



Briefing on ...

Council Finance Settlement 2011-12

Introduction

The Scottish Government has published the Local government finance settlement for 2011/12. This sets out the allocation of Scottish Government grants to each council. It is important because some 80% of council finance comes from this source and since the Council tax freeze policy was introduced, councils have very few alternative sources of finance. This is the provisional allocation although there is rarely any significant difference with the final order that is likely to be debated in Parliament in February 2011.

Contacts list:

Dave Watson

d.watson@unison.co.uk

@ The P&I Team
14 West Campbell St
Glasgow G26RX
Tel 0845 355 0845
Fax 0141-307 2572

Overall Approach

This allocation confirms the Scottish Government's overall approach to local government funding as set out in the Government's draft budget published last month.

The settlement means a cut of 5.5% in real terms. Councils are given a classic Hobson's choice. A cut of 2.6% (in cash terms) if they accept the Government's priorities, or a 6.4% cut if they don't. If any council wanted to bridge the gap with a Council Tax rise they would need an increase of between 15% and 18%. Not a realistic political prospect for any council. Council Leaders have been asked to write to the Cabinet Secretary for Finance by 21 December 2010 to say whether their Council agrees in principle to these terms. If any Council Leader replies to say that their Council does not so agree, the amount of the holdback for that council will be withdrawn from the overall local government settlement and redeployed by Scottish Ministers in the Budget Bill.

The Government's priorities that councils are being forced to implement include:

- A further year of the Council Tax freeze that supports wealthy homeowners at the expense of those who rely most on council services. They are faced with increasing charges or service cuts to pay for this real terms tax cut.
- Maintaining 1000 additional police officers at the expense of police civilian staffs. To meet this target police officers are being backfilled into civilian roles that they are often not qualified to do and at greater cost.
- Several targets on recruitment of teachers but no similar commitment to other classroom staff who are being cut.
- The current Single Outcome Agreements despite the cut in funding.

Individual Council Allocations

The cuts are not evenly spread amongst councils as can be seen from Annex F of the circular. They are allocated in accordance with a formula that is not changing this year. This means the cuts vary from 1.58% in East Lothian to 4.5% in Edinburgh. In general, commuter areas where the population is rising have done better than the cities.

The actual financial impact on local services will be greater than this allocation implies. Councils are already planning budget cuts and job losses over and above this grant settlement due to higher inflation, reducing income, rebuilding balances and demand for services in a recession.

INDIVIDUAL REVENUE ALLOCATIONS FOR 2011-12

Emillion	EXPENDITURE					FUNDING				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Updated Service Provision	SR07 and SR10 Net Extra Funding	Loan Charges/ PPP/LPFS	Floor	Total Estimated Expenditure	Assumed Council Tax contribution	Ring-fenced Grants	Non-Domestic Rates	General Revenue Funding	Total
Aberdeen City	385.614	32.248	26.437	-1.134	443.164	81.794	23.697	160.578	177.095	361.370
Aberdeenshire	459.172	38.151	26.643	-1.398	522.568	95.580	17.143	68.308	341.537	426.988
Angus	220.820	18.353	14.870	-0.689	253.353	39.861	9.170	23.267	181.055	213.492
Argyll & Bute	208.313	17.914	30.389	-0.692	255.923	35.864	9.617	25.447	184.995	220.059
Clackmannanshire	102.036	8.188	6.565	-0.302	116.487	17.767	3.834	12.219	82.667	98.720
Dumfries & Galloway	321.454	26.002	23.196	-1.001	369.651	54.770	14.211	38.285	262.385	314.881
Dundee City	315.168	24.897	23.108	-0.985	362.187	44.980	17.075	60.992	239.140	317.207
East Ayrshire	242.586	19.802	15.006	-0.745	276.649	39.127	10.187	25.185	202.150	237.522
East Dunbartonshire	205.697	16.509	11.797	-0.592	233.411	42.986	6.735	20.239	163.451	190.425
East Lothian	183.869	16.345	14.461	-0.563	214.111	38.412	7.257	19.217	149.225	175.699
East Renfrewshire	185.596	14.807	16.152	-0.576	215.979	36.325	5.242	11.913	162.499	179.654
Edinburgh, City of	839.210	70.493	67.842	1.134	978.679	187.803	47.955	295.874	447.047	790.876
Eilean Siar	79.879	6.510	17.363	15.600	119.352	9.065	3.423	5.951	100.913	110.287
Falkirk	297.441	23.878	24.798	-0.932	345.185	52.692	13.666	55.226	223.601	292.493
Fife	696.547	57.776	42.983	-2.172	795.134	126.079	30.606	134.294	504.155	669.055
Glasgow City	1341.488	110.627	142.131	-4.327	1589.919	198.062	86.294	301.549	1004.014	1391.857
Highland	491.962	40.493	44.812	-1.573	575.694	86.225	21.887	94.870	372.712	489.469
Inverclyde	178.400	14.300	14.867	0.208	207.775	26.056	8.494	18.602	154.623	181.719
Midlothian	161.567	13.681	12.052	-0.504	186.795	28.974	7.018	23.131	127.672	157.821
Moray	169.660	14.294	11.735	-0.544	195.145	30.382	8.264	26.911	129.588	164.763
North Ayrshire	288.113	23.092	19.434	-0.881	329.758	46.777	12.123	32.908	237.950	282.981
North Lanarkshire	664.354	53.399	42.232	-2.068	757.917	106.041	27.595	96.249	528.032	651.876
Orkney	66.229	5.060	8.302	-0.244	79.346	7.144	1.438	7.681	63.083	72.202
Perth & Kinross	278.552	23.420	16.897	-0.827	318.041	57.715	11.702	45.046	203.578	260.326
Renfrewshire	347.862	28.554	12.243	8.394	397.053	62.083	16.437	84.788	233.745	334.970
Scottish Borders	229.292	19.599	18.381	-0.012	267.259	42.691	10.156	23.822	190.590	224.568
Shetland	81.423	6.283	13.524	0.767	101.997	7.467	2.921	14.232	77.377	94.530
South Ayrshire	224.073	18.584	13.029	-0.666	255.020	43.579	9.073	34.651	167.717	211.441
South Lanarkshire	613.654	49.773	39.047	-1.883	700.592	108.862	25.421	242.692	323.617	591.730
Stirling	182.314	15.047	14.860	-0.353	211.868	33.782	8.500	31.723	137.863	178.086
West Dunbartonshire	207.282	16.823	13.476	0.587	238.168	31.403	10.661	65.630	130.474	206.765
West Lothian	329.995	28.008	17.328	-1.024	374.307	56.752	14.984	69.020	233.551	317.555
Scotland	10599.622	872.908	815.959	0.000	12288.489	1877.100	502.786	2170.500	7738.103	10411.389

UNISON Scotland response

UNISON Scotland's response to the financial settlement is to highlight the damage these cuts will have on essential services and the local economy. It also heralds a return to ring fencing and a major attack on local democracy. Councils are being turned into the administrative arm of central government.

The main Scottish Government priority is the Council Tax freeze. This undermines local democracy and the shortfall is increasingly being made up by charges for services. This disproportionately hits low income households who rely on council services, yet it is the wealthiest who gain most from this real terms tax cut.

Action for branches

Local government branches will wish to identify the allocations for their council from the tables attached to the circular and reflect this data in budget discussions with councils. Our general approach is to call on councils to protect services by setting a needs based budget rather than simply implementing government cuts. They should also publish local economic impact assessments that show the effect of cuts on the local economy. They are also required by law to undertake Equality Impact Assessments.

Further briefings and campaign materials on council budgets will be circulated to branches in the New Year.

Further information

The Scottish Government circular setting out the allocations in detail can be viewed at:

<http://www.scotland.gov.uk/Resource/Doc/1070/0109280.pdf>

Other UNISON briefings at: <http://www.unison-scotland.org.uk/publicworks/index.html>