

To: POLICY AND RESOURCES (FINANCE & CUSTOMER SERVICES) SUBCOMMITTEE		Subject: SCOTLAND'S DRAFT BUDGET 2014-15
From: EXECUTIVE DIRECTOR OF FINANCE AND CUSTOMER SERVICES		
Date: 13 November 2013	Ref: AC/EK/EB	

1. Purpose of Report

1.1. This report updates Committee on the announcement by the Cabinet Secretary for Finance and Sustainable Growth of the Scottish Government's Draft Budget for 2014-15 and indicative spending plans for 2015-16.

2. Background

2.1. The UK Government announced the outcomes of its Spending Review in June 2013, confirming the budget totals for 2014-15, the final year of the current spending round period, and setting out budget totals for 2015-16.

2.2. Following the Spending Review, the Scottish Government set out its spending plans for 2014-15 as well as projected plans for 2015-16. The broad aims of the Budget are to boost investment, create jobs and increase household income.

3. Scottish Draft Budget

3.1. Overall, the funding provided to the Scottish Government by the UK Treasury will decrease by 1.3% in real terms in 2014-15 to £27.8bn and a further 1.9% to £27.3bn in 2015-16.

3.2. The Scottish Government stated in September's Draft Budget announcement that the budget allocated from the UK Government has reduced by 10.9% in real terms between 2010-11 and 2015-16 and that further cuts are expected until at least 2017/18.

3.3. Plans for local government in Scotland as a whole are included within the Draft Budget. Details of the allocation of grant funding for individual councils will be published in the Local Government Finance Settlement in early December.

4. Local Government Budget Element

4.1. In 2014-15, the Scottish Government will provide a total baseline package of resource and capital funding of £10.531bn to local government. The indicative package for 2015-16 totals £10.608bn.

4.2. The Budget has changed from the indicative funding announced in September 2012 for 2014-15. The changes to funding are listed below:

- Funding of £320m has been received from the DWP to facilitate the Council Tax Reduction Scheme, a reduction of £8m from 2013-14.
- £50m is made available to support the Children and Young People Bill
- Funding of £4.5m for 2014-15 is available for free personal and nursing care, rising to £6m in 2015-16

4.3. £2.5m has been added to support care home fees and funding of £0.4m is available to cover residual police costs. As in previous years, the settlement is contingent on the delivery of specific commitments for both 2014-15 and 2015-16, namely a council tax

freeze, maintaining teacher numbers in line with pupil numbers and securing places for all probationers who require one under the teacher induction scheme. Failure to deliver on these commitments will result in councils not receiving their share of £109m. The Council's share is estimated at £6.5m.

- 4.4. The maintenance of a flat cash position for 2014-15 and 2015-16 continues the recent trend of not recognising the real inflationary impact and demographic pressures upon local authorities.

5. Capital Investment

- 5.1. The Local Government capital budget for 2014-15 totals £773.2m, an increase of £221m from 2013-14. This includes £30m to facilitate capital work resulting from the Children and Young People Bill and a transfer of £20.2m to the Rural Affairs portfolio as part of the Local Government contribution to next generation broadband.
- 5.2. Capital funding has been subject to an increase in 2014-15 due to re-profiling of the capital settlement. Reductions of funding of £120m and £100m were made in 2012-13 and 2013-14 respectively, offset by a corresponding increase of £120m and £100m in 2014-15 and 2015-16. The local government capital budget for 2015-16 totals £817.3m.
- 5.3. Specific capital funding is available in 2014-15 for Vacant and Derelict Land Fund (£11m) and Cycling Walking and Safer Routes (£8.2m). In 2013-14, the Council received 20.8% and 6.85% of this funding.
- 5.4. Scotland's new borrowing powers, which come into effect from April 2015, will enable the Government to borrow up to 10 per cent of the capital budget in any one year. The Government plans to borrow the full amount of £296m in 2015-16 in order to maximise investment in infrastructure. It is as yet unclear the projects which will be allocated funding as a result of new borrowing powers.

6. Welfare Reform

- 6.1. It has been confirmed that the Scottish Welfare Fund will continue into 2014-15 and 2015-16.
- 6.2. Following the UK review of Council tax benefit, there is a 10% (£40m) gap in funding for successor arrangements. It is expected that local authorities continue to have to fund £17m of this gap from their own resources in 2014/15.

7. Other Announcements

- 7.1. The integration of health and social care continues to be a key part of the Scottish Government's reform agenda. To support this £100 million will be available to be allocated via NHS Boards in 2015-16 to help drive the shift towards prevention.
- 7.2. The Government announced the allocations of funding for the Affordable Housing Supply Programme. In 2015-16, it is anticipated the Council will receive £15.1m of the £300m national funding available
- 7.3. A pay cap of 1% for 2014-15 and 2015-16 will apply to public sector workers directly controlled by the Scottish Government ie civil servants, NHS managers and Quango staff. This applies to staff earning over £21k.

8. Recommendations

- 8.1. Committee are asked to note:
- a) the publication of the Draft Scottish Budget for 2014-15 and indicative spending plans for 2015-16;
 - b) that details of grant funding for individual councils will be published in early December.



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