



Briefing 11-69 Scottish Government – Local Government Finance Settlement 2012-15

To: All Chief Executives, main contacts and Email contacts (Scotland)

c.c: All Chief Executives, main contacts England, Northern Ireland and Wales

- This APSE briefing summarises and presents information issued by the Scottish Government in relation to the Finance Settlement for the local government sector for the period 2012-15.
- Individual Councils have now been given their indicative budget figures for the next three years.

Introduction and key issues

The Scottish Government have published their Local government financial settlement for 2012/15 which will see the sector receive £31.4bn over the next three years. This settlement is “flat” in nature and does not recognise inflationary pressures, demand challenges and future policy decisions on pay. Discussions have taken place with the COSLA Leadership on a set of national priorities, however it is a matter for each Council to accept/reject their offer from the Scottish Government. However if rejected there are severe financial penalties. A handful of Councils will experience an increase in their settlements over the next three years, however 11 Councils in Scotland will experience decreases. The capital allocation for the sector will be £1.9bn. The Local government sector and in particular individual Councils will be tasked with making difficult decisions over the future of services as reductions in revenue funding takes hold. There will be a significant and increased emphasis placed on the delivery of cost-reduction strategies within the sector.

1. Background

1.1 The Scottish Government have now published their funding allocations for the local government sector for the period 2012 to 15. This follows on from the recent Spending Review for 2012/15 and the draft budget for 2012/13. The local government finance settlement details the respective allocations for all of Scotland’s Councils for the next three years up to 2015.

The funding allocations have been formulated in the context of the UK Government deficit reduction programme which sees the devolved Scottish Government lose 10% of its block grant over the next three years and a 37% reduction in its capital resources.

1.2 The Scottish Government have worked in partnership with the Convention of Scottish Local Authorities (COSLA) in establishing a number of joint priorities to guide the deployment of the financial settlement and these include:-

- Council Tax Freeze
- Maintain the number of Police Officers
- Maintain teacher numbers
- Protection of elderly people

1.3 As a result of the partnership working with COSLA the overall total package of support for local government amounts to £31.4bn over the next three years. With regards to capital resources local government will receive £1.9bn over the period.

1.4 It is up to each Council to accept their individual offer from the Scottish Government. If the offer is rejected their settlement will be reduced by 5.2%, this equates to an annual sum of £579m across the sector and is “made up” of a number of different elements.

2.0 Council Settlements

2.1 Revenue

Highlighted below is the respective settlement’s for Councils over the period 2012 – 2015. In total the local government sector will receive revenue funding totalling £31.4bn over the years this is a relatively flat line settlement and takes no account of inflation, service challenges/demands and other pressures such as pay measures.

Authority	2011-12 Revenue £m	2012-13 Revenue £m	2013-14 Revenue £m	2014-15 Revenue £m	2012-15 Revenue £m
Aberdeen City	360.397	365.674	366.914	369.379	1,101.967
Aberdeenshire	427.220	430.269	431.987	433.515	1,295.771
Angus	213.890	214.264	214.572	214.589	643.425
Argyll and Bute	221.592	224.016	222.092	220.332	666.440
Clackmannanshire	98.720	99.307	100.013	100.430	299.750
Dumfries and Galloway	315.730	315.630	314.840	314.609	945.079
Dundee City	317.705	316.396	318.037	318.224	952.657
East Ayrshire	237.647	236.572	237.240	237.167	710.979
East Dumbartonshire	190.390	191.185	190.899	190.999	573.083
East Lothian	176.223	176.684	177.424	178.298	532.406

East Renfrewshire	179.854	182.088	181.043	181.165	544.296
City of Edinburgh	793.302	818.726	818.648	819.615	2,456.989
Eilean Siar	111.898	110.372	109.236	108.172	327.780
Falkirk	291.713	293.867	295.633	296.515	886.015
Fife	669.441	673.765	677.284	679.965	2,031.014
Glasgow City	1,393.322	1,386.067	1,380.945	1,377.853	4,144.865
Highland	490.348	490.068	490.903	491.087	1,472.058
Inverclyde	181.474	181.007	179.884	178.812	539.703
Midlothian	158.145	158.621	159.157	159.202	476.980
Moray	164.833	167.356	166.941	167.129	501.426
North Ayrshire	283.010	282.751	282.230	281.699	846.680
North Lanarkshire	656.195	657.646	655.155	651.105	1,963.906
Orkney	72.312	71.519	71.647	71.789	214.955
Perth and Kinross	260.036	262.052	263.868	265.125	791.045
Renfrewshire	335.350	334.234	332.170	330.518	996.922
Scottish Borders	224.787	224.080	224.395	224.041	672.516
Shetland	93.370	92.401	91.488	90.549	274.438
South Ayrshire	211.306	211.559	211.968	212.423	635.950
South Lanarkshire	588.565	591.676	593.574	595.927	1,781.177
Stirling	177.940	178.164	177.725	177.540	533.429
West Dunbartonshire	208.029	208.209	206.271	204.449	618.929
West Lothian	318.045	321.514	323.556	325.367	970.437

2.2 The figures clearly estimate that a number of Councils will see a slight increase in their revenue settlements over the next three years, namely Edinburgh and Aberdeen City Councils. This is as a consequence of the new rule governing resource distribution which sees no Council receiving less than 85% of the average. However, a number of Councils will experience a reduction in their allocations namely East Ayrshire, Dumfries and Galloway, Highland, North Ayrshire and Scottish Borders. In total, 11 of Scotland's 32 Councils will receive less money from the Scottish Government.

3.0 Capital Allocations

3.1 The capital grant for the local government sector has also been determined and issued. The grant totalling £1.9bn will be deployed over a four year period as opposed to three year period.

Authority	2011-12 (a)	2012-13 (b)	2013-14 (c)	2014-15 (d)	2015-16 (e)	Total (f) Sum (a:e)	Average over 3 years (f/3)
Aberdeen City	19.364	15.780	14.591	22.229	3.142	55.742	18.581
Aberdeenshire	23.215	18.662	17.240	26.909	4.001	66.812	22.271
Angus	10.845	8.880	8.147	12.104	1.648	30.779	10.260
Argyll and Bute	12.182	9.496	8.747	13.278	1.859	33.380	11.127
Clackmannanshire	4.775	3.991	3.743	5.340	0.643	13.717	4.572
Dumfries and Galloway	16.472	13.239	12.207	18.835	2.761	47.042	15.681
Dundee City	15.47	12.919	12.170	17.627	2.343	45.059	15.020
East Ayrshire	8.594	7.007	6.521	9.930	1.415	24.873	8.291
East Dunbartonshire	7.835	6.424	6.003	8.881	1.202	22.510	7.503
East Lothian	8.824	7.236	6.719	10.011	1.353	25.319	8.440
East Renfrewshire	5.976	4.948	4.645	6.861	0.902	17.356	5.785
City of Edinburgh	42.637	34.590	31.966	48.714	7.037	122.307	40.769
Eilean Siar	7.949	6.412	5.777	8.334	1.057	21.580	7.193
Falkirk	11.432	9.253	8.598	13.087	1.831	32.769	10.923
Fife	28.185	22.673	20.981	32.647	4.839	81.140	27.047
Glasgow City	58.844	47.221	43.483	67.203	9.722	167.629	55.876
Highland	26.941	21.207	19.497	30.385	4.552	75.641	25.214
Inverclyde	7.829	6.164	5.392	7.896	1.012	20.464	6.821
Midlothian	7.878	7.074	5.918	8.790	1.188	22.970	7.657
Moray	9.165	8.194	6.856	10.265	1.396	26.711	8.904
North Ayrshire	11.549	9.371	8.696	13.175	1.893	33.135	11.045
North Lanarkshire	26.209	21.080	19.492	30.339	4.454	75.365	25.122
Orkney	5.743	4.695	4.369	6.194	0.744	16.002	5.334
Perth and Kinross	13.61	11.102	10.267	15.700	2.253	39.322	13.107
Renfrewshire	13.922	11.304	10.503	15.982	2.269	40.058	13.353
Scottish Borders	11.814	9.615	8.895	13.608	1.966	34.084	11.361
Shetland	5.915	4.821	4.481	6.417	0.777	16.496	5.499
South Ayrshire	9.557	7.798	7.255	10.886	1.504	27.443	9.148
South Lanarkshire	24.36	19.544	18.031	28.332	4.129	70.036	23.345
Stirling	8.397	6.947	6.450	9.599	1.307	24.303	8.101
West Dunbartonshire	7.764	6.353	5.938	8.813	1.181	22.285	7.428
West Lothian	13.139	10.672	9.894	15.109	2.167	37.842	12.614

4.0 APSE Comment and Conclusion

- 4.1 The UK budget deficit is continuing to grow despite the reduction plan, in addition expected revenue streams continue to be depressed by the current economic down turn. The Scottish Government's financial settlement would appear to be fair to local government however, no allowance has been made for inflation, wage costs and other demand pressures on services which are increasing given the austere economic conditions. The spend power of local Councils will clearly reduce over the period 2012/15.
- 4.2 It is clear that Councils will have difficult choices and decisions to make given the restrictions in the size of their financial envelopes.
- 4.3 The extent to which the approaches to traditional incremental change and narrowly targeted cost reduction can deliver sustainable solutions is a moot point! Many Councils in the UK local government sector are actively engaging in service redesign, cutting capital projects and planning on how to reduce spending by up to 40% in coming years. Efficiency plans in the Scottish local government sector may need to be re-evaluated to assess if they can deliver the required reductions. Councils may need to radically re-think their approach to efficiency and improvement and at the same time establish new service settlements with their communities.
- 4.4 APSE is acutely aware of the issues impacting on member Councils and fully recognises that moving from planning cost reductions to delivering actual savings is a difficult and complex process. Increasingly, Councils will need to:-
- Engage the front-line to reduce costs
 - Manage across organisational boundaries to cut costs
- 4.5 APSE has produced a range of material to help member Councils manage in these austere times including:-
- "Avoiding the road to nowhere- transforming front service delivery through efficiency and innovation"
- 4.6 In addition, APSE Performance Networks has a crucial role in supporting Councils in the search to deliver even greater value for money. Together with its competitiveness continuum model and APSE Solutions, a package of support is available for member Councils to draw upon.

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