
2023/24 LOCAL GOVERNMENT FINANCE SETTLEMENT

Report by Acting Chief Financial Officer

SCOTTISH BORDERS COUNCIL

26 January 2023

1 PURPOSE AND SUMMARY

- 1.1 This report provides Scottish Borders Council with an analysis of the Local Government Finance Settlement for 2023/24, issued by Scottish Government on the 20th December 2022 and updated on the 10th January 2023.**
- 1.2 This Local Government Finance Circular (Appendix 1) provides details of the provisional total revenue and capital funding allocations for 2023/24. The funding allocations form the basis for the Council's budget for 2023/24 and annual consultation between the Scottish Government and COSLA ahead of the Local Government Finance (Scotland) Order 2023 being presented to the Scottish Parliament. This is currently scheduled for early February 2023.
- 1.3 Budget flexibilities identified in the settlement include no cap on Council Tax and a commitment to look at ring fenced funding by Scottish Government as part of a new partnership agreement with Local Government in Scotland.
- 1.4 The estimated financial implications of the settlement on the Council budget in 2023/24 is a small increase of £0.049m in the Capital settlement and a settlement of £257.765m for revenue which is required to fund core spend, a range of new policy priorities required by the Scottish Government as well as the ongoing impact of inflation. The settlement provides slightly more revenue resources than were anticipated totalling £1.5m when comparing base budget 2022/23 to base budget 2023/24 and adjusting for Scottish Government priorities funded within the settlement. The impact on Council budgets of inflation in 2023/24 is estimated at £8.7m, the additional £1.5m will help to partly offset the real terms reduction in the resources available. After applying this funding the reduction in the Council's spending power is £7.2m in real terms, this gap will have to be addressed as part of the Council's budget process. The meeting of Council to set the budget is scheduled for the 23rd February 2023.

2 RECOMMENDATIONS

- 2.1 It is recommended that Scottish Borders Council:**
 - (a) notes the officer interpretation of the Local Government Finance Settlement and associated financial implications for the Council; and**
 - (b) notes that a budget gap remains for 2023/24, with Officers and the Council's Budget Group continuing to consider options for presenting a balanced budget for Council approval on the 23rd February 2023.**

3 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 3.1 The Local Government Finance Circular (Appendix 1) was received on the 20th December 2022, with an updated circular provided on the 10th January 2023, and provides details of the provisional total revenue and capital funding allocations for 2023/24. The provisional total funding allocations form the basis for the Council's budget for 2023/24 and annual consultation between the Scottish Government and COSLA ahead of the Local Government Finance (Scotland) Order 2023 being presented to the Scottish Parliament. This is currently scheduled for early February 2023.
- 3.2 Budget flexibilities identified in the settlement include no cap on Council Tax and a commitment to look at ring fenced funding by Scottish Government as part of a new partnership agreement.

4 CAPITAL AND REVENUE BUDGET ALLOCATIONS

- 4.1 The settlement figures for Capital provide £826m nationally, a cash increase of £200.6m. This is largely accounted for, however, by the funding provided for the local government pay claim (where there is a requirement to switch capital for revenue under the agreement reached with COSLA) and the expansion of Free School Meals for P6/7. The Council has received a small increase in General Capital Grant of £49k and £3k more than expected in specific grant for the Cycling, Walking, Safer Streets project as shown below.

<u>2023/24 Draft Financial Plan</u>	<u>Pre- settlement assumption</u>	<u>Circular 11/2022 10/12/2022</u>	<u>Movement</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
General Capital Grant	11,061	11,110	49
Specific Funding (cycling, walking, safer streets (CWSS))	504	507	3
Hawick Flood Protection Scheme		7,847	
Total		19,464	52
Commitments:			
Recurring funding for pay (2022/23 pay claim)		2,571	
Expansion of Free School Meals for P6/7		1,949	
Additional specific funding		4,520	

Nature Restoration Fund and Play Park funding are outwith the settlement.

- 4.2 The revenue funding for Scotland is as follows, for next year the Scottish Government has announced total revenue funding of £12,405m, a cash increase of £498m on the previous year's total. From this funding Scottish Government has, however, identified a range of new commitments including pay funding, whole family wellbeing support, adult social care real living wage, funding for free personal and nursing care, and Free School Meals expansion. Scottish Government has also devolved empty property relief to Local Government, giving total new commitments to be funded from this money of £427m. This means the additional funding allocated to all Scottish Councils is £71m.

- 4.3 Turning to what this means for SBC, the national adjustments to funding will give a total of £257.765m next year, an increase of £16.2m. From this money the Council needs to fund £14.7m of new commitments. This leaves unallocated funding in the budget of £1.485m.

<u>2023/24 Draft Financial Plan</u>	<u>Base position</u>	<u>Circular</u> <u>11/2022</u> <u>10/01/202</u>	<u>Movement</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
NDR	35,294	37,818	2,524
Ring-fenced grants	15,017	14,106	- 911
RSG	192,199	205,841	13,642
Total	242,510	257,765	15,255
NDR & RSG additional funding			16,166
New SG policy commitments:			
Changes in quantum			(12,369)
New money			(2,312)
Total commitments to be funded			(14,681)
Contribution to the current gap			1,485

NB Variance excluding specific grants as the services need to operate within funding provided

- 4.4 The impact on Council budgets of inflation in 2023/24 is estimated at £8.7m, the additional £1.5m will help to partly offset the real terms reduction in the resources available. After applying this funding the reduction in the Council's spending power is £7.2m in real terms, this gap will have to be addressed as part of the Council's budget process. The meeting of Council to set the budget is scheduled for the 23rd February 2023.

5 IMPLICATIONS

5.1 Financial

There are no further financial implications other than the impact of the provisional Local Government Finance Settlement on the Council's 2023/24 budget.

5.2 Risk and Mitigations

The Local Government Finance Settlement is provisional until the Local Government Finance (Scotland) Order 2023 is presented to the Scottish Parliament. The Council will continue to work closely with COSLA to ensure any amendments and their implications are identified as quickly as possible through the 2023/24 financial planning process.

5.3 Integrated Impact Assessment

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

5.4 Sustainable Development Goals

There are no significant effects on the economy, community or environment.

5.5 Climate Change

No effect on carbon emissions are anticipated from the recommendation of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

5.8 Changes to Scheme of Administration or Scheme of Delegation

There are no changes to the Schemes of Administration or Delegation as a result of this report.

6 CONSULTATION

6.1 The Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications have been consulted on this report and any comments have been incorporated into this final report.

Approved by

Suzy Douglas
Acting Chief Financial Officer

Signature

Author(s)

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Background Papers:

Previous Minute Reference:

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