

Scottish Government's Draft Budget 2011-12

Budget Briefing 2

LOCAL GOVERNMENT SETTLEMENT

The local government settlement comprises funding allocations included not only in the Local Government budget line itself but also those local government-related allocations included in other departmental budget lines (eg, in Justice and Rural Affairs & the Environment).

The following highlights some key issues arising from the Scottish Government's local government settlement and, unless otherwise stated, all figures are in cash terms.

- As Table 1 illustrates, local government's fortunes vary depending on how the allocation is measured. Based on both a total managed expenditure (TME) and total DEL basis (Lines 6 & 9 respectively) the cash reduction is -3.7%. This compares to an all Scotland TME reduction (Line 14) of -3.2% and a Scottish total DEL reduction (Line 12) of -4.2%. This means it can be plausibly argued that the local government settlement is both better and worse than the Scottish average.
- Local government capital support falls by -18% (Line 3) next year compared to a Scottish average of -20.8% (Line 11). If, however, the £100 million under spend in 2010-11 that is being carried forward into 2011-12 is excluded in 2011-12, this Scottish average DEL capital reduction is actually -23.6%.
- Local government's overall share of the total Scottish budget as measured by TME has fallen marginally between 2010-11 and 2011-12, ie, from 34.5% to 34.3% (Line 16). Had they retained their 2010-11 share, local authorities between them could have expected to receive an additional £52.5 million in their 2011-12 settlement (Line 18).
- If the £100 million carry forward is excluded from the 2011-12 settlement then the LG share of Scottish TME in 2011-12 rises to 34.45% (Line 19). This means the LG settlement would have been £34.5 million higher (Line 20). However, the relevance of this "larger share" for 2011-12 is misleading as first, the £100

million is being carried forward to be spent in 2011-12 and secondly, LG's share of the revised 2010-11 total TME (ie, excluding the £100 million) is 34.6%. For this reason LG's share including the £100 million is the relevant measure.

- If local authorities choose to forego the council tax freeze support of £70 million and do not accept their share of the commitments agreed between COSLA and the Scottish Government, the local government's DEL resource budget would be cut by a further -£426 million ie, the difference between a reduction of -2.6% (Line 7) and a reduction of -6.4%. This -6.4% is the average resource DEL cut being delivered across all other, non-protected resource budgets for 2011-12. It is not possible to verify this estimate from the published data provided in the Scottish budget documents.

Given the size and complexity of the Scottish Government's budget, it is not too surprising that the £s and % changes quoted can and will be open to interpretation. However, as the above analysis highlights, to reach a definitive conclusion on the relative merits of the local government settlement from this 2011-12 Draft Budget, a clear statement on what basis such a statement is being made is essential.

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Scottish Government Draft Budget 2011-12: Local Government settlement, £ million

	2010-11 cash	2011-12 cash	2011-12 real	£cash	change %cash	£real	%real	
<u>Draft Budget (DB) Table 14.01</u>								
1	General Resource Grant	8,742.3	8,354.7	8,198.9	-387.6	-4.4%	-543.4	-6.2%
2	NDR and other AME	2,076.3	2,179.5	2,138.9	103.2	5.0%	62.6	3.0%
3	Support for Capital	843.2	691.8	678.9	-151.4	-18.0%	-164.3	-19.5%
4	Total LG Portfolio	11,661.8	11,226.0	11,016.7	-435.8	-3.7%	-654.1	-5.5%
5	Other LG in other Portfolios	324.5	322.0	316.0	-2.5	-0.8%	-8.5	-2.6%
6	Total support for local authorities (ie, LG TME)	11,986.3	11,548.0	11,332.7	-438.3	-3.7%	-653.6	-5.5%
<u>DEL estimates based on DB Table 14.01</u>								
7	LG DEL Resource ^a (Line 6 minus Line 3)	11,143.1	10,856.2	10,653.8	-286.9	-2.6%	-489.3	-4.4%
8	LG DEL Capital (Line 3)	843.2	691.8	678.9	-151.4	-18.0%	-164.3	-19.5%
9	LG TOTAL DEL (ie, Line 6)	11,986.3	11,548.0	11,332.7	-438.3	-3.7%	-653.6	-5.5%
<u>DB Table 5.01 - Scottish DEL, AME & TME</u>								
10	Resource DEL	25,931.6	25,400.6	24,927.0	-531.0	-2.0%	-1,004.6	-3.9%
11	Capital DEL	3,292.9	2,606.6	2,558.0	-686.3	-20.8% ^b	-734.9	-22.3
12	Total DEL	29,224.5	28,007.2	27,485.0	-1,217.3	-4.2% ^c	-1,739.5	-6.0%
13	AME	5,513.2	5,612.4	5,507.8	99.2	1.8%	-5.4	-0.1%
14	TME ^d	34,737.7	33,619.6	32,992.8	-1,118.1	-3.2%	-1,744.9	-5.0%
15	TME Ex Local Government	22,751.4	22,017.6	21,660.1	-679.8	-3.0%	-1,091.3	-4.8%
16	LG share of Scottish TME	34.51%	34.35%	34.35%				
17	LG Settlement if share as 2010-11 (ie, 34.51%)		11,600.5	11,384.2				
18	Reduction in LG Settlement due to lower %		-52.5	-51.5				
19	LG share if £100m carryforward not included		34.45%	34.45%				
20	Reduction in LG Settlement assuming 34.45%		-34.5	-33.8				

^a This LG DEL Resource estimate assumes (i) the "Other LG in other Portfolios" (ie, Line 5) is all classified as DEL Resource and (ii) the Non-domestic rates of £2,179.5 million that is formally classified as AME is assumed to be LG DEL Resource funding; ^b If the £100 million carry forward from 201-11 to 2011-12 is excluded, this reduction rises to -23.9%; ^c The SG estimates Total Scottish DEL falls by is -4.5%, the difference being the £100 million carry forward un-spent capital from 2001-12 into 2011-12; ^d The 2011-12 Scottish TME figure is boosted by the carried forward un-spent £100 million in 2010-11; Shaded figures are those quoted by the Cabinet Secretary in the Budget statement.