

In conjunction with:



7<sup>th</sup> December 2007

Briefing No. 4

***THE SCOTTISH GOVERNMENT'S BUDGET 2007: THE LOCAL GOVERNMENT SETTLEMENT***

**Key Messages**

- **How can the settlement be adequately assessed when the details necessary to do so are not available for public scrutiny?**
- **The Budget reallocation exercise masks 2007-08 baseline adjustments. How can we confirm winners and losers in the recent Budget exercise without having a clear understanding of the appropriate 2007-08 baselines?**
- **How can we be assured the additional funding settlement is adequate when we do not know the real cost of the reallocated services to local government?**

**Introduction**

The Scottish Government's 2007 budget signalled a significant reallocation of responsibilities and funding from the direct control of the Scottish Government to Scotland's local authorities. The settlement increases local government spending by 1.6% pa in real terms between 2007-08 and 2010-11<sup>1</sup>. Whilst this is above the average for the whole of Scotland's public spending (ie, 1.5% pa in real terms) the supporting documents make it extremely difficult to allow an assessment of how this reallocation has affected the 2007-08 baseline of the transferring budget lines. Without such an understanding it is not possible to confirm who the winners and loser are in the 2007 Budget and whether or not the local government settlement is adequate for all they are now being asked to deliver. This final CPPR briefing on the Scottish Budget 2007 aims to untangle what is possible from the evidence provided.

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<sup>1</sup> See [www.cppr.ac.uk/media/media\\_54044\\_en.pdf](http://www.cppr.ac.uk/media/media_54044_en.pdf)

## Who contributes to Local Government settlement?

Table 1 provides the CPPR estimate for the value of the reallocated funds to local government (column B). This is estimated to be around £2.6 billion<sup>2</sup> and is based on the budget items included in Table 17 of the Scottish Budget document<sup>3</sup>, using the relevant values from the Scottish Executive's Draft Budget 2007-08<sup>4</sup>. The Scottish Government / COSLA concordat indicates the value is £2.7 billion<sup>5</sup>. However, there is no break down of what data set they used to derive this value. For example, has it been based on the values in the Draft Budget 2007-08 which is what we understand to be the starting point for the Scottish Budget 2007 exercise? Alternatively, are the values based on the Autumn Budget Revision<sup>6</sup> which reflects the most up to date position on spending intentions or on any other set of values?

**Table 1: Impact of reallocation of funds to Local Government on 2007-08 DEL baselines**

£ million (nominal prices)	Scottish Government 2007 Budget	Funds reallocated to Local government	Restated 2007-08 baseline	Draft Budget (Sep 2006) 2007-08 baseline	Increase / (reduction) in 2007-08 baseline
	A	B	C = A + B	D	E = C - D
Health & Wellbeing	10,766.5	770.4	11,536.9	11,601.0	-64.1
Finance & Sustainable Growth	2,671.5	472.6	3,144.1	3,107.7	36.4
Education & Lifelong Learning	2,357.6	573.1	2,930.7	2,940.0	-9.3
Justice	975.5	597.4	1,572.9	1,673.6	-100.7
Rural Affairs & the Environment	445.6	182.9	628.5	648.9	-20.4
Local Government	8,783.9	-2,596.4	6,187.5	5,979.4*	208.1
Office of the First Minister	257.3	0	257.3	255.4	1.9
Administration	241.4	0	241.4	241.4	0
SPCB & Audit Scotland	106.9	0	106.9	106.9	0
Crown Office & Procurator Fiscal Service	100.8	0	100.8	100.8	0
Forestry Commission	84.0	0	84.0	83.3	0.7
Food Standards Agency	10.4	0	10.4	10.8	-0.4
General Register Office for Scotland	10.3	0	10.3	10.8	-0.5
National Archives of Scotland	9.0	0	9.0	9.0	0
Office of the Scottish Charity Regulator	3.6	0	3.6	3.6	0
<b>Totals</b>	<b>26,824.3</b>	<b>0</b>	<b>26,824.3</b>	<b>26,772.6</b>	<b>51.7</b>

\* The value for the local government portfolio has been derived by deducting from the total DEL the DEL for each of the remaining portfolios.

<sup>2</sup> As Tables 3 and 4 highlight, we have identified a value for each reallocated budget line. In some instances this may be an over-estimate of what has been reallocated but for other budget lines no value is readily available.

<sup>3</sup> The Scottish Government, Scottish Budget Spending Review 2007

<sup>4</sup> Scottish Executive, Draft Budget 2007-08, September 2006

[www.scotland.gov.uk/Publications/2006/09/05131713/0](http://www.scotland.gov.uk/Publications/2006/09/05131713/0)

<sup>5</sup> See [www.scotland.gov.uk/Resource/Doc/923/0054147.pdf](http://www.scotland.gov.uk/Resource/Doc/923/0054147.pdf)

<sup>6</sup> The Scottish Government, Autumn Budget Revision, October 2007

[www.scotland.gov.uk/Publications/2007/10/24091936/19](http://www.scotland.gov.uk/Publications/2007/10/24091936/19). The Spring Budget Revision (ie, spring 2008) is likely to lead to a further adjustment in what is actually spent on these services in 2007-08.

Using the Draft Budget 2007-08 values suggests Health & Wellbeing are the biggest contributor at £770 million, Education and Lifelong Learning transfers £573 million, Justice £597 million, Finance and Sustainable Growth £473 million and Rural Affairs & the Environment £183 million.

With this we can also assess to what extent the Scottish Budget leads to an increase or reduction in any of the 2007-08 baselines. To do so we add back the reallocated monies (column B) to the Scottish Budget figures (column A) to derive the restated 2007-08 baseline values, shown in column C (ie, the budget position assuming no reallocation to local government had occurred). We then compare this with the old 2007-08 position (ie, Draft Budget 2007-08 allocated under the old Administration and reported in column D).

Assuming these reallocations are correct then the following can be concluded from Table 1:

- Between September 2006 and the 2007 Budget announcement, Scotland's 2007-08 total Departmental Expenditure Limits (DEL) rose over £50 million, up from £26,773 million to £26,824 million.
- Within this total local government received an additional £208 million in 2007-08 (as represented by the local government figure in column E). This is equivalent to a 3.5% increase in their total settlement over the September 2006 baseline position.
- As a consequence, a number of departments experienced budget reductions even though the Budget 2007 settlement suggests most received a real terms increase in spending<sup>7</sup> between 2007-08 and 2010-11. Justice experienced a reduction of £100 million over the September 2006 baseline position (ie, a reduction of 6%), Health & Wellbeing fell £64 million (down 0.6%), Rural Affairs and the Environment has been cut £20 million (down 3%) whilst Education and Lifelong Learning has been reduced by £9 million (a fall of 0.3%). In addition to Local Government receiving an overall increase over its September 2006 baseline Finance and Sustainable Growth also benefited by £36 million (up 1.2%).

It is not possible to say how these budget reductions will affect service levels within the affected departments as to do so requires clarification on, for example, whether an apparent cut was due to the department being unable to spend all of its original 2007-08 allocation. Nonetheless, this simply reinforces the need for far greater clarity on what funding has actually been reallocated to Local Government. Without this it is not possible to confirm who the real winners and losers are in the Scottish Government's 2007 Budget.

### **How good is this Local Government uplift?**

Whilst our analysis suggests Local Government has benefited substantially from this 2007 Budget, further analysis helps assess just how beneficial it has been. Table 2 provides an estimate of how much extra Scotland's local authorities will have to spend as a result of this new settlement assuming first, the £2.6 billion received for the delivery of reallocated activities increases by the average uplift for Local Government as a whole (line 2) and secondly, the value of the council tax foregone is excluded (line 5).

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<sup>7</sup> See CPPR Briefing No 2 [www.cppr.ac.uk/media/media\\_54044\\_en.pdf](http://www.cppr.ac.uk/media/media_54044_en.pdf)

**Table 2: Analysis of the Local Government Settlement**

£ million (nominal prices)	2007-08	2008-09	2009-10	2010-11
1 Total Settlement in 2007 Budget	8,783.9	9,166.5	9,573.3	9,970.6
2 Total value of reallocated activities – CPPR estimate*	2,596.4	2,709.2	2,826.8	2,949.6
3 Funding available for all other priorities	6,187.5	6,457.3	6,746.5	7,021.0
4 Incremental funding for all other priorities		269.8	289.1	274.5
5 Value of council tax freeze @ 3% per annum**		67.0	71.0	74.0
6 Net additional incremental funding		202.8	218.1	200.5
7 Net additional incremental funding (2007-08 prices)		197.5	206.8	185.1

\*The 2007-08 estimate has been inflated by 4.3% per annum for each of the years 2008-09 to 2010-11 (ie, 2.7% pa for general inflation plus 1.6%pa, the real growth increase in the 2007 Budget settlement for the whole of local government).

\*\* This 3% per annum increase in the 2007-08 council tax is based on the likely estimate used in the recent SPICe briefing to the Local government and Communities Committee, 07/60, November 2007.

What this suggests is that had Scotland's local authorities increased council tax bills by 3%, then the total additional settlement (ie, after excluding the reallocated activities) is worth £203 million in 2008-09 (line 6). The table also provides an insight into why there may be doubt as to the longevity of any council tax freeze obligation. By the end of the review period, 2010-11, the value of the additional funding is eroded to £185 million (2007-08 prices), a real terms fall of 6.3% between 2008-09 and 2010-11. If we used the £2.7 billion value quoted in the Scottish Government / COSLA concordat the net additional funding available to Scotland's local authorities would be £193m/£202m/£180m (2007-08 prices), or a 6.7% real terms fall between 2008-09 and 2010-11.

## Conclusions

The local government settlement is a substantial departure from recent Scottish Budgets and whilst greater local responsibility and accountability may be desirable, it nonetheless raises questions on how the Scottish Government's growth targets can be assured having ceded greater levels of responsibility for many more activities to Scotland's local authorities. Critical will be the single outcome agreements and how robustly they are defined, monitored and sanctions for non-delivery imposed.

Of more immediate interest is how can the Scottish Government assure both the council tax payers as well as Scotland's public sector service users that the settlement is a good deal when the detail necessary to make an informed judgement is largely missing for independent scrutiny? The CPPR estimates are just that, estimates. Whilst the most recent release of additional information from the Cabinet Secretary is helpful, the lack of transparency on some of the key data means CPPR cannot establish exactly the benefits of this Budget settlement to Scotland's local authorities, its council tax payers or its service users or establish where services levels are dependent on the delivery of significant efficiency savings.

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**Table 3: Budget reallocations to Local Government**

<b>Scottish Budget Spending Review Items</b>	<b>Draft Budget 2007-08 items</b>	<b>Draft Budget 2007-08</b>
<b>Health &amp; Wellbeing</b>		
Delayed Discharge	Delayed Discharge	29,100
Hostels Grant	Glasgow Hostels	5,000
Mental Health	Mental Wellbeing	6,283
Transfer of the Management of Development Funding	Affordable Housing Investment Programme	85,972 <sup>a</sup>
Private Sector Housing Grant	Modernising Private Sector Housing	93,500
Homelessness Task Force/Furniture Grant	Tackling & Preventing Homelessness	39,242
Resource/Glasgow Hostels Decommissioning		
Supporting People Grant (DEL)	Supporting People	383,606
Community Regeneration Fund	Community Regeneration Fund	112,685
Vacant & Derelict Land	Vacant & Derelict Land	0
Working for Families	Working for Families Fund	15,000
		<u>770,388<sup>b</sup></u>
<b>Justice</b>		
Police	Police Current Grant	541,421
Police Capital Grant	Police LA Capital	31,415
Fire Capital Grant	Fire LA Capital	24,600
		<u>597,436</u>
<b>Education &amp; Lifelong Learning</b>		
Schools Fund	Schools	99,275
Teacher Induction Fund	Teachers	100,840
Early Years & Childcare Workforce Development Fund	Early education & childcare	16,024
Educational Attainment for Looked After Children	Looked after children & Youth work	13,300
Social Work Training	Social work services policy	33,915
National Priorities Action Fund	National Priorities Action Fund	204,776
Specialist Programme Provision – Centres of Excellence	Centres of excellence	5,000
School Estate/PPP	School Buildings/PPP	100,000
		<u>573,130</u>
<b>Finance &amp; Sustainable Growth</b>		
Cities Growth Fund	Cities Growth Fund	42,025
Supported Borrowing	Supported Borrowing	305,156
Efficiency Reform Fund	Efficiency & Reform Fund	26,269
Piers & Harbour Grant	Piers & Harbour Grant	7,500
Public Transport Fund & Integrated Transport Fund	Integrated Transport Fund	69,629
Cycling, Walking & Safer Routes	Cycling and Walking & Safer Routes	15,500
Bus Route Development Grant	Bus Route Development Fund	6,500
		<u>472,579</u>
<b>Rural Affairs &amp; the Environment</b>		
Strategic Waste Fund	Strategic Waste Fund	132,633
Flood Prevention & Coast Protection Grant	Flood Prevention & Coast Protection	43,647
Antisocial Behaviour Noise Grant Scheme/Air Quality Monitoring	Noise & Air Quality Action	6,600
		<u>182,880</u>
<b>TOTAL</b>		<u><b>2,596,413</b></u>

<sup>a</sup> Some funding for the Affordable Housing Investment Programme is included in the Scottish Budget Spending Review 2007. This has therefore been subtracted to obtain an estimate for the reallocated figure. See also Table 3 below for the items for which a value could not readily be identified.

<sup>b</sup> Figure differs from corresponding figure in Scottish Economic Strategy Briefing ([www.cppr.ac.uk/media/media\\_55715\\_en.pdf](http://www.cppr.ac.uk/media/media_55715_en.pdf)) due to removal of Housing Support Grant as this is classified as AME and not DEL.

Source: Table 17 Scottish Budget Spending Review 2007, Scottish Executive Draft Budget 2007-08,

#### **Table 4: Items for which a value could not readily be identified in Draft Budget 2007-08**

##### **Health & Wellbeing**

Community Voices Programme (on behalf of Community Planning Partnerships)  
Assistance to Owners affected by Glasgow Stock Transfer  
Children's Services – Women's Aid Fund  
Private Landlord Registration  
Violence Against Women Fund  
National Accommodation for Sex Offenders

##### **Justice**

Criminal Justice Social Work

##### **Education & Lifelong Learning**

European Languages Grant  
Changing Children Services Fund  
Teacher Induction Fund  
Children's Legal Representation Grant Scheme  
Improving Foster Services  
Adoption

##### **Finance & Sustainable Growth**

Demand Responsive Transport Grant  
Rural Public Passenger Grant  
School Travel Coordinators

##### **Rural Affairs & the Environment**

Contaminated Land Grant

*Source: Table 17 Scottish Budget Spending Review 2007*