



COUNCIL EXECUTIVE

SCOTTISH DRAFT BUDGET 2019 AND LOCAL GOVERNMENT FINANCE SETTLEMENT 2019/20

REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES

A. PURPOSE OF REPORT

To provide the Council Executive with an update in relation to the Scottish Draft Budget presented to the Scottish Parliament on 12 December 2018, and the local government finance settlement for 2019/20, as published in Finance Circular 8/2018 dated 17 December 2017.

B. RECOMMENDATION

It is recommended that Council Executive:

1. Notes the issue of the Scottish Draft Budget 2019/20, which includes Scottish Government departmental spending plans for 2019/20;
2. Notes the outcome of the provisional local government finance settlement in respect of revenue and capital funding for 2019/20;
3. Notes that the revenue grant funding for West Lothian contained in the settlement, including assumed recurring items yet to be distributed, of £322.862 million reflects an increase of £4.692 million compared to 2018/19 funding, however it includes £9.462 million of revenue funding directly relating to new Scottish Government spending commitments, meaning that the council has a reduction in core revenue funding of £4.770 million in 2019/20;
4. Notes the general capital grant of £17.615 million, £296,000 for Cycling, Walking and Safer Streets and £4.8 million in capital funding for early learning and childcare in 2019/20;
5. Notes that the revenue grant funding package set out by the Scottish Government will not provide the funding required to meet unavoidable cost pressures such as pay awards, demographics and indexation and that, as a result, very significant budget savings will be required in 2019/20;
6. Notes the significant reductions in core revenue funding to the council since 2014/15 and the very significant savings that have been required since 2007/08;
7. Agrees that the Head of Finance and Property Services should update the agreed 2019/20 revenue budget taking account of the outcome of the finance settlement and latest circumstances and update the capital programme taking account of latest funding position and circumstances;
8. Agrees that the Head of Finance and Property Services should continue to assess the outcome of the detailed local government finance settlement, and should provide updated revenue and capital budgets to Council in February 2019;
9. Advises officers of any further action that Council Executive would wish to see in relation to the settlement.

C. SUMMARY OF IMPLICATIONS

I	Council Values	Being honest, open and accountable, working in partnership and making best use of resources.
II	Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	The council must approve a balanced revenue budget before 11 March each year to comply with statutory obligations. However, the budget is required to be approved by mid-February to facilitate the council tax billing process.
III	Implications for Scheme of Delegations to Officers	None.

IV	Impact on performance and performance Indicators	The funding settlement from the Scottish Government has a significant impact on the level of resources available to the council and, as a result, performance.
V	Relevance to Single Outcome Agreement	The council's budgets provide resources necessary to help deliver the Single Outcome Agreement.
VI	Resources - (Financial, Staffing and Property)	<p>Scottish Government funding is not sufficient to meet increasing costs and demand for services. Based on agreed budget assumptions, the council faced a revenue budget gap of £65.3 million over the five year period 2018/19 to 2022/23. West Lothian Council agreed budget savings of £60 million, leaving a balance to be found of £5.3 million.</p> <p>An initial assessment of the provisional local government finance settlement for 2019/20 has been made and officers will further consider the implications for the council, including comparison to budgeted assumptions in the five year financial plan agreed in February 2018.</p>
VII	Consideration at PDSP	Quarterly horizon scan reports are provided to the Partnership and Resources PDSP outlining economic forecasts and potential impacts on public sector funding. The next update is scheduled for 1 February 2019.
VIII	Other consultations	This update is part of the ongoing briefing and consultation with elected members on financial issues.

D. TERMS OF REPORT

D.1 Background

The Cabinet Secretary for Finance, Economy and Fair Work, in a statement to the Scottish Parliament on 12 December 2018, announced the Scottish Draft Budget 2019/20. The Cabinet Secretary also wrote to the COSLA President, copying Council Leaders, on 12 December 2018 to confirm details of the local government finance settlement. The Scottish Government published Local Government Finance Circular 8/2018 on 17 December 2018, which was to be read in conjunction with the Cabinet Secretary's letter of 12 December. The allocations form the basis of the annual consultation between the Scottish Government and COSLA, ahead of the Local Government Finance (Scotland) Order 2019 being presented to the Scottish Parliament in 2019. In order to pass the 2019/20 Scottish Budget, the Scottish Government will require support within the Scottish Parliament. The draft Scottish Budget will be considered by the Scottish Parliament at readings of the Bill on 31 January, 6 February and 21 February 2019.

On 13 February 2018, West Lothian Council agreed a long term financial plan for five years and detailed revenue budgets for the three years 2018/19 to 2020/21. This has allowed the council to comply with best practice which indicates that public bodies should focus on their medium to long term sustainability, through having a strategy covering a minimum of five years, supported by detailed plans covering a minimum of three years. The 2017/18 annual audit report from EY, the council's external auditors, commented favourably on the process followed and the decisions made by the council.

D.2 Scottish Economic Growth

The Scottish Fiscal Commission (SFC) contributes to the Scottish Budget process by providing estimates and forecasts on growth. As income tax has been devolved to Scotland, forecasts for economic growth have an impact on income tax estimates. Following better than anticipated performance in the production industry and exports in 2017 and 2018 to date, the SFC has upwardly revised their forecast growth assumptions in the short term.

A comparison to the Office for Budget Responsibility UK growth forecasts is summarised as follows:

Table 1: Scottish and UK GDP Forecasts

	2018	2019	2020	2021
Scottish Forecast GDP (December 2018)	1.4%	1.2%	1.0%	1.2%
UK Forecast GDP (Autumn Budget 2018)	1.3%	1.6%	1.4%	1.4%

Whilst the outlook for 2018 and 2019 has improved, forecast annual economic growth from 2020 onwards is subdued, reflecting low productivity growth. Growth to quarter 2 of 2018 was higher than the UK as a whole, with Scottish growth in quarter 3 of 2018 being 0.3%, however it is still below long term growth trends and lower than the UK in overall terms, with a significant gap remaining between Scotland and the UK.

The economic outlook continues to remain highly uncertain, although the SFC's central assumption is of an orderly exit from the EU. Should no Brexit deal be secured, there is a risk of a major impact on Scottish GDP, as shown in recent Bank of England projections. The Bank has forecast that a disruptive exit could result in a 3% reduction in GDP, with a disorderly exit resulting in an 8% reduction. This compares to the 2008/09 crisis where Scottish GDP reduced by 4%.

Although the growth projections were higher than previously forecast, the Scottish Government's forecasts for revenues raised from devolved tax in Scotland in 2019/20 are lower than originally projected. This decrease has partially offset the Barnett Consequentials received in the Autumn Statement 2018 and extra income from Scottish tax rates and bands deviating from the UK position.

If the Scottish growth forecasts prove to be optimistic and have to be revised downwards in future, this would have a negative impact on the overall resources available within the Scottish Budget. In addition the Scottish Fiscal Commission also forecasts that the Scottish Government may have to pay back substantial sums to the UK Government once reconciliations are completed on devolved tax take and the block grant adjustment from 2018/19 onwards.

D.3 Total Spending in Scotland

In overall terms, Scotland's total proposed spending plans, as set out in the Draft Budget 2019/20, amount to £42,539 million, an increase of £1,984 million compared to the Scottish Budget 2018/19. The allocations per portfolio are set out in the table below:

Table 2: Total Scottish Budget by Portfolio

Portfolio	2018/19 Budget £'m	2019/20 Draft Budget £'m	Movement £'m
Health and Sport	13,599.1	14,323.2	724.1
Communities and Local Government	11,530.3	11,864.8	334.5
Finance, Economy and Fair Work	5,057.5	5,336.8	279.3
Education & Skills	3,412.6	3,448.0	35.4
Justice	2,652.9	2,719.2	66.3
Transport, Infrastructure and Connectivity	2,647.5	2,910.2	262.7
Environment, Climate Change and Land Reform	405.5	426.6	21.1
Rural Economy	362.1	351.0	(11.1)
Culture, Tourism & External Affairs	344.3	331.0	(13.3)
Social Security and Older People	122.9	584.9	462.0
Government Business and Constitutional Relations	2.4	12.1	9.7
Administration	192.6	0	(192.6)
Crown Office and Procurator Fiscal	116.0	120.7	4.7
Scottish Parliament and Audit Scotland	109.6	110.6	1.0
Total	40,555.3	42,539.1	1,983.8

The total proposed spending plans include both revenue resource and capital spending plans with health and sport receiving the biggest increase in funding of £724 million. Following the Chancellor

of the Exchequer's Autumn Budget in October 2018, the Scottish Government committed to allocating the full health Barnett Consequentials of £550 million to health spending in Scotland. As shown in the table above, health and sport received substantially more funding, with health resource spending increasing by 3.4% in real terms. Analysis from the Fraser of Allander Institute (FAI) anticipates that the Scottish Government have incorporated estimates of growth in demand for health services, which is why the funding allocated to this area has grown more than the Barnett Consequentials. Excluding capital, health now represents approximately 50% of the total Scottish resource budget.

With health receiving additional resource funding over and above Barnett Consequentials, other portfolios have seen real terms reductions in revenue resource funding, masked to some degree in the totals by capital funding. Local government represents the second largest element of the overall Scottish Budget, and in the draft budget core local government funding has seen the majority of the reduction in resource funding.

D.4 Devolved Taxation

The Scottish Government spending plans are underpinned by revenue raising tax powers devolved by the Scotland Act 2016. In 2019/20, tax revenues raised in Scotland will fund 40% of Scottish Government expenditure.

The SFC, which is an independent statutory body, is responsible for producing revenue forecasts for fully devolved taxes and non-savings non dividend (NSND) income tax. All forecast revenues underpinning the Scottish Budget are produced by the SFC.

Scottish Income Tax

The Scotland Act 2016 confers on the Scottish Parliament the power to set all income tax rates and the threshold of bands (above the Personal Allowance) that apply to the NSND income from Scottish taxpayers. The Scottish Government will receive all the revenue raised from NSND income tax in Scotland as a consequence of rates and bands set by the Scottish Parliament.

As part of the 2018/19 Scottish Budget significant changes to Scottish income tax were announced, along with the introduction of two new bands and a change to some rates. The thresholds of the proposed Scottish Income Tax bands for 2019/20 are as follows:

Table 3: Scottish Income Tax Rates

Scottish Income Tax Rates	Scottish Bands
Scottish Starter Rate 19%	Over £12,500 to £14,549
Scottish Basic Rate 20%	Over £14,549 to £24,944
Scottish Intermediate Rate 21%	Over £24,944 to £43,430
Scottish Higher Rate 41%	Over £43,430 to £150,000
Scottish Additional Rate 46%	Over £150,000

The SFC forecast that the Scottish Income Tax will generate receipts of £11.684 million in 2019/20, with an additional £64 million being generated from the changes to the thresholds.

Land and Buildings Transaction Tax (LBTT)

The Scottish Government is proposing that LBTT in 2019/20 is maintained at 2018/19 rates. However it is proposed that the Additional Dwelling Supplement (ADS) is increased from 3% to 4%. The 4% applies to the total price of the property for all relevant transactions above £40,000 and is charged in addition to the rates set out in the above table. The SFC forecast that the LBTT, including ADS, will generate £643 million in 2019/20.

Scottish Landfill Tax

The Scottish Government is proposing that the standard rate of Scottish Landfill Tax (SLfT) increases to £91.35 per tonne and the lower rate to £2.90 per tonne in 2019/20 in line with RPI inflation and other UK landfill charges. The SFC forecast tax revenue from SLfT in 2019/20 is £104 million.

D.5 Public Sector Pay Policy

The public sector pay policy applies to staff under the Scottish Governments' remit, so does not include local government. The public sector pay policy for 2019/20 was announced alongside the draft Scottish Budget 2019/20, it includes a 3% rise for those earning less than £36,500; provides a 2% rise for all those earning between £36,500 and £80,000; and limits the maximum pay uplift for those earning over £80,000 to £1,600.

D.6 Welfare Changes

The Social Security (Scotland) Act 2018 received Royal Assent on 1 June 2018, with Scottish social security benefits now starting to be delivered. This includes Carers Allowances Supplement Payments and the Best Start Baby and pregnancy payments from December 2018. From 1 April 2019, the Carers Allowance will increase to £66.15 per week and the Carers Allowance Supplement will increase to £8.70. Best Start Early Learning and School payments and Funeral Expense Assistance will be introduced in summer 2019.

The draft Scottish Budget confirmed that funding for the Scottish Welfare Fund and funding to fully mitigate Bedroom Tax losses in 2019/20 will be provided as follows:

- Funding of £52.3 million to councils to fully mitigate the effects of bedroom tax losses in 2019/20;
- Additional funding of £10.9 million will be provided for Discretionary Housing Payments;
- Funding will be provided to councils, with the Scottish Welfare Fund funding level being frozen at 2018/19 levels of £38 million.

D.7 Local Government Funding

In 2019/20, the total managed expenditure available within the local government portfolio is £10,779.9 million. This figure includes general revenue and capital grant funding, specific revenue and capital grants, as well as an estimate of non-domestic rate income. There are a number of other funding allocations linked to individual policy initiatives held within other spending portfolios and, taking account of this, the total 2019/20 local government funding settlement is £11,071.4 million. The formula share of the revenue grant, non-domestic rate income and capital grant for each council is set out in Finance Circular 8/2018, published on 17 December 2017. The total funding for local government as set out in the circular based on the Scottish Draft Budget is set out below:

Table 4: Scottish Government Funding to Local Government (Cash Terms)

	2018/19 Budget £'m	2019/20 Draft Budget £'m	Movement £'m
Revenue Funding			
General Revenue Grant	6,891.0	6,626.6	(264.4)
Non Domestic Rates Income	2,636.0	2,853.0	217.0
Specific Grants	267.5	507.6	240.1
2018/19 Stage 1 Budget Bill Paid 2017/18	34.5	0.0	(34.5)
Total Revenue Funding	9,829.0	9,987.2	158.2
Capital Funding	876.4	1,084.2	208.0
Total Government Funding to Local Government	10,705.4	11,071.4	366.2

The overall funding available to local government in 2019/20 will increase in cash terms, however the core local government settlement will decrease in real terms by 3.4% in 2019/20. This decrease is calculated after allowing for new specific grants, which are earmarked for delivery of Scottish Government priorities such as early learning and childcare, and the return of £150 million in general capital grant which was reprofiled from the 2016/17 local government finance settlement. Although total revenue funding is increasing by £158.2 million, as shown above, if the ringfenced funding is deducted the actual movement is a reduction of £245.2 million.

Table 5: Decrease in Core Revenue Funding After Deduction of Ringfenced Funding

	£'000
Cash Increase in Total Revenue Funding for Local Government	158,147
<u>Less: Ringfenced Funding</u>	
Early Learning and Childcare	(240,000)
Health and Social Care	(108,000)
Mental Health Counsellors in Schools	(12,000)
Implementation of Barclay	(3,300)
Carers Act	(10,000)
Free Personal Care for Under 65s (Franks Law)	(30,000)
Cash Decrease in Total Revenue Funding for Local Government in 2018/19	(245,153)

The Scottish Parliamentary Information Centre (SPICe) estimates that in addition to 1.7% cash and 3.4% real reduction in combined general revenue grant and non domestic rates, if the £150 million rephased capital grant was removed, support for capital would fall significantly by 7.5% in cash terms and 9.1% in real terms.

Providing some context to the cash movement, local government has seen its percentage share of the overall Scottish Budget falling year on year. In 2007/08, local government received 28.62% of the total budget. In 2019/20, based on the draft budget, local government's share will be 26.03%.

As confirmed by the FAI, the headline local government settlement is flat in real terms only because capital and specific grants are included. The significant cash reduction in funding for existing council services received through the general revenue grant will have major implications for local service delivery in councils. In summary the real changes in each of the elements of the local government finance settlement, as provided by the FAI, are as follows:

Table 6: Real Movements in 2019/20 Local Government Finance Settlement

	Real Movement from 2018/19 %
General Revenue Grant (for existing service delivery)	(7.2)
Non Domestic Rates	6.3
Core Local Government Finance Settlement	(3.4)
Specific Grants (includes Early Learning & Childcare)	73.6
Total Resource Budget	(1.2)
General Capital Grant (includes return of 16/17 £150 million)	15.5
Specific Grants (includes Early Learning & Childcare)	34.4
Total Capital Budget	21.5
Total Resource and Capital Budget	0.7

Source: Fraser of Allander Institute, 2018

Budget reductions have been delivered over a number of areas of the Scottish Budget, from Higher Education to concessionary fares and bus services, however local government has seen largest reduction in core funding. Between 2016/17 and 2019/20, the core local government finance settlement will have decreased by 9% in real terms. The size of the local government budget means that substantial additional funding would be required to restore funding to 2016/17 levels in real terms. To restore core funding, £539 million would be required, which is nearly £500 million more than Higher Education which has the next largest real terms reduction in funding.

D.8 High Level Local Government Settlement

As set out in the Finance Circular 8/2018, total local government revenue funding for 2019/20 will be £9,987.2 million and capital funding will be £1,084 million, representing total local government funding of £11,071.4 million.

The provisional total funding allocations form the basis for the annual consultation between the Scottish Government and COSLA ahead of the Local Government Finance (Scotland) Order 2019 being presented to the Scottish Parliament in February 2019.

The allocations to individual local authorities contained in the finance circular have been arrived at using the standard needs based distribution methodology and updated indicators. There have been a number of questions on the settlement and local government officers, along with COSLA, are liaising with Scottish Government officials to fully verify the assumptions and figures contained in the settlement. Any redistribution to address agreed discrepancies found in the finance circular will be undertaken within the total settlement allocations set out and not through the provision of any additional resources by the Scottish Government. The allocations are therefore only provisional at this stage, and will be subject to any correction agreed as part of the consultation process.

The package of measures offered to councils is as follows:

- Baseline from 2019/20 the full £170 million additional revenue investment announced at stage one of 2018/19 Budget Bill.
- £210 million revenue and £5 million capital funding to support the expansion in early learning and childcare (ELC) hours to 1,140 by 2020.
- £40 million in 2019/20 to support the expansion of Free Personal and Nursing Care for under 65s and the implementation of the Carers Act.
- £120 million to be transferred from the health portfolio for investment in integration, including delivery of the Living Wage, uprating personal care and school counselling services.
- Maintenance of the pupil teacher ratio nationally and provision of places for all probationers who require one under the teacher induction scheme.
- An allocation of £3.3 million for the implementation of the Barclay Review of business rates.
- Repayment, in full, of the £150 million general capital grant funding reprofiled from 2016/17.
- A £50 million Town Centre Fund to enable local authorities to stimulate and support place-based economic improvements and inclusive growth.

The letter from the Cabinet Secretary of 12 December outlined that individual local authorities will, in return for this settlement, be expected to deliver certain specific commitments. For 2019/20, local authorities will continue to have flexibility to increase council tax by a maximum of 3%.

The total £160 million allocated to health and social care has to be additional to councils' 2018/19 spending on social care and is not substitutional. This means that local authority social care budgets for allocation to Integration Authorities and funding for school counselling, must be £160 million greater than 2018/19 budgets.

The Scottish Government is committed to a programme of educational reform and will work in partnership with local authorities to empower schools to make key curriculum, budgetary and staffing decisions. The Cabinet Secretary, in his letter of 12 December, states that the Scottish Government will continue to commit an overall funding package in the local government finance settlement to support both maintaining the pupil teacher ratio at a national level and ensuring that places are provided for all probationers who require one under the teacher induction scheme. The Scottish Government recognise that discussions on teachers' pay are ongoing through the tri-partite Scottish Negotiating Committee for teachers and any additional allocation to fund a negotiated agreement will require to be agreed.

As noted, the overall finance settlement provided to local government in 2019/20 in circular 8/2018 is £11,071.4 million. The finance circular confirms that a number of funding distributions have still to be allocated at individual local authority level in 2019/20 including teacher induction scheme funding of £37.6 million, free personal care for under 65s and £12 million for mental health. In addition, although the settlement includes funding for discretionary housing payments of £63.2 million nationally, the council will not receive confirmation of its share of this funding until late January 2019. For the new funding streams of free personal care and mental health, this funding would be cost neutral for the council due to expenditure commitments. Once individual funding allocations are known for these sources of funding, the council's grant funding will be updated accordingly. For teachers' induction scheme and discretionary housing payments, it would be reasonable to assume that the level of funding received in 2018/19 would be replicated in 2019/20.

D.9 High Level Implications for West Lothian Council

The provisional distributable revenue grant allocation for West Lothian Council set out in the circular for 2019/20 is £319.734 million. This reflects a £3.881 million increase compared to the equivalent figure in 2018/19. As outlined above in section D.8, the council has still to receive confirmation of some unallocated funding amounts including discretionary housing payments and teachers' induction. Assuming that 2019/20 unallocated funding is provided to local authorities on the basis of 2018/19 figures, the council would receive an additional £3.128 million in funding, although the council still awaits confirmation of its share of grant allocations for these items. Adding this to the amount in the circular, the council's draft 2019/20 Scottish Government funding would be £322.862 million which is £4.692 million greater than the equivalent figure in 2018/19.

It is important to note that within the provisional West Lothian allocation there is £9.462 million of funding which relates to new additional expenditure commitments for 2019/20. Taking account of this, the council's 2019/20 core funding from the Scottish Government for existing service delivery is equivalent to a £4.77 million reduction compared to 2018/19. In summary, the movement in funding for West Lothian Council is as follows:

Table 7: Movement in Scottish Government Grant Funding for West Lothian Council

		£'000
2018/19 Scottish Government Grant Funding		318,170
2019/20 Scottish Government Grant Funding		322,862
Gross Increase in Grant Funding		4,692
Less Specific/Ringfenced Grants for Scottish Government Commitments:		
• Early Years Expansion	(6,223)	
• Health and Social Care	(3,083)	
• Carer's Act Extension	(285)	
• Free Sanitary Products in Public Buildings	(37)	
• Other movements in specific grants	166	(9,462)
Net Decrease in 2019/20 Core Grant Funding		(4,770)

It should be stressed that this is an initial assessment and the process of consultation with councils is open until 18 January 2019. Any changes as a result of the consultation will require a redistribution of the settlement allocations.

Figures for provisional capital grant funding indicate that the council will receive general capital grant funding of £17.615 million, £296,000 for Cycling, Walking and Safer Streets and £4.8 million for early learning and childcare. The general capital grant and Cycling, Walking and Safer Streets include £3.070 million that was rephased from 2016/17. Deducting the return of the council's 2016/17 capital allocation, the council's general capital grant is £431,000 less than the 2018/19 grant.

Further clarification will be available via adviser briefings to the CIPFA Directors of Finance Group over the coming weeks on the 2019/20 budget position and medium term financial implications resulting from information available from the Scottish Fiscal Commission. Levels of growth and

productivity in the Scottish economy will have a significant bearing on medium term funding of the Scottish budget going forward, including for local government. Changing economic circumstances, including Brexit, further contributes to the uncertainty around future funding. All indications are that medium term economic growth and, as a result, funding for the public sector will continue to be constrained which reinforces the need for long term financial planning.

Although Scottish Government funding was only confirmed for 2018/19, the council agreed a five year financial plan with detailed budgets for 2018/19 to 2020/21 and a ten year capital investment programme on 13 February 2018. The council's medium to long term approach to financial planning acknowledges the importance of having robust medium term financial strategies in place to achieve financial sustainability. The approved financial plan included a budget gap of £65.3 million over the five years to 2022/23, with approved savings of £60 million. These savings are in addition to the £92 million of savings which the council delivered over the ten year period 2007/08 to 2017/18.

Council savings since 2007/08, and including savings agreed as part of the five year financial strategy to 2022/23 in February 2018, are summarised as follows:

Table 8: Revenue Budget Savings 2007/08 to 2022/23

	£'000
2007/08	3,555
2008/09	6,536
2009/10	2,824
2010/11	5,334
2011/12	16,745
2012/13	8,756
2013/14	7,669
2014/15	7,067
2015/16	12,108
2016/17	12,529
2017/18	8,783
Total	91,906
2018/19	13,898
2019/20	15,626
2020/21	11,757
2021/22 and 2022/23	24,048
Total	157,235

The approved 2019/20 revenue budget included a number of assumptions regarding grant funding. It was assumed that the council would receive a reduction in core funding of £4 million, offset by some additional funding for historic loans fund borrowing and the Living Wage for Social Care. The total budgeted grant movement for 2019/20 agreed on 13 February 2018 was a reduction of £3.27 million. As shown in the table 6, the council's actual movement in Scottish Government grant funding for 2019/20 is a reduction of £4.77 million. This means that the 2019/20 settlement is £1.5 million worse than the budgeted position for 2019/20 assumed in February 2018.

The increased use of ringfenced funding for Scottish Government initiatives and priorities, means that total resources available to support existing local service delivery are becoming constrained. Since 2013/14, the council has received a cash increase in grant funding of £20.057 million. In that same period, cash funding of £35.446 million has been provided for a number of national commitments including, but not limited to, council tax freeze, health and social care and funding for schools. This means that over the period since 2013/14, the council has received a cash cut in core funding of £15.389 million.

Table 9: Analysis of Movement in Core Scottish Government Grant Funding 2013/14 to 2019/20

Year	Gross Movement £'000	Ringfenced Funding £'000	Net Movement in Core Funding £'000
2013/14	2,798	2,603	195
2014/15	4,134	4,307	(173)
2015/16	5,960	6,465	(505)
2016/17	(4,580)	2,084	(6,664)
2017/18	(799)	5,052	(5,851)
2018/19	7,715	5,331	2,384
2019/20	4,829	9,604	(4,775)
Total	20,057	35,446	(15,389)

Following the announcement of the draft local government finance settlement, officers will now review the budget model to incorporate the updated funding for 2019/20. In addition, officers will review expenditure assumptions to reflect any changes in circumstances since approval of the budget in February 2018. Taking account of confirmation on the 2019/20 local government finance settlement, and the latest budget model assumptions, the Head of Finance and Property Services will present an updated 2019/20 budget, four year revenue financial plan and updated nine year capital investment programme to Council for approval in February 2019.

The Scottish Parliament will consider the draft Scottish Budget at readings scheduled for 31 January, 6 February and 21 February 2019, where there is the potential for the draft Scottish Budget to be amended. COSLA have been highlighting the impact of the reduction in core grant funding to councils, emphasising the need for a rethink from the Scottish Government or a Parliamentary intervention otherwise the delivery of essential local services are at risk. COSLA have emphasised in their communications that core budgets at a local level have reduced substantially and if the settlement is not changed, it will result in substantial job losses in local government to ensure councils can continue to balance their budgets. COSLA continue to campaign for an increase to the local government finance settlement, and the impact of this campaigning will become clear during the budget bill readings scheduled for early in 2019.

E. CONCLUSION

The Scottish Government published the draft 2019/20 Scottish Budget on 12 December 2018 and the Cabinet Secretary wrote to the COSLA President on the same day. The provisional local government finance settlement for 2019/20 was announced on 17 December 2018. The total local government settlement is £11,071.4 million, which after deduction of ringfenced funding for Scottish Government commitments represents a real terms reduction in core funding for existing services of 3.4%. Core revenue grant funding for 2019/20 has been reduced by £245 million.

For West Lothian, the increase in revenue grant funding, based on the settlement, is £4.692 million. After taking account of funding provided for new spend commitments, the comparable reduction compared to 2018/19 is £4.770 million. It is clear that the revenue funding package proposed by the Cabinet Secretary will not provide sufficient funds to meet cost pressures and increasing demands and very significant savings will continue to be required in 2019/20 and future years. In addition, the council's core general capital grant has been reduced by £431,000.

It is proposed that the Head of Finance and Property Services continues to assess the outcome of the detailed local government finance settlement, taking account of further confirmation required and the further funding streams to be clarified. Based on further review of the figures and forecasts contained in the local government finance settlement and associated documents, it is proposed that the Head of Finance and Property Services updates the approved revenue and capital budgets for 2019/20 for reporting to Council in February 2018.

F. BACKGROUND REFERENCES

Revenue Budget 2018/19 - 2022/23 - Report by Head of Finance and Property Services to West Lothian Council on 13 February 2018

Scottish Budget 2019/20 published by Scottish Government on 12 December 2018

Local Government Finance Circular 8/2018 published by Scottish Government on 18 December 2018

Appendices/Attachments:

None

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