commitment that Scottish Government will fund the costs of ongoing teachers' pay negotiations in full.

**The Borders share of the additional £90m funding is £1.99m which reduces the 2.3% reduction in 2019/20 core revenue grant by 1%, to a reduction of 1.3%.**

This additional funding is accompanied by a range of other measures that the Cabinet Secretary for Finance is proposing to implement including:- an ability to vary council tax beyond 3% up to 4.79% in 2019/20; a move to multi-year financial settlements after 2019/20; and a review of accounting for loans charges. A number of these measures provide additional flexibility and some provide financial benefit to the budget as set out in the table below.

<b>Update on Local Government Settlement</b>	<b>Assumed SBC Financial Impact 2019/20 £'000</b>
To consult, in 2019, on the principles of a locally determined tourist tax, prior to introducing legislation to permit local authorities to introduce a <b>transient visitor levy</b> , if it is appropriate for local circumstances.	TBC
To support an agreed amendment from the Scottish Greens to the Transport (Scotland) Bill that would enable those local authorities who wish to use such a power, to introduce a <b>workplace parking levy</b> .	TBC
To devolve Non-Domestic Rates <b>Empty Property Relief</b> to local authorities in time for the next revaluation.	TBC
Support for the recommendation of the Commission on <b>Local Tax Reform</b> that the present council tax system must end. In order to make progress the Scottish Government will convene cross-party talks on its replacement with a view to publishing legislation, should cross-party agreement on a replacement be reached, by the end of this Parliament, with that legislation taken forward in the following Parliament.	
An <b>increase in the core resource</b> local government settlement of £90m.	£1.990m
Continue to provide an earmarked £160 million from the Scottish Government for H&SC investment to support social care and mental health services – including those under the direction of Integration Authorities– whilst, as part of this package, allowing local authorities the flexibility to offset their adult social care allocations to Integration Authorities in	0

2019-20 by 2.2% compared to 2018-19, i.e. by up to £50 million across all local authorities to help them manage their own budget.	
The approved IJB budget for 18/19 was £45.829m before the Health and Social Care fund is passed to the IJB in full. The flexibility provided by the Cabinet Secretary would allow the Council to reduce core funding up to 2.2% equating to £1.008m. The requirement to pass on the full share of £160m equating to £2.496m has been built into the budget. The IJB are also required to deliver ongoing efficiency savings of £1.02m in the draft budget.	
Provide local authorities with the flexibility to increase the Council tax by 3% in real terms, which equates to 4.79% next year. <b>SBC Council Tax set at 3% in December 2018. A further flexibility now exists to vary Council Tax by a further 1.79% equating to £1.020m.</b>	TBC
Bringing forward a three year funding settlement for local government from 2020-21 budget onwards.	0
Local authorities were assuming a shortfall of 33% in the funding for changes made by the UK Government to employer contributions for public sector pensions, including for Teacher pensions. Scottish Government analysis is that this shortfall is likely to be closer to 21%. This difference amounts to around £15 million for local authorities which they should no longer have to budget for.	0.265
There is an intention to bring forward as early as possible (early in the new financial year) changes to legislation which will allow Councils to vary loans fund repayments for advances made before 1 April 2016.	TBC
<b>Total current assumed financial impact on Scottish Borders Council</b>	<b>2.255m</b>

This funding will come to Local Authorities on an un-hypothesized basis for 2019/20 to be spent at local discretion.

The change above which requires us to budget less for teacher's pension increases (£0.265m) can be assumed permanently within the plan. There has, however, been no indication whether the increase in core resource (£1.990m) will be baselined within the local government settlement. It is therefore recommended that the Council plan for the funding on a one off basis pending further consideration.

Subject to the budget being approved the additional figures above will be added to the figures already notified in the Finance Circular.

The final budget debate will take place on 21st February with the finance order (which will include the updated Finance Circular) being laid in early March.