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.

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Council Leader replies to say that their Council does not so agree, the amount of the holdback for that council will be withdrawn from the overall local government settlement and redeployed by Scottish Ministers in the Budget Bill.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.
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